Joint Release

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

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Agencies Invite Comment on Modifications to Resolution Plan Requirements; Proposal Keeps Existing Requirements for Largest Firms and Reduces Requirements for Firms with Less Risk

The Federal Reserve Board and the Federal Deposit Insurance Corporation on Tuesday invited public comment on a proposal modifying their resolution plan requirements for large banking firms. The proposal would keep existing resolution plan expectations in place for the largest firms, while reducing requirements for smaller firms that pose less risk.

Resolution plans, also known as living wills, describe a firm's strategy for rapid and 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, large 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 proposal, which builds on a separate framework proposed by the banking agencies, establishes a graduated set of resolution planning requirements that depend on the level of risk a firm poses for the financial system. The proposal is consistent with the Economic Growth, Regulatory Relief, and Consumer Protection Act and would affect domestic and foreign banks with more than $100 billion in total consolidated assets.

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

A targeted resolution plan would include core elements like capital and liquidity, material changes to the firm, as well as areas of interest identified by the agencies. Generally, reduced content plans would include only material changes since the prior plan submission. All plans would continue to include a publicly available section.

For the smallest and least complex domestic firms that engage in traditional banking activities and present the least risk, the proposal would eliminate resolution planning requirements.

However, if one of those firms engages in risky activity above a certain threshold, it would be required to submit a resolution plan.

The attached charts show the proposed requirements and a list of firms in each category. The agencies are requesting comment by June 21.

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Attachment:
Notice of Proposed Rulemaking
Presentation Materials for Resolution Plan Requirements for Foreign and Domestic Banking Organizations

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