By Electronic Mail

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Joint Notice of Proposed Rulemaking Regarding Resolution Plans Required,
Federal Reserve Docket No. R-1660 and RIN 7100-AF47 and FDIC RIN 3064-AE93

Ladies and Gentlemen:

The Institute of International Bankers (“IIB”) appreciates the opportunity to provide comments on the joint notice of proposed rulemaking (the “Proposed Rule”) by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC”, and collectively with the Federal Reserve, the “Agencies”) to amend the current rules governing resolution planning pursuant to Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”).

The IIB represents internationally-headquartered financial institutions from over 35 countries around the world doing business in the United States. The IIB’s members consist principally of foreign banking organizations that operate branches, agencies, bank subsidiaries, and broker-dealer subsidiaries in the United States (“international banks”).

The IIB commends the Agencies for incorporating lessons drawn from their experience since initial plans were filed in 2012 into the revisions in the Proposed Rule. While the Agencies’ current rules implementing resolution planning under Section 165(d) (the

---

1 See Federal Reserve and FDIC, Notice of Proposed Rulemaking “Resolution Plans Required.” 84 FR 21600 (May 14, 2019). Capitalized terms used in this letter that are defined in the Proposed Rule have the meanings given to them in the Proposed Rule. Except where otherwise indicated, statutory citations refer to the Dodd-Frank Act.

---

The Institute’s mission is to help resolve the many special legislative, regulatory and tax issues confronting internationally headquartered financial institutions that engage in banking, securities and/or insurance activities in the United States.
“Resolution Planning Rule”) 2 established a foundation for resolution planning in the United States, the experiences gained by the Agencies and filers, including international banks, over the intervening series of resolution plan submissions demonstrates that the process can be made much more transparent and efficient. Indeed, we believe that the Proposed Rule does provide useful improvements to the resolution planning requirements but should go farther if the final rule is to achieve the Agencies’ stated objectives.

As an initial matter, the Agencies should more clearly recognize the reduced risks posed by international banks and more clearly tailor the resolution planning requirements, most specifically content requirements, based on the relative risks posed by international bank filers to U.S. financial stability. As described in our comment letters on (1) the notice of proposed rulemaking regarding prudential standards for certain international banks, approved by the Federal Reserve on April 8, 2019 (“EPS Tailoring Proposal”) 3, and (2) the notice of proposed rulemaking regarding proposed changes to the applicability thresholds for certain regulatory capital and liquidity requirements issued by the Agencies and the Office of the Comptroller of the Currency, 4 the IIB has significant concerns about the Agencies’ proposals to tailor supervisory, capital, and liquidity requirements. The issues and recommendations contained in these comment letters (the “EPS Tailoring Comment Letters”) 5 apply equally to the tailoring of resolution planning requirements addressed in this letter. Accordingly, we incorporate those discussions by reference into this letter.

While the Proposed Rule’s approach is a step forward towards strengthening the U.S. financial system by focusing resolution planning requirements on those institutions most likely to present a material risk to the U.S. financial system, more can be done to balance these potential benefits against the burden of complying for those institutions that present less of a risk to U.S. financial stability. By virtue of improvements in the resolvability of international banks as described below in Section I, international banks pose substantially lower risks to the U.S. financial system than U.S. domestic financial institutions. The Proposed Rule should reflect that reality. In the Proposed Rule, the Agencies clearly recognized the reduced risks posed by

---

2 The Resolution Planning Rule was codified in 12 C.F.R. Part 243 (Federal Reserve) and 12 C.F.R. Part 381 (FDIC).

3 Federal Reserve, “Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies,” 84 Fed. Reg. 21988 (May 15, 2019).


international banks since none of these filers are classified within Category I, which consists exclusively of U.S. globally systemically important financial institutions (“GSIFIs”) and requires the most frequent submission of resolution plans. Although this distinction is an important step, it should be accompanied by different, and less burdensome, resolution plan content requirements for international banks compared to the content requirements applicable to the U.S. GSIFIs.

Unfortunately, the Proposed Rule does not provide any tailoring of resolution plan content for Full Plans or Targeted Plans. All Full Plans and Targeted Plans must meet the same content requirements irrespective of the relative risks posed by the filers to U.S. financial stability. While the Proposed Rule reduces the frequency of resolution planning for international banks, it fails to clarify how the content of those plans will be tailored between Category I filers and international banks in Categories II and III, or between international banks of varying assets, operations, size, and scope in Categories II and III. Under the Proposed Rule, Category I U.S. GSIFIs would file resolution plans every two years, while Category II and III banking institutions would file resolution plans every three years. All filers in Categories I, II, and III would alternate between Full Plans and Targeted Plans. The Preamble to the Proposed Rule describes past tailoring of resolution plan requirements through guidance and how further tailoring may occur between categories of filers. However, the Proposed Rule does not propose any tailoring of the content requirements for Full Plans or Targeted Plans between banking institutions in Category I as compared to those in Categories II and III, or between banking institutions within Categories II and III, despite the enormous differences in the assets, operations, size, scope, and potential risks to U.S. financial stability of these institutions. Even if the Agencies intend to provide such tailoring in the future through guidance, the Proposed Rule does not provide any indication of how they would do so.

These concerns are only increased by the Proposed Rule’s requirement that filers continue to comply with existing guidance and feedback. This would mean that some international banks in Categories II and III would be subject to legacy guidance and feedback that impose requirements virtually the same as those to which Category I U.S. GSIFIs are subject despite the fact that the Agencies have recognized that these international banks pose markedly lower risks to U.S. financial stability than do the U.S. GSIFIs. Similarly, other international banks are subject to legacy guidance that is plainly more onerous than their current assets, operations, size, and scope warrant. This result is contrary not only to the tailoring principle underlying the Proposed Rule, but also its categorization of international banks separate from the U.S. GSIFIs. As described below, we recommend immediate action to clarify requirements applicable to international banks prior to their next resolution plan filing deadline.

It is imperative that a final rule adopt a framework that transparently tailors resolution plan content. This requires the tailoring of resolution plan requirements between different categories of filers so that no Category II or III international bank must meet the same requirements to which Category I U.S. GSIFIs are subject. Similarly, resolution plan requirements should be tailored within Categories II and III to recognize the significantly reduced risks to U.S. financial stability posed by international banks compared to similarly sized

---

6 The requirements for Full Plans are defined in §___.5 and those for Targeted Plans are defined in §___.6 of the Proposed Rule.
U.S. domestic banking institutions in those categories and to recognize the variations between international banks within Categories II and III across the spectrum of assets, operations, size, scope, and potential risks to financial stability in the United States. Finally, we recommend that the Agencies exercise their discretion to eliminate resolution planning requirements for most international banks with total global assets of $250 billion or more that are not subject to Category II or III standards and have very limited U.S. operations and assets.

While we appreciate the inclusion of procedures for consideration of critical operations (as defined in the Resolution Planning Rule) designations, we recommend that consistent procedures be applied for certain additional key issues as we describe below.

I. International Banks Have Achieved Tremendous Improvements in Resolvability

Initially, it is useful to place our comments in the context of the significant improvements in resolvability achieved by international banks in recent years partially as a result of the intensive resolution planning in which international banks and the Agencies have engaged. As a result of resolution planning and other supervisory initiatives, international banks and their parent companies have significantly enhanced their ability to withstand losses and ensure that they would be resolvable were the need to arise, demonstrating their reduced potential to pose risk to the U.S. financial system. These steps include (1) significantly increasing capitalization levels and liquidity resources, (2) simplifying organizational structures, (3) streamlining business mixes, and (4) enhancing affiliate and third-party service arrangements to ensure continued operations in stress and resolution (e.g., resolution resilient service level agreements).

Equally important has been the development of new strategies by international banks and regulators and the implementation of structural, capital, debt, and liquidity measures to facilitate resolution, transfer losses to the home parent company, and help ensure the recapitalization of the U.S. operations of international banks. These initiatives have included, among others, (1) the development and widespread adoption of the Single Point of Entry (“SPOE”) and enhanced Multiple Point of Entry (“MPOE”) resolution strategies, (2) the U.S. intermediate holding company (“IHC”) requirement, and (3) external and internal Total Loss Absorbing Capacity (“TLAC”) requirements. The home countries of international banks, likewise, have undertaken significant reforms in capital, liquidity, bailinable resources, corporate structures, and resolution frameworks and strategies to implement both domestic and international standards, such as those adopted by the Financial Stability Board, that have greatly improved the capabilities of home countries to resolve their banking organizations that have operations in the United States. As a result, the largest international banks today are supported by streamlined U.S. corporate structures and bailinable resources through internal TLAC for the recapitalization of their U.S. operations, as well as home country resources, that are not available to U.S. GSIFIs. Most importantly, the U.S. statutory and regulatory requirements were designed by the Agencies to transfer any losses to the home country financial institution and achieve the resolution of the U.S. operations in a manner that dramatically minimizes, or virtually eliminates, material risk to the U.S. financial system. Under this framework, international bank filers grouped by the Agencies into Categories II and III are rightly distinguished from the U.S. GSIFIs due to the reduced risk posed by such international bank filers.
Today the U.S. operations of international banks have available to them resources that are simply not available to U.S. GSIFIs or other U.S. domestic banking organizations. The Agencies have recognized this distinction. Indeed, Vice Chairman Quarles has specifically recognized that international banks occupy a unique position with their U.S. operations existing only as part of a larger organization.\(^7\) As the Federal Reserve has stated, the imposition of TLAC and IHC requirements has “increase[d] the likelihood that a failed foreign bank with significant U.S. operations could be successfully resolved without the failure of the U.S. subsidiaries or, failing that, that the U.S. operations could be separately resolved in an orderly manner.”\(^8\) Moreover, as the Federal Reserve has noted, given the additional resources for recapitalization provided through TLAC, an international bank’s IHC should be able to “avoid entering resolution and would continue as a going concern” without entering bankruptcy or resolution proceedings at all.\(^9\) The IIB agrees and supports the prudent implementation of standards that have materially improved resolvability. We recommend that the final rule more fully recognize the significantly lower risks posed by international banks to U.S. financial stability relative to the U.S. GSIFIs (and even U.S. domestic banking organizations) and incorporate further tailoring of the resolution planning requirements to the real risks posed by international banks today.

II. **Clarification of Due Dates for Next Resolution Plans**

The Proposed Rule describes a transition period designed to provide filers with ample notice of final requirements prior to the required filing of their next resolution plans. Under the proposed transition period, Category II and III filers would file Full Plans by July 1, 2021, and Category IV international banks would file Reduced Plans by July 1, 2022. However, some international banks currently are scheduled to file resolution plans by December 31, 2019, while four international banks currently are scheduled to file resolution plans by July 1, 2020. These due dates are inconsistent with the transition period in the Proposed Rule. Unfortunately, the Proposed Rule does not itself extend any of the currently defined due dates.

As requested in the IIB’s joint comment letter with the Bank Policy Institute and the Securities Industry and Financial Markets Association, dated May 1, 2019, the Agencies should immediately resolve the uncertainty over the due dates for the next resolution plan submissions.\(^10\) We request that the Agencies immediately issue a statement that no resolution plan submissions will be required prior to July 1, 2021.

---

\(^7\) Vice Chairman Randal K. Quarles, “Opening Statement on Proposals to Modify Enhanced Prudential Standards for Foreign Banks and to Modify Resolution Plan Requirements for Domestic and Foreign Banks” (Apr. 8, 2019) (noting as a “unique feature” of international banks their membership in a larger organization).


\(^9\) Id. at 8281.

In the absence of a statement from the Agencies, and in order to be consistent with the Proposed Rule’s goal of providing ample notice of resolution planning requirements and its transition period, the IIB’s members must assume that the next filing date for all resolution planning submissions by Category II and III filers will be July 1, 2021, and for Category IV international bank filers will be July 1, 2022.

Additionally, certain international banks who previously were required to file resolution plans would no longer be required to submit such plans under the Proposed Rule. Nonetheless, these international banks currently are scheduled to submit another resolution plan by December 31, 2019. Consistent with the Economic Growth, Regulatory Relief, and Consumer Protection Act (“EGRRCPA”) and the Proposed Rule, the Agencies should provide immediate, affirmative confirmation that, if an international bank is not required to file a resolution plan under the Proposed Rule, no resolution plan will be required.

III. The Final Rule Should Recognize the Reduced Risks Posed by International Banks Today

The Proposed Rule applies the categorization incorporated into the EPS Tailoring Proposal and classifies potential resolution plan filers into four new categories: Category I, Category II, Category III, and Category IV. In the Proposed Rule, the Agencies describe the purpose of applying these categories for resolution planning purposes as to differentiate between filers “commensurate with the potential impact of such companies’ failure on U.S. financial stability.” The IIB has significant concerns about this categorization process and its failure to effectively tailor standards to risk. As in other areas, the classification of resolution plan filers through these categories generally, and in the Proposed Rule specifically, fails to place the greatest burden for resolution planning on those filers who, according to the proposed methodology, pose the greatest risk to the U.S. financial system. As noted above, we address the issues posed more generally by the categorization process in the EPS Tailoring Comment Letters.

Most significantly, the Proposed Rule fails to distinguish between the risks posed by U.S. domestic banking organizations compared to international banks. The Agencies clearly recognize that no international bank poses as great a potential for risk to the U.S. financial system as the U.S. GSIFIs. However, this recognition of the greater risks posed by U.S. GSIFIs is not fully carried through because the resolution planning requirements, with the exception of the frequency of filing plans, are identical for Category I U.S. GSIFIs and Category II and III international banks. While the Agencies may intend to adopt further content distinctions through guidance, tailoring of requirements consistent with comparative risks should be carried through, at least in substantial part, through the final rule’s standards for the informational content elements specified in §___.5 for Full Plans and in those specified in §___.6 for Targeted Plans. This should include distinctions tailored to risk between U.S. domestic banking organizations and international banks for certain key standards, such as capital, liquidity, and the recapitalization frameworks, which have predominately been defined in the past through guidance without the opportunity for notice and comment.

11 Supra note 1, at 21605.
The existing guidance does not sufficiently distinguish between Category I U.S. GSIFIs and Category II and III international banks, particularly for the former first wave international bank filers, which were previously described as July filers. These institutions, in particular, remain subject to legacy guidance that imposed requirements almost identical to those imposed on U.S. GSIFIs. Unfortunately, the Proposed Rule retains these excessive standards for these international banks by requiring continued compliance with existing guidance and feedback. These international banks should not be required to meet the same or even comparable requirements as those imposed on U.S. GSIFIs, which pose much greater potential risks to U.S. financial stability. The Proposed Rule exacerbates the problem because it currently does not provide any tailoring of the content of Full Plans or Tailored Plans, as we recommend below in Section IV.A.

Similarly, differentiating between international banks and the U.S. domestic banking organizations is appropriate given the reduced risk to the U.S. financial system posed by the U.S. operations of international banks compared to similarly-sized U.S. domestic banks. Making these distinctions will fulfill the intent evident in Section 115(b)(2) of the Dodd-Frank Act, which requires the Federal Reserve to “give due regard to the principle of national treatment and equality of competitive opportunity” and “take into account the extent to which the foreign financial company is subject on a consolidated basis to home country standards that are comparable to those applied to financial companies in the United States.”

To more fully achieve the goal defined by the Agencies, we recommend that the final rule recognize the significant improvements to the businesses and resolvability of international banks achieved by virtue of changes in the statutory and regulatory requirements and resolution preparedness implemented in recent years. To implement the stated goals of the Proposal to tailor requirements consistent with risks to U.S. financial stability, we believe the Proposed Rule should recognize these significant changes since the original resolution planning requirements were established in 2012 and ensure that a final version of the Proposed Rule fully tailors resolution planning requirements to the actual risks posed by international banks today.

A. Aligning U.S. and Home Country Parent Resolution Strategies

Consistent with the Proposed Rule’s stated goals of improving efficiency and balancing the burden of resolution planning, the Agencies should recognize the differences between U.S. domestic banking organizations and international banks, and more fully reflect in a final rule the critical role that the home country resolution strategy plays in more effective and realistic resolution planning for international banks’ U.S. resolution plans. If the value of U.S. resolution planning is to be fully realized in helping to resolve a future crisis, it is imperative that the U.S. resolution plans align more effectively with a well-developed and implementable home country strategy. The many improvements in international bank resolvability over the past ten years through innovations in resolution strategies, and supporting international bank corporate structures, capital, liquidity, bailinable resources, and operational enhancements have been designed to facilitate resolution, transfer losses to the home parent company, and help ensure the

---

recapitalization of the U.S. operations of international banks. U.S. resolution planning should incorporate this progress more fully.

Under Section 115 of the Dodd-Frank Act, the Agencies are required to “give due regard to the principle of national treatment.” In compliance with this statutory goal, and as demonstrated by the most recent resolution planning guidance provided to international banks, the Agencies should seek, where possible, to align U.S. resolution planning with the home country resolution strategy. This recommendation is consistent with recent guidance from the Agencies that, while requiring an IHC bankruptcy proceeding, permits operating subsidiaries to remain open and operating and focuses on ensuring that capital and liquidity are available for those operations from U.S. resources and potentially from parent company resources. This recommendation also accords with the restructuring of international bank operations around the IHC to facilitate recapitalization for the U.S. subsidiaries through the conversion of internal TLAC. While the IHC certainly facilitates a bankruptcy resolution through the IHC, it also provides the critical distribution point through which support from bailed-in internal TLAC can flow to the international banks’ operating subsidiaries for a home country SPOE resolution.

To facilitate a better alignment of the U.S. resolution plan with the home country strategies, we recommend that the terms of the Proposed Rule’s §__.4(h) should be modified to reflect not only the need to demonstrate the resolvability of an international bank’s U.S. operations, but also to provide filers with the flexibility to incorporate required and in-place internal TLAC and other components of the U.S. and home country resolution strategies into U.S. resolution planning. As currently framed, the assumptions embedded in §__.4(h) inappropriately preclude careful incorporation of the U.S. resolution plan into planning by the home country or vice versa, and ignore the development of SPOE, TLAC, and many other components underlying the improved resolvability measures implemented by international banks (such as operational, liquidity, capital, and structural support frameworks). Similarly, in §__.5(c) the international bank must demonstrate, inter alia, its “strategy for maintaining the operations of, and funding for, the covered company and its material entities.” Related requirements are included in other sections, such as §__.5(b). Given the definition of “covered company” as inclusive of the home country parent, it would improve the alignment of U.S. resolution planning with home country strategies to clarify that the strategy for international banks need only focus on resolution of the U.S. core business lines, critical operations, and material entities. This could be achieved most effectively by amending §__.2(j) in Definitions.

15 Id. See FDIC and Federal Reserve, Letter to Barclays Bank PLC (December 20, 2018); FDIC and Federal Reserve, Letter to Credit Suisse Group AG (December 20, 2018); FDIC and Federal Reserve, Letter to Deutsche Bank AG (December 20, 2018); and FDIC and Federal Reserve, Letter to UBS Group AG (December 20, 2018).
16 §__.5(c)(1)(iv).
In our view, further alignment, where possible, of U.S. resolution planning with the home country strategy will improve the ability of U.S. and home country regulators to coordinate their efforts and enhance preparedness. Further development of the relationship between U.S. resolution plans under Title I (Section 165(d)) of the Dodd-Frank Act and the home country strategies, where appropriate, in no way undercuts the goal of U.S. resolvability or suggests a blending of Title I and Title II resolution planning. Title I resolution planning focuses on the resolution of the filer under U.S. law without resort to the option of Title II’s Orderly Liquidation Authority. Improved alignment between U.S. resolution planning and the home country strategies will support resolvability consistent with the goals of U.S. resolution planning.

B. Permit International Banks to File Targeted Plans Absent an “Extraordinary Event”

While the Proposed Rule acknowledges that the U.S. GSIFIs pose the greatest threat to the U.S. financial system, the Proposed Rule falls short of meaningfully balancing the burden with the benefits of resolution planning for Category II and III international bank filers. As discussed above, the international bank filers grouped into Categories II and III pose a substantially reduced risk to the U.S. financial system compared to Category I filers and to Categories II and III U.S. domestic filers due to the significant improvements to resolvability discussed above as well as the access to resources from the larger banking organization. Nonetheless, Category II and III international bank filers will be required to alternate between continuously drafting Full Plans and Targeted Plans on a triennial basis, in addition to compliance with home country requirements.

Given that Category II and III international bank filers have already submitted multiple Full Plans, we recommend that the final rule permit these international banks to file Targeted Plans every three years unless there is an “Extraordinary Event” as defined in the Proposed Rule. In the absence of such a significant change to the business or to the resolution strategy, the requirement to file new Full Plans imposes a burden with minimal benefits. Completion of Targeted Plans will provide the Agencies with a focused understanding of the resources and strategies needed by the international bank filers to implement their resolution plans. Full Plans impose much greater burdens to maintain staff and supporting resources to replicate information that has not materially changed and does not affect the resolvability of the international bank filer.

Unless a Category II or III international bank filer provides the Agencies with a notice of an Extraordinary Event, the contents of a Full Plan likely will not change sufficiently to justify the administrative burden of generating a Full Plan every six years. Instead, the Agencies would be better served, and the filers more appropriately burdened, by filing Targeted Plans every three years. Within the Targeted Plan framework, the Agencies already retain the ability to request relevant information from particular international bank filers tailored to the informational needs of the Agencies and the profile of the international bank filer. Eliminating the Full Plan requirement, except in the case of an Extraordinary Event, would better balance the administrative burden to the expected benefits for both the filers and the Agencies.
IV. Resolution Plan Content

The Agencies have recognized that international bank filers pose reduced risk to the U.S. financial system by placing all international bank filers in Categories II, III, and IV. However, the Proposed Rule only reflects this reduced risk by permitting Category II and III filers to submit plans every three years. The Proposed Rule does not tailor the content required for the resolution plans at all. To further tailor the rule to individual filers and enhance the efficiency and transparency of the resolution planning process for international banks, we recommend the changes to the Proposed Rule included below.

A. Tailor Resolution Planning Requirements to Better Reflect the Lower Risks Posed by International Banks to the U.S. Financial System

Recognize the Lower Risks of International Banks Compared to U.S. Domestic Banks. As noted in Section III above, the Proposed Rule places Category II and III filers on a triennial cycle, rather than a biennial cycle, but otherwise does not tailor resolution planning requirements. We strongly support the goal stated in the Proposed Rule “to tailor the content of the resolution planning requirements, taking into account covered companies’ particular geographical footprints, operations, and activities.”17 In order to achieve this goal, the Agencies should further tailor the resolution planning content requirements to reflect the difference in the relative risks posed by international banks compared to comparably sized U.S. domestic banks. Such tailoring should be incorporated into the final rule in order to achieve the stated goals to “improve efficiency and balance burden.”18

As a first step to achieve a balance between the burdens of resolution planning and the benefits achieved, we recommend that the Agencies clarify that international banks who have previously filed Full Plans under the current Resolution Planning Rule will not be subject to requirements through the final rule or guidance that impose greater burdens than applied previously. Any new requirements should only be based on future Extraordinary Events.

As a further step to tailor resolution planning content requirements commensurate with the risks to U.S. financial stability posed by filers, we recommend that no international bank should be subject to Full Plan or Targeted Plan content requirements comparable to those to which the U.S. GSIFIs are subject. In this regard, we recommend that the Agencies eliminate or significantly tailor current requirements contained in existing guidance applicable to some international banks formerly grouped as July Filers that require detailed analyses of capital and liquidity needs in resolution,19 detailed governance playbooks for non-branch entities, and detailed playbooks for payment, clearing, and settlement (“PCS”) activities comparable to those to which U.S. GSIFIs are subject.

17 Supra note 1, at 21602.
18 Supra note 1, at 21602.
In addition to the foregoing, the Agencies should tailor all resolution plan content requirements in consideration of the lower risks international bank filers pose to U.S. financial stability, as described in Sections I and III above. International banks have implemented structural, capital, debt, and liquidity measures to facilitate resolution, transfer losses to the home parent company, and help ensure the recapitalization of the U.S. operations of international banks. As a result, Category II and III international bank filers pose markedly less risk to the U.S. financial system than U.S. domestic banking organizations. The required content for Full Plans and Targeted Plans in the final rule and in guidance should reflect this reduced risk. Fundamentally, the final rule and guidance should ensure that international banks are not subject to greater burdens than in the past and, in fact, should be subject to reduced requirements compared to U.S. domestic banks. To do otherwise would ignore the lessons and progress gained through resolution planning since 2012.

However, Section .__5(a)(2) of the Proposed Rule requires that international banks provide the information required in paragraphs (b) through (h) of that section in any Full Plan. While we recommend, as noted above, that international banks previously filing Full Plans should be permitted to file Targeted Plans absent an Extraordinary Event, if this recommendation is not adopted, we believe it is critical to further tailor the requirements to paragraphs (b) through (h) based on their relevance to any critical operations conducted in whole or material part in the United States. For example, given the lower risks posed by international banks, and the stated goal of U.S. resolution planning of addressing potential systemic risks to the U.S. financial system, the requirements of §__5(c) should predominately focus on funding, liquidity, and capital needs and continuity for any critical operations, and for those business operations not relevant to critical operations, the strategic analysis should be significantly streamlined or eliminated. This approach also will ensure that the Agencies have the information needed to address any potential for systemic risks and do not require redundant and extraneous information that will be of limited, if any, assistance in preventing systemic risks to the U.S. financial system in a bankruptcy proceeding for the international bank. Similar tailoring in paragraphs (b) and (d) through (h) will ensure a focused resolution planning process that achieves the goals defined by the Dodd-Frank Act and promotes implementable strategies, such as SPOE or MPOE.

**Meaningful Tailoring Among Category II and III Firms.** The Agencies also should provide for tailoring of resolution plan content among international bank filers in Categories II and III. The Proposed Rule effectively requires the same content from all international banks with more than $100 billion in combined U.S. assets that meet the proposed risk-based indicator (“RBI”) criteria. Under the methodology described in the Proposed Rule, all international banks that exceed the asset and RBI thresholds are subject to the same requirements, despite the plain fact that these filers vary in operations, structure, and size, and thus, cannot conceivably represent the same risks to the U.S. financial system. Accordingly, all such international banks should not be subject to a single set of uniform requirements. Given the relatively small number of Category II and III international bank filers—and the relatively large differences in size, business lines, and RBIs among this small group—the Agencies should tailor resolution plan content requirements to differentiate between filers within this group.

The Agencies can accomplish this by tailoring Targeted Plan requirements for the handful of international bank filers in Categories II and III to account for the varying structures, business models, and RBI measurements of these filers, and to affirm the bespoke methodologies
employed by firms to assess aspects of their resolution plans. The Agencies have previously utilized feedback letters and guidance to communicate expectations and tailor requirements to filers. In the final rule, the Agencies should clarify that, to the extent the Agencies do not adopt tailored requirements in the final rule, tailoring will be provided in future guidance subject to notice and comment. Doing so through an open and transparent process will provide assurance that the Agencies are applying tailoring in a consistent manner across comparable international banks. To augment this process, the waiver process may be an appropriate avenue so long as it too is applied consistently to ensure that the administrative burden is calibrated consistently for these filers.

**Balancing the Burden for Category IV Firms.** While the Agencies have appropriately proposed to eliminate the filing of Full Plans and Targeted Plans for Category IV international banks, we recommend that the Agencies further tailor the requirements for such international banks by eliminating resolution planning requirements entirely for international banks with limited U.S. operations, regardless of the firm’s total global asset size.20

Section 401 of EGRRCPA provides discretion to the Agencies to tailor supervisory and resolution planning requirements based on the risks posed by these institutions. In the EPS Tailoring Proposal, the Federal Reserve has proposed to implement this discretion by tailoring certain capital and liquidity standards based on total asset size, combined U.S. assets, and RBIs and thereby eliminate certain requirements previously applied to such international banks.21 Similarly in the Proposed Rule, the Agencies determined to completely eliminate resolution planning requirements for international banks with total global assets equal to $100 billion or more but less than $250 billion where the international bank has combined U.S. assets below $100 billion or does not have $75 billion or more in any RBI measured based on combined U.S. operations. For those international banks, the Agencies concluded that “continuing to require even limited scope resolution plan submissions from this set of foreign banking organizations absent a significant amount of U.S. assets or any of the [RBIs] does not seem warranted given the lower probability that the failure of these institutions would threaten U.S. financial stability.”22

However, the Proposed Rule does require Reduced Plans from international banks with $250 billion or more in total global assets that are not subject to Category II or III standards.23 We recommend that the Agencies further tailor resolution planning requirements to better reflect the reduced risks posed by many of the international banks in Category IV due to their very small U.S. operations. The simple fact that these international banks may have $250 billion or more in total global assets should not preclude the Agencies from exercising their retained discretion to waive some or all of the resolution planning requirements for such

---

20 | If the Agencies determine that certain proposed Category IV filers will be required to file reduced plans, those firms should only include the GSIFIs. All other international banks should not be subject to resolution plans in excess of those required from U.S. domestic institutions with similar sizes and risk profiles.

21 | *Supra* note 3 at 22005–22006.

22 | *Supra* note 1, at 21605

23 | *Supra* note 1, at 21605.
international banks. Instead of imposing a size-based, risk-blind system, the Agencies should differentiate among proposed Category IV filers to ensure that international banks face no higher burden than imposed on similarly sized U.S. banking organizations.

Accordingly, consistent with the Proposed Rule’s treatment of U.S. filers in Category IV who are exempted from resolution planning requirements while having comparable total U.S. assets, such international bank filers should not be subject to U.S. resolution plan requirements other than certification that the filer is in compliance with its home country resolution plan requirements. The EPS Tailoring Proposal takes a similar approach with respect to certain capital and liquidity requirements for international banks with limited U.S. assets; it is reasonable and more appropriate for the Agencies to require only certification for filers within the Category IV group that pose the least risk to the U.S. financial system by similar measures. To the extent that the Agencies do impose Reduced Plans on the Category IV international bank filers, the Agencies should pare back the list of such filers to include only those international banks that can be shown to demonstrate a risk to the U.S. financial system according to clear criteria, such as those international bank filers who have been designated as GSIFIs.

**Reduce Future Filing Obligations for Past Filers.** As noted above, under the Proposed Rule, certain international banks would no longer have to file resolution plans because their total global assets are less than $250 billion and they do not meet any other thresholds for their U.S. operations. We applaud the Agencies for implementing EGRRCPA through this proposal. However, the Proposed Rule would require a new Full Plan for any of these international banks that exceed the thresholds in the future. In many cases, we do not believe that a new Full Plan should be required where the international bank exceeds the thresholds through growth and had previously filed a Full Plan under the existing rule. The prior Full Plan filed by that international bank should meet all requirements for such plans under the Proposed Rule, and preparing a new Full Plan appears to us to be redundant and unnecessary.

As a result, we recommend that an international bank that previously filed a Full Plan prior to the enactment of EGRRCPA should only have to file a Reduced Plan if that international bank later exceeds the resolution planning thresholds. The prior Full Plan should be sufficient to detail the resolution strategy and other information required.

Alternatively, if the Agencies do not adopt the foregoing proposal, we recommend that an appropriate trigger to require a new Full Plan would be an Extraordinary Event. If the international bank exceeds the thresholds through growth, a Full Plan should be unnecessary where one was filed in the past. An Extraordinary Event, defined in the Proposed Rule, as “a material merger, acquisition of assets or other similar transaction, or a fundamental change to a covered company’s resolution strategy,” could serve as an alternative trigger for a Full Plan.24

---

24 *Supra* note 1, at 21625.
B. The Strategic Analysis Should Address U.S. Branches and Other Offices Only If Significant to a Critical Operation

To streamline and further tailor the resolution planning process to potential risks to the U.S. financial system, the IIB recommends that the Agencies eliminate the requirement to include the assets and operations of an international bank’s U.S. branches, agencies, and other offices in the “Strategic Analysis” section of a Full Resolution Plan, as provided in §__.5(a)(2)(i) of the Proposed Rule unless these operations are significant to a critical operation. Alternatively, the Agencies should clarify at a minimum that international banks who have previously filed Full Plans under the current Resolution Planning Rule will not be subject to requirements through the final rule or guidance that impose greater burdens for branch, agency, and office operations than applied previously. Any new requirements should only be based on future Extraordinary Events.

Although consideration of branch and agency activity may be appropriate for certain supervisory purposes, it is normally much less important for the U.S. resolution plans. Branches and agencies are usually resolved under state law for state branches and under the International Banking Act and National Bank Act for federal branches. With the implementation of improved home country resolution laws, strategies, and bailinable resources, branches, and agencies also are likely to be resolved through the bail-in of the parent financial company.

In contrast, the U.S. resolution planning process focuses on the resolution of U.S. subsidiaries subject to U.S. insolvency law, principally including the U.S. Bankruptcy Code or the Federal Deposit Insurance Act, in order to mitigate systemic risks to the U.S. financial system. The Agencies have repeatedly recognized that the U.S. branches, agencies, and other offices of an international bank are subject to resolution regimes significantly different from the frameworks applicable to IHC subsidiaries. Accordingly, U.S. resolution planning is not designed to focus on branches and agencies.

In certain circumstances, U.S. branches and agencies can be important to resolution planning. It is reasonable that such U.S. branches, agencies, and other offices should be considered within the Strategic Analysis of the U.S. resolution plan where they may be significant enough so that the failure or discontinuance of their services, functions, or operations could potentially pose a threat to U.S. financial stability. In line with the Agencies’ interest in balancing the burdens with the benefits, the extent of any requirements to address the operations of U.S. branches, agencies, and other offices should be tailored to their relevance to such risks. A reasonable measure of the relevance of the U.S. branches, agencies, and other offices to any risk to U.S. financial stability is whether those operations outside the IHC are significant to any critical operations designated by the Agencies or the filers. This approach will ensure that the Agencies receive needed information and that branches or agencies significant to any critical operations are incorporated into the U.S. resolution plan’s strategic analysis.

To implement this approach, we recommend that U.S. branches and agencies of international banks should not be included in the calculations of an international bank’s

---

25 See, e.g., supra note 1, at 21605 (“Generally, such filers are likely to be foreign banking organizations with limited U.S. banking operations primarily conducted in a branch, which would not be resolved through bankruptcy.”).
combined U.S. assets and the RBI thresholds for resolution planning purposes – unless the operations of those branches, agencies, or other offices are significant to any critical operation. To include these assets where the branch, agency, or other office is not significant to a critical operation simply overstates the U.S. assets and RBI measurement of the international bank for purposes of U.S. resolution planning. To a significant degree, our recommendation is consistent with §___.5(c)(1)(v) of the Proposed Rule. That subsection allows filers to exclude the entity from the resolution strategy if the entity “is subject to an insolvency regime other than the Bankruptcy Code … unless that entity either has $50 billion or more in total assets or conducts an identified critical operation.” We urge the Agencies to clarify how this should apply to branches, agencies, and other offices.

The Agencies would continue to receive the information available under Federal Reserve Form FR Y–7Q as well as information that could be requested under their existing supervisory authority. As a result, while our recommendation would achieve further tailoring of the resolution planning process consistent with the absence of any critical operation for these U.S. branches, agencies, and other offices of an international bank, the Agencies would retain their current access to information through supervisory channels. Accordingly, we recommend that the final rule recognize that the strategic analysis included in the resolution plan should not address branches, agencies, and other non-subsidiary offices of the international bank unless these operations are significant to a critical operation.

V. Improvements in Process and Transparency: Critical Operations and Waiver Processes

In the preamble to the Proposed Rule, the Agencies describe the goals of the proposal as “to streamline, clarify, and improve the resolution plan submission and review process and timelines” which entails, in part, steps to improve and enhance the procedures for consideration of changes to identification of critical operations and for granting waivers of informational content requirements. This goal can be most effectively accomplished by expanding the use of transparent procedures to provide input and review for key components of the resolution planning process. Consistent and transparent processes will benefit both filers and the Agencies. Accordingly, we have proposed throughout this letter that the Agencies align each review process so that the timeline requires a request for review 15 months prior to the next submission date, a 90-day review period, and a final determination no later than one year prior to the next submission date. As a necessary corollary to this procedure, a request would be deemed granted if the Agencies do not issue a response one year prior to the next submission date.

Given the very similar purposes of the proposed procedures, it is imperative that consistent standards, timelines, and processes be applied. In our view, these steps will simplify the procedures for the Agencies and filers and thereby allow more efficient and fully informed decision-making among the Agencies, home country regulators, and international bank filers.

26 Supra note 1, at 21602.
A. Critical Operations Review: Streamline the Timelines

We appreciate the Proposed Rule’s efforts to provide filers with an enhanced process for identification, requests for reconsideration, and de-identification by covered companies of self-identified critical operations. However, the Proposed Rule could be improved by simplifying the timing and process for critical operations review by enacting a single timeline and process for reconsideration requests and de-identification notifications, as discussed above. Implementing a single timeline would streamline the process while retaining the Agencies’ control over critical operation identifications. Furthermore, we believe that harmonizing the de-identification timeline with the Proposed Rule’s other timelines regarding critical operations would reduce the burden on firms, improve efficiency, and help to ensure that resolution planning remains appropriately focused on key areas.

De-Identification Timeline. The Proposed Rule includes a process for filers to seek to “de-identify” any self-identified critical operations by submitting a notice to the Agencies. Firms would be required to continue to include the applicable information required under §§__.5 through __.7 for self-identified critical operations unless notified in writing by the Agencies to the contrary for any resolution plan the firm is required to submit within 12 months of the de-identification notice.

To harmonize this process with the other processes outlined in the Proposed Rule, we recommend modifying the timeline to require any request for de-identification to be filed no later than 15 months before the next scheduled resolution plan due date. The Agencies would then have 90 days to decide whether to grant or deny the request. If the Agencies fail to reach a joint decision by the date that is one year prior to the filer’s next scheduled resolution plan due date, the request for de-identification would be deemed granted and the normally required information for critical operations would not be required for that operation. This approach draws from the other procedures included in the Proposed Rule but pulls them together to provide clear deadlines for all parties, a deadline for decision, and full authority for the Agencies to deny the request.

Clarification of Self-Identification Process. The Proposed Rule requires each Biennial filer and Triennial Full filer to establish and implement an internal governance process designed to identify each of its critical operations (the “Self-Identification Process”). This requirement applies even to covered companies that have previously submitted resolution plans and do not currently have an identified critical operation, although the Proposed Rule would allow for such companies to request a waiver of the Self-Identification Process requirement.

The Agencies should clarify that, in order to balance the burden on covered companies and provide transparency, the proposed requirement to have a Self-Identification Process is presumptively waived for any covered company that has previously submitted resolution plans and does not currently have an identified critical operation. This waiver should be effective without requiring the filer to submit a waiver request and should remain in effect unless the Agencies, in their discretion, subsequently determine that a specific filer either should identify a critical operation or should develop a Self-Identification Process. The Proposed Rule already contemplates a process for the Agencies to periodically review covered companies for potential critical operations. This process provides an adequate opportunity for the Agencies to
jointly identify any additional critical operation at such time. Accordingly, filers who do not currently have identified critical operations should not be required to create and maintain a Self-Identification Process or to request a waiver of this proposed requirement.

B. Waiver Process for Resolution Planning Requirements

The Agencies have proposed a helpful process to allow filers to request waivers for specified resolution planning requirements. We applaud the Agencies’ recognition that some resolution planning processes and content requirements may be unnecessary based on the distinct business or organizational structure of a filer or where providing such information would “be of limited utility to the Agencies, such as where the Agencies have recently completed an in-depth review of a particular business line and are satisfied that they are in possession of current information relevant to a firm’s ability to resolve that business line.”27 In particular, the Proposed Rule references the recent comprehensive review of some firms’ PCS activities, which could warrant a waiver of similar information from future filings.28

The IIB appreciates the Agencies’ suggestions that some tailoring of the burden of resolution planning may be achieved through the waiver process. In our view, tailoring of the resolution plan content requirements should be achieved principally through the final rule and through appropriate guidance subject to public notice and comment. Nonetheless, we recognize that the waiver process can provide an additional avenue for direct engagement on resolution planning requirements between filers and the Agencies. However, we believe that the proposed process can be improved to facilitate consistent treatment of similarly situated filers.

The international banks in proposed Categories II, III, and IV represent a diverse group of banking organizations with varying footprints in the United States. This diversity should be recognized by tailoring the required content and other components for resolution plans. In doing so, it is important that the Agencies provide consistent treatment for international banks similarly situated under the asset and risk-based identifiers. Under the process outlined in the Proposed Rule, there is always the risk that one international bank could receive a waiver, but another international bank could be denied a similar waiver or, by virtue of timing, may never have submitted a request. This could lead to inconsistencies having no relationship to relative risks, and lead to widely divergent burdens on filers. The Agencies should account for this potential incongruity in treatment by providing that the Agencies will review the circumstances of comparable resolution plan filers and determine whether, and in what manner, waivers approved for one or more filers should be applied to other similarly situated filers. Moreover, though filers are required to file a public waiver request, the Agencies are not required by the Proposed Rule to issue a public grant or denial. The Agencies should ensure that decisions on waivers are made available to all filers, subject to appropriate redactions or protection for non-public information, to ensure that all filers may seek comparable waivers and to avoid enshrining an opaque process that leads to inconsistent and unnecessarily burdensome requirements for some filers relative to their peers.

27 Supra note 1, at 21608.

28 Id.
The Agencies can further improve the transparency of the proposed waiver process by specifying the criteria that the Agencies will use to determine whether a waiver is granted. The Proposed Rule’s text in §__4(d)(6) authorizes the Agencies to deny waiver requests “in their discretion.” Although the text of the Proposed Rule does not provide clear criteria for the Agencies to evaluate waiver requests, each request is required to show why the information sought to be waived “would not be relevant” to the Agencies’ review of the next Full Plan. The Agencies’ discretion under the Proposed Rule is far too broad and vague to inform filers’ decisions on formulating waiver requests. To ensure that the Agencies focus the resolution planning process on obtaining and reviewing material information, the Agencies should clarify the scope of their discretion and provide tangible criteria to enable filers to weigh waiver requests accurately and plan their filings efficiently.

Should the Agencies decline to more clearly define the standard of review for waiver requests, we recommend that the Agencies apply a consistent, well-defined process. As described above, the process should require that any request for waiver be filed 15 months before the next scheduled resolution plan due date, the Agencies should have 90 days to make a decision, and any decision must be made no later than one year from the next scheduled resolution plan due date. If no decision is provided by that deadline, the request for waiver should be deemed granted. This process will avoid the difficulties faced by filers in the past from waiting for feedback or decisions on requests and will provide a fair procedure to permit more effective planning and implementation. Making this process consistent with the process for requests for de-identification of critical operations will simplify implementation for filers and for the Agencies and improve clarity and transparency.

VI. Future Guidance and Feedback

Clarify the Application of Past Guidance. Guidance and feedback have played a particularly significant role in the resolution planning process, as the Agencies have employed guidance and feedback to communicate expectations and issue clarifications to affected filers since the implementation of the Resolution Planning Rule. In the Proposed Rule, the Agencies state that previously issued guidance will continue to apply to individual firms, but this statement raises questions among filers given that firms will be organized into different categories if the Proposed Rule is enacted as drafted. For example, some former first wave filers would be grouped in the proposed Category III, but not all Category III filers were previously subject to the guidance issued to former first wave filers. We recommend that to the extent the Agencies do not supersede prior guidance with new guidance reflecting the tailoring we suggest, the final rule should clarify that each filer will only be subject to guidance that has previously applied to that filer. Failing to do so will cause unnecessary confusion and lead to certain international banks within Categories II and III being subject to requirements in excess of those previously applied to them under past guidance and feedback.

Timing and Format of Future Guidance and Feedback. At times, resolution planning guidance has been delayed and ambiguous, which has resulted in unnecessary costs and inefficiencies in completing resolution plans by filing deadlines. We encourage the Agencies to take further steps to ensure that guidance has the benefit of public comment and is provided to

29 Supra note 1, at 21606 fn. 20.
filers far enough in advance of filing deadlines to permit efficient and thorough incorporation into the resolution plans. The Agencies should commit to providing such guidance and feedback no later than one year prior to the due dates for the next resolution plans or any supplemental submissions, such as responses to address shortcomings or deficiencies. Codifying a deadline for guidance and feedback by rule would reduce the administrative burdens faced by filing firms, which often organize some resolution planning drafting and processes around the timing of the Agencies’ feedback.

We appreciate the Agencies’ recent recognition that such guidance does “not have the force and effect of law.”30 Consistent with recent past practice and agency statements related to the U.S. GSIFIs, we recommend that the Agencies commit to circulating all future proposed resolution planning guidance for notice and comment.31 Informal guidance, which has not had the benefit of public comment, continues to control significant resolution planning issues. To the extent that, as noted in the Proposed Rule, the Agencies expect resolution plan filers to incorporate into their next resolution plans the assumptions and other requirements defined or based on past guidance and feedback, the IIB recommends that the Agencies publish for public comment those assumptions and other requirements that the Agencies desire filers to apply, while at the same time tailoring these assumptions and requirements to the minimal level of risk posed by any of the Category II, III, or IV filers. While we reiterate our view that individualized feedback has an important role in tailoring resolution planning requirements, we continue to believe that controlling guidance should be published for public comment and finalized prior to the next submission of resolution plans and that all subsequent future guidance should similarly be published for public comment.

For some important components of resolution planning, and given the importance of prior guidance to the resolution planning process, we further recommend that the Agencies consider incorporation of this guidance into the Proposed Rule. For example, and as noted in the Proposed Rule, Targeted Plans should focus on capital, liquidity, and governance mechanisms, which have been the subject of extensive past guidance. Incorporation of such guidance into the Proposed Rule or, alternatively, into guidance following public comment will improve the clarity, transparency, and efficiency of the resolution planning process.32

VII. Aligning Resolution Plan Requirements

Through the Proposed Rule, the Agencies have sought to “streamline, clarify, and improve the resolution plan submission and review processes and timelines.” We greatly appreciate the proposed revisions that should make the resolution planning process more transparent, efficient, and tailored to the filers’ resolvability and the risk they may pose to U.S. financial stability. Consistent with the Agencies’ stated goals, we urge the Agencies to align the content requirements and filing schedule of the Proposed Rule and of the proposed resolution planning rule applicable solely to covered insured depository institutions under 12 C.F.R. Part


31 Id. See also 2018 Guidance, supra note 14.

32 E.g., 2018 Guidance, supra note 14.
360 (the “IDI Rule”). Under the proposed IDI Rule, a bank subsidiary of an international bank may incorporate content submitted as part of the international bank’s Section 165(d) resolution plan by reference. Aligning the IDI Rule and Proposed Rule submission cycles based on content requirements, filing frequency, and deadlines would provide U.S. regulators with contemporaneous and consistent data and analyses for both the bank’s and the international bank’s operations, as well as reduce the compliance burden on filers if required to engage in resolution planning for the bank and international bank separately based on different content and filing cycles.

Additionally, we urge the Agencies to consider ways in which an international bank’s resolution plan content requirements may be further tailored when its bank subsidiary is subject to resolution planning under the IDI Rule. Accordingly, we urge the Agencies to permit incorporation of material provided in an IDI Rule resolution plan by reference within an international bank’s resolution plan under the Proposed Rule.

* * *

We appreciate your consideration of our comments. Please contact me (646-213-1147, bpolichene@iib.org), or our General Counsel, Stephanie Webster (646-213-1149, swebster@iib.org), if we can provide any additional information.

Sincerely,

[Signature]

Briget Polichene
Chief Executive Officer