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**Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation**

Joint Release

For Immediate Release

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Agencies Provide Feedback on Second Round Resolution Plans of "First-Wave" Filers *Firms Required to Address Shortcomings in 2015 Submissions*

The Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation announced the completion of reviews of the second round of resolution plans submitted by 11 large, complex banking organizations in 2013. The agencies have issued letters to each of these banking organizations.

In their review of the resolution plans, the agencies noted some improvements from the original plans submitted by these "first-wave filers" in 2012. Among the improvements were the narratives and the attempts to address the five obstacles identified in guidance issued by the agencies in April 2013. These improvements notwithstanding, the agencies have jointly identified specific shortcomings with the 2013 resolution plans that will need to be addressed in the 2015 submissions. The letters to each first-wave filer detail the specific shortcomings of each firm's plan and the expectations of the agencies for the 2015 submission.

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that certain banking organizations with total consolidated assets of \$50 billion or more and nonbank financial companies designated by the Financial Stability Oversight Council for supervision by the Federal Reserve periodically submit resolution plans to the Federal Reserve and the Federal Deposit Insurance Corporation. Each plan, commonly known as a living will, must describe the company's strategy for rapid and orderly resolution in the event of material financial distress or failure of the company. The 11 firms in the first group of filers include Bank of America, Bank of New York Mellon, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley, State Street Corp., and UBS.

Overview of Plan Shortcomings

While the shortcomings of the plans varied across the first-wave firms, the agencies have identified several common features of the plans' shortcomings. These common features include: (i) assumptions that the agencies regard as unrealistic or inadequately supported, such as assumptions about the likely behavior of customers, counterparties, investors, central clearing facilities, and regulators, and (ii) the failure to make, or even to identify, the kinds of changes in firm structure and practices that would be necessary to enhance the prospects for orderly resolution. The agencies will require that the annual plans submitted by the first-wave filers on or before July 1, 2015, demonstrate that the firms are making significant progress to address all the shortcomings identified in the letters, and are taking actions to improve their resolvability under the U.S. Bankruptcy Code. These actions include:

- establishing a rational and less complex legal structure that would take into account the best alignment of legal entities and business lines to improve the firm's resolvability;
- developing a holding company structure that supports resolvability;

- amending, on an industry-wide and firm-specific basis, financial contracts to provide for a stay of certain early termination rights of external counterparties triggered by insolvency proceedings;
- ensuring the continuity of shared services that support critical operations and core business lines throughout the resolution process; and
- demonstrating operational capabilities for resolution preparedness, such as the ability to produce reliable information in a timely manner.

The agencies are also committed to finding an appropriate balance between transparency and confidentiality of proprietary and supervisory information in the resolution plans. As such, the agencies will be working with these firms to explore ways to enhance public transparency of future plan submissions.

As noted earlier, the agencies will require that the annual plans submitted by the first-wave filers on or before July 1, 2015, demonstrate that the firms are making significant progress to address all the shortcomings identified in the letters. Agency staff will work with each of these firms to discuss expected improvements in the resolution plans and the efforts, both proposed and already in progress, to facilitate each firm's preferred resolution strategy.

Based on the review of the 2013 plans, the FDIC Board of Directors determined pursuant to section 165(d) of the Dodd-Frank Act that the plans submitted by the first-wave filers are not credible and do not facilitate an orderly resolution under the U.S. Bankruptcy Code. The Federal Reserve Board determined that the 11 banking organizations must take immediate action to improve their resolvability and reflect those improvements in their 2015 plans. The agencies agreed that in the event that the first-wave filers have not, on or before July 1, 2015, submitted plans responsive to the identified shortcomings, the agencies expect to use their authority under section 165(d) to determine that a resolution plan does not meet the requirements of the Dodd-Frank Act.

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