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For Immediate Release

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**Agencies Provide Feedback on Resolution Plans of  
Three Foreign Banking Organizations**

**Firms Required to Address Shortcomings in 2015 Submissions**

The Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC) on Monday announced that they had completed the reviews of resolution plans submitted in 2014 by three large, foreign banking organizations and had issued feedback letters to each institution.

In their review of the resolution plans from BNP Paribas, HSBC Holdings plc, and The Royal Bank of Scotland Group plc, the agencies noted some improvements from the original plans. However, the agencies have jointly identified specific shortcomings with the 2014 resolution plans that will need to be addressed in the 2015 submissions. The letters to each institution 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 FDIC. Each plan, commonly known as a living will, must describe the company's strategy for rapid and orderly resolution under the U.S. bankruptcy code in the event of material financial distress or failure of the company.

While the shortcomings of the plans varied across the firms, the agencies have identified several common features of the plans' shortcomings. These common features, among other things, include:

- Unrealistic or inadequately supported assumptions about the likely behavior of customers, counterparties, investors, central clearing facilities, and regulators; and
- Inadequate analysis regarding interconnections within the firms.

The agencies will require that the annual plans submitted by these three institutions on or before December 31, 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:

- Amending the financial contracts entered into by U.S. affiliates to provide for a stay of certain early termination rights of external counterparties triggered by

insolvency proceedings to the extent those rights are not addressed by the International Swaps and Derivatives Association 2014 Resolution Stay Protocol;

- 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.

Agency staff will discuss with each of these firms expected improvements in the resolution plans and the efforts, both proposed and already in progress, to facilitate each firm's preferred resolution strategy. The agencies are also committed to finding an appropriate balance between transparency and confidentiality of proprietary and supervisory information in the resolution plans and will work with the institutions to explore ways to enhance the public transparency of future plan submissions.

Based on the review of the 2014 plans, the FDIC Board of Directors determined pursuant to section 165(d) of the Dodd-Frank Act that the plans submitted by these three filers are not credible and do not facilitate an orderly resolution under the U.S. bankruptcy code. The Federal Reserve Board determined that the three foreign 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 these filers have not, on or before December 31, 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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