



Feedback on 2015 Resolution Plans Submitted by 16 Domestic Banks

Summary of Federal Reserve Board (FRB) and Federal Deposit Insurance Corporation (FDIC) Resolution Planning Feedback

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Deloitte Recovery & Resolution Planning Center of Excellence

This document is based on public information, which can be found here:

<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20170324a.htm>

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Key takeaways from resolution planning feedback to 16 domestic banks

On March 24, 2017, the FRB and FDIC (collectively, the “agencies”) publicly released firm-specific feedback on the 2015 resolution plans (the “Plans”) submitted by 16 domestic banks. Each of the institutions received feedback letters outlining expectations for their next submissions, which are due by December 31, 2017

Takeaways from FRB/FDIC feedback

- Unlike the April 2016 guidance for the eight US global systemically important banks (G-SIBs) and the March 2017 guidance for the four foreign banking organizations (FBOs) in the FRB’s Large Institution Supervision Coordinating Committee (LISCC) portfolio, the agencies **did not issue comprehensive guidance for the 16 US bank holding companies (BHCs)**; however, individual feedback letters to the firms **provide useful insights into the agencies’ expectations** for their next resolution plans
- **No deficiencies identified in the December 2015 Plans:** The agencies did not find any deficiencies in the 2015 Plans; as such no Plans were deemed “not credible”
- **Shortcomings in one institution’s December 2015 Plan:** The agencies identified areas of weakness that amounted to a shortcoming in the feasibility of the institution’s preferred resolution strategy (Multiple Point of Entry (MPOE))
- **Similar focus areas across institutions:** Feedback from the agencies is generally similar across institutions; institutions received consistent feedback regarding expectations on: stress scenarios, financial statements and projections, shared and outsourced services and the public section
- **Timeline to address shortcomings/ enhancements:** Shortcomings and enhancements to the 2015 Plans must be addressed in the institutions’ next Plans, which are due by December 31, 2017
- **Agencies are limiting the information required for the 2017 Plan:** For the 15 institutions without shortcomings, the agencies tailored expectations for the firms’ 2017 Plans to focus only on those elements that have changed relative to the 2015 Plans

What does the feedback mean?

- The 16 institutions should continue to make progress on commitments outlined in their 2015 Plans
- Institutions should continue to focus on simplifying their organizational structure and enhancing their capabilities for resolvability
- Based on the letters, the 16 institutions continue to consider the April 2016 guidance provided to the eight US G-SIBs to identify capabilities required for resolution; institutions can tailor and prioritize requirements based on their complexity and size

Impact for remaining banks with Plans due by December 31, 2017 with no firm-specific feedback

- In August 2016, the agencies extended the deadline for 38 institutions to submit their next Plans; as part of the feedback released on March 24, 2017, only 16 of the 38 institutions received feedback outlining expectations for December 2017
- The remaining 22 institutions should expect to receive feedback and guidance in advance of the December submissions

Summary of themes outlined in each institution's feedback letter

The following table illustrates the themes in expectations outlined in each institution's public feedback letter. All 16 institutions received consistent feedback regarding expectations on stress scenarios, financial statements and projections, shared and outsourced services and the public section

| Theme addressed in feedback letter | | BB&T | Comerica Inc | Discover | Huntington | KeyCorp | M&T Bank | Regions | SunTrust | American Express | Capital One | Zions | Fifth Third Bancorp | Ally | PNC | US Bancorp | Northern Trust |
|--|---|------|--------------|----------|------------|---------|----------|---------|----------|------------------|-------------|-------|---------------------|------|-----|------------|----------------|
| Theme | Overview | | | | | | | | | | | | | | | | |
| A. Tailored 2017 Plan | Expectations for a tailored 2017 Plan | | | | | | | | | | | | | | | | |
| B. Stress Scenario | Detail on the severely adverse stress scenarios and impact to the resolution strategy | | | | | | | | | | | | | | | | |
| C. Financial Statements & Projections | Proforma financials for Material Entities | | | | | | | | | | | | | | | | |
| D. Shared & Outsourced Services | Addressing operational continuity risk | | | | | | | | | | | | | | | | |
| E. Public Section | Expectations for the Public Section | | | | | | | | | | | | | | | | |
| F. Material Financial Distress | Demonstration of financial distress resulting in bankruptcy | | | | | | | | | | | | | | | | |
| G. Assumptions | Underlying assumptions utilized in the Plan | | | | | | | | | | | | | | | | |
| H. Non-Material Entity | Justification for a non-material entity | | | | | | | | | | | | | | | | |
| I. Separability | Identification of impediments to separability | | | | | | | | | | | | | | | | |
| J. Resolution Liquidity | Measurement of liquidity for each material entity and non- US Branch | | | | | | | | | | | | | | | | |
| K. Bridge Bank | Additional analysis supporting resolution strategy | | | | | | | | | | | | | | | | |
| L. Financial Market Utilities (FMUs) | Continuity of FMUs to support resolution strategy | | | | | | | | | | | | | | | | |

Detailed view of expectations outlined across all feedback letters

Five resolution planning expectations were discussed in each of the 16 public feedback letters. Additional resolution planning expectations are required for the one firm with an identified shortcoming

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|--|---|
| A. Tailored 2017 Plan¹ | <ul style="list-style-type: none"> • The executive summary and strategic analysis of the 2017 Plan may be limited to content that has changed from the 2015 Plan • The 2017 Plan may refer to page numbers and sections in the 2015 for content that has not changed since 2015 |
| B. Stress Scenario | <ul style="list-style-type: none"> • Assume the Dodd-Frank Act Stress Test (DFAST) severely adverse scenario for the first quarter of 2017 is the domestic and international economic environment at the time of the firm's failure and throughout the resolution process • Discuss changes to the resolution strategy under the adverse and baseline scenarios to the extent these scenarios reflect obstacles to a rapid and orderly resolution not captured under the severely adverse scenario |
| C. Financial Statements & Projections | <ul style="list-style-type: none"> • Include pro forma balance sheets for each material entity at key junctures (including the beginning and end of the runway period) in the execution of the resolution strategy, beginning at December 31, 2016 • Evidence the losses or other stress event(s) leading to the bankruptcy filing and any other key assumptions underlying the Plan • If the firm's strategy includes a reorganization, the proforma financial statements should reflect any recapitalization or reorganization actions to implement the strategy |
| D. Shared & Outsourced Services | <ul style="list-style-type: none"> • Demonstrate firm's progress in addressing the risk that services provided to material entities by affiliates or third parties may be interrupted after the firm files for bankruptcy • Provide update on progress in addressing the risk that key employees may depart during its resolution |
| E. Public Section | <ul style="list-style-type: none"> • The public section should be submitted as a separate document and should contain an executive summary of the Plan that describes the business of the firm and includes, to the extent material to an understanding of the firm, the eleven informational elements |

¹ Applies for all institutions with the exception of the institution with an identified shortcoming in its 2015 Plan

Detailed view of expectations outlined across select feedback letters

Key resolution planning expectations were outlined in a small number of the public feedback letters to the institutions

| | |
|---------------------------------------|--|
| F. Material Financial Distress | <ul style="list-style-type: none"> • Demonstrate that the firm reaches a state of financial distress that is material enough to precipitate a bankruptcy filing |
| G. Assumptions | <ul style="list-style-type: none"> • Should not assume the firm is able to take actions that would eliminate obstacles to resolution before it enters into resolution • Runway assumptions should factor in disruptions during runway period and during resolution due to liquidity shortage prior to bankruptcy filing • Assumptions (e.g. resolution strategy, funding, and franchise value) need to be adequately supported |
| H. Non-Material Entity | <ul style="list-style-type: none"> • Include an explanation as to how a particular legal entity does not meet the definition of material entity if it was to continue with the treatment of non-material entity |
| I. Separability | <ul style="list-style-type: none"> • Identify impediments to the separation in resolution, including the continuity of inter-affiliate provision of shared services and the steps and timelines necessary to remedy or mitigate such impediments |
| J. Resolution Liquidity | <ul style="list-style-type: none"> • Demonstrate the firm's ability to measure the standalone liquidity position of each material entity, including any non-US branch • Estimate the minimum operating liquidity and peak funding needs at each material entity in resolution • Discuss the extent to which the continuity of critical operations is dependent on cross border funding flows and how the firm is mitigating risk to the continuity of critical operations should such funding become trapped during the runway period |
| K. Bridge Bank | <ul style="list-style-type: none"> • Additional analysis on how the transfer of these claims would be consistent with least cost resolution and other applicable laws concerning treatment of creditors • Provide a detailed analysis of the legal and operational issues associated with the transfer of custodial assets to the bridge bank, including any impediments to such transfer |
| L. Financial Market Utilities | <ul style="list-style-type: none"> • Continue development of playbooks related to continued access to payment, clearing, and settlement activities to support an orderly resolution • Identify each FMU and third party agent key to the continuity of firm critical operations |



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