Joint Release

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

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Agencies Finalize Changes to Resolution Plan Requirements; Keeps Requirements for Largest Firms and Reduces Requirements for Smaller Firms

The Federal Reserve Board and the Federal Deposit Insurance Corporation on Monday announced that they had finalized a rule that modifies their resolution plan requirements for large firms. The rule retains resolution plan elements in place for the largest firms, while reducing requirements for smaller firms that pose less risk to the financial system.

Resolution plans, also known as living wills, describe a firm's strategy for orderly resolution under bankruptcy in the event of material financial distress or failure of the firm. Since the resolution planning requirements took effect in 2012, the largest firms have improved their resolution strategies and governance, refined their estimates of liquidity and capital needs in resolution, and simplified their legal structures. These changes have made the firms substantially more resilient.

The final rule is substantially the same as the proposal from earlier this year. It uses a separate framework developed by the banking agencies for application of prudential requirements, and establishes resolution planning requirements tailored to the level of risk a firm poses to the financial system. The final rule is consistent with the Economic Growth, Regulatory Relief, and Consumer Protection Act and would affect domestic and foreign firms with more than $100 billion in total consolidated assets.

For the most systemically important firms, the final rule would adopt the current practice of requiring resolution plans to be submitted on a two-year cycle. The final rule would tailor the rule's requirements for firms that do not pose the same systemic risk as the largest institutions, requiring resolution plans to be submitted on a three-year cycle. Both groups of firms would alternate between submitting full resolution plans and targeted resolution plans. Foreign firms with relatively limited U.S. operations would be required to submit reduced resolution plans.

A targeted resolution plan would include core elements related to capital, liquidity, and plans for recapitalization, as well as material changes to the firm and areas of interest identified by the agencies. Targeted resolution plans would not include certain areas if they are materially unchanged from one cycle to another, such as descriptions of management information systems and corporate governance systems. As a result, targeted resolution plans would give the agencies meaningful insight into the key vulnerabilities in a firm's resolution strategy.

Firms with less than $250 billion in total consolidated assets that do not meet certain risk criteria would no longer be subject to the rule. These firms have simpler structures, engage more exclusively in traditional banking activity, and present less risk. These changes do not affect the resolution planning requirements under the FDIC's insured depository institution rule for large insured depository institutions, which is part of a separate rulemaking.

In a change from the proposal, only smaller and less complex firms could request changes to their full resolution plans and both agencies would need to approve those requests for them to become effective.

The attached charts show the new requirements and a list of firms that are expected to be in each category. The rule will be effective 60 days after publication in the *Federal Register*.

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Attachments:
Amendments to 12 C.F.R. 381 - Final Rule

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