

Board of Governors of the Federal Reserve System

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Press Release

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Release Date: August 5, 2014

Statement of the Board of Governors of the Federal Reserve System regarding the 2013 resolution plans filed by 11 large banking organizations

The Board today determined that 11 banking organizations must take meaningful action to improve their resolvability in bankruptcy and reflect those improvements in the resolution plans due to be filed by the firms in July 2015 under the provisions of section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").¹ The Board believes that the 2013 resolution plans for each of these firms reflected important shortcomings in their resolution planning efforts. While the shortcomings are individual to each firm, some common shortcomings include the use of optimistic and unrealistic assumptions about the ability of the firm to avoid the consequences of bankruptcy, reliance on unsupported expectations regarding the international resolution process, and failures to address structural and organizational impediments to an orderly resolution of the firm in bankruptcy. These shortcomings are listed in letters that are being sent to each firm jointly by the Board and the FDIC.

The Board is taking this action today to ensure that all firms take steps to improve their resolvability under bankruptcy.

In the event that a banking organization does not satisfactorily address in its 2015 resolution plan the shortcomings identified and communicated to the firm by the Board and the FDIC, the Board expects to find the resolution plan to be deficient. Under section 165(d) of the Dodd-Frank Act, the Board and the FDIC may act jointly to require a firm to take specific actions to improve the firm's resiliency and resolvability if the Agencies jointly determine that the resolution plan filed by the firm is not credible or would not facilitate an orderly resolution of the firm under the U.S. Bankruptcy Code. The Board may also use its supervisory authority to order specific actions consistent with the safe and sound operation of the firm to achieve improvements in the resolvability of the firm.

The Board's action is in keeping with the final resolution planning rule published jointly by the Board and the FDIC on a November 1, 2011, [Federal Register](#) notice. In the joint statement of the Agencies accompanying the final rule, the Agencies noted that they "expect the review process [for the plans] to evolve as covered companies gain more experience in preparing resolution plans.... There is no expectation by the Board and the Corporation that the initial resolution plan iterations submitted after this rule takes effect will be found to be deficient, but rather the initial resolution plans will provide the foundation for developing more robust annual resolution plans over the next few years following the initial period."²

The Board and the FDIC have completed their review of the resolution plans filed by these firms in October 2013. The 2013 plans that were the basis for the Board's analysis are the second round of resolution plans filed by the 11 firms. These firms first filed resolution plans in July 2012. After reviewing the July 2012 plans, the Agencies issued guidance in April 2013 modifying certain assumptions that firms should use in preparing and updating their resolution plans and extending until October 2013 the time to file the second resolution plans.³ These changes were largely reflected in the resolution plans filed by the firms in October 2013.

While firms recently filed resolution plans for 2014 that are still under review, the Agencies had not provided joint guidance on the shortcomings of the 2013 plans. By providing notice and specific guidance to each firm about shortcomings in each firm's plan, the Agencies are providing notice to each firm of the specific and concrete steps the firm must take to improve its resolvability under bankruptcy. The Board believes the joint letters of the Board and the FDIC identifying shortcomings that must be addressed by the firms provide an effective way to improve the resolvability of firms and the resiliency of the U.S. financial system, which is the purpose of section 165(d) of the Dodd-Frank Act.

(signed)

Robert deV. Frierson
Secretary of the Board

1. Voting for this action: Chair Yellen, Vice Chairman Fischer, and Governors Tarullo, Powell, and Brainard. [Return to text](#)

2. 76 *Federal Register* 67331 (November 1, 2011). [Return to text](#)

3. See [Guidance](#) for 2013 §165(d) Annual Resolution Plan Submissions, dated April 15, 2013. [Return to text](#)

[Agencies provide feedback on second round resolution plans of "First-Wave" filers](#)

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