Banking and Finance Law Daily Wrap Up, TOP STORY—Fed, FDIC: no 'deficiencies' in 2017 SIFI resolution plan submissions, (Dec. 20, 2017)

Banking and Finance Law Daily Wrap Up

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The Federal Deposit Insurance Corporation and the Federal Reserve Board jointly announced that the July 2017 resolution plans submissions of the eight largest and most complex U.S. banking institutions did not have deficiencies severe enough to trigger a resubmission process that could result in more stringent requirements. Resolution plans, or living wills as they are commonly known, must describe the company's strategy for rapid and orderly resolution under bankruptcy in the event of material financial distress or failure of the company. The annually submitted plans are required to be reviewed by the Fed and the FDIC under the Dodd Frank Act.

According to FDIC Chairman, Martin J. Gruenberg, feedback letters issued and sent to each firm indicated that the banks made "substantial progress" in their efforts to address previously identified shortcomings and vulnerabilities. However, the agencies determined that the plans of four firms have "shortcomings" that should be addressed: Bank of America, Goldman Sachs, Morgan Stanley, and Wells Fargo. The other four banks, Bank of New York Mellon, Citigroup, J.P. Morgan Chase, and State Street, did not have shortcomings specified in the agencies' letters.

Gruenberg stated that the firms have taken steps to rationalize their corporate structures; establish clean holding companies with market-funded, loss-absorbing capacity; develop frameworks for identifying their resource availability and needs in resolution; and identify and mitigate key legal and operational obstacles.

The agencies also identified four areas in which more work needs to be done by all firms to continue to improve their resolvability: intra-group liquidity; internal loss-absorbing capacity; derivatives; and payment, clearing, and settlement activities.

Pleased at progress. Wells Fargo issued a statement it was "pleased" that its resolution plan submission was free of deficiencies, and pledged to "address the feedback we received from the agencies and are committed to continuing to strengthen Wells Fargo's resolution planning capabilities."

The Bank of New York Mellon also issued a statement on the agencies' feedback on the 2017 resolution plan. "We are pleased with the regulators' feedback, which validates the enormous efforts we have made to enhance our resolvability. As we move forward, we will continue to maintain our strategic focus on resolvability and resiliency," the company said.

Citigroup also responded to the Fed and FDIC feedback with a statement from Michael Corbat, Citi's Chief Executive Officer. "We are pleased that neither the Fed nor the FDIC found any deficiencies or shortcomings in our 2017 Resolution Plan," said Corbat.

State Street also responded, asserting that the "preparation of State Street's 2017 resolution plan entailed senior executive oversight and firm-wide engagement across operations, legal entity governance, capital and liquidity."

Companies: Bank of America; Bank of New York Mellon; Citigroup; Goldman Sachs; J.P. Morgan Chase; Morgan Stanley; State Street; Wells Fargo

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