



# Title I Resolution Plans

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December 11, 2013

# Background

- Under the Dodd-Frank Act (“DFA”), bankruptcy is the first option in the event of a failure of a systemic financial company
- DFA requires all large, systemic financial companies submit living wills annually to demonstrate how they would be resolved under the bankruptcy code.
- Submission must describe their plan for rapid and orderly resolution under the U.S. Bankruptcy Code or other relevant insolvency regime (e.g., SIPA) in the event of material financial distress or failure.
- Federal Reserve and FDIC may find a plan is not credible or would not facilitate an orderly resolution in bankruptcy
- Plan may not rely on extraordinary government support

# Objectives of Initial Resolution Plans

- Identify each firm's critical operations and its strategy to maintain them in a crisis situation
- Map critical operations and core business lines to material legal entities
- Map cross-guarantees, service level agreements, shared employees, intellectual property, and vendor contracts across material legal entities
- Identify and improve understanding of the resolution regimes for material legal entities
- Identify key obstacles to rapid and orderly resolution

# Plan Submission Schedule

- **First Wave Filers:**
  - Eleven firms submitted firm-developed resolution plans in 2012
    - July 1, 2012: Bank of America, Citigroup, JP Morgan Chase, Goldman Sachs, Morgan Stanley, Deutsche Bank, UBS, Credit Suisse, and Barclays
    - October 1, 2012: Bank of New York Mellon, State Street
- **Second Wave Filers:**
  - Four firms submitted plans on July 1, 2013
- **Third Wave Filers:**
  - 117 firms are expected to file on December 31, 2013

# 2013 Guidance: Obstacles

- Following review of the initial resolution plans, the Federal Reserve and FDIC provided additional guidance for the first group of 11 institutions that filed their resolutions plans in 2012 as to what should be included in their 2013 submissions.
- The agencies identified an initial set of significant Obstacles to Rapid and Orderly Resolution to be addressed in the plans, including actions or steps taken or proposed with timelines to remediate or otherwise mitigate each Obstacle.
- This set of Obstacles includes:
  - Multiple Competing Insolvencies
  - Global Cooperation
  - Operations and Interconnectedness
  - Counterparty Actions, and
  - Funding and Liquidity.

# 2013 Guidance: Resolution Strategies

- Permissible Resolution Strategies:
  - Failure of all Material Entities (as in 2012)
  - Bankruptcy of parent (or U.S. parent) holding company and limited number of other entities (Single Point of Entry Strategy)
  - Failure of Material Entities where firm is compartmentalized in manner that mitigates the risk that such failures would result in other Material Entities entering resolution regimes.

# 2013 Plan Review Process

- The eleven firms that submitted initial resolution plans in 2012 submitted their second submission on October 1, 2013.
- The plans are currently being reviewed for resolvability using the 2013 guidance and whether the plans overcome each of the five obstacle categories as benchmarks.

# 2013 FSOC Non-Bank Designations

- In July, 2013, FSOC made final designation of American International Group, Inc. and General Electric Capital Corporation, Inc. for consolidated supervision and enhanced prudential standards.
- In September, 2013, FSOC made final designation of Prudential Financial, Inc.
- Under 165(d) rule these three firms are required to submit initial resolution plans by July 1, 2014.