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FRB and FDIC Provide Resolution Plan Feedback to Eight U.S. G-SIBs

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Last week, the Federal Reserve Board ("FRB") and the Federal Deposit Insurance Corporation ("FDIC") released their feedback to the eight global systemically important banking institutions ("G-SIBs") headquartered in the United States on their resolution plans, more commonly called living wills. The eight U.S. G-SIBs are Bank of America Corporation ("BofA"), Bank of New York Mellon Corporation ("BNYMellon"), Citigroup Inc. ("Citi"), The Goldman Sachs Group ("GS"), JPMorgan Chase & Co. ("JPMC"), Morgan Stanley ("MS"), State Street Corporation ("State Street"), and Wells Fargo & Company ("Wells Fargo").

None of the eight institutions' resolution plans were found to be "not credible." In other words, all eight institutions "passed" their 2021 targeted resolution plans. Additionally, the six institutions that were found to have shortcomings in their 2019 plans (BofA, BNYMellon, Citi, MS, State Street, and Wells Fargo) related to their ability to produce reliable data in stressed conditions were deemed to have adequately addressed those shortcomings in their 2021 resolution plans. However, the FRB and the FDIC found that one institution, Citi, had a shortcoming related to data quality that was the subject of consent orders with the FRB and the OCC in 2020. As the FRB and the FDIC explained in their press releases, "a shortcoming is a weakness that raises questions about the feasibility of the plan … but is not as severe as a deficiency."

If there is a theme in this year's feedback, it is data integrity. Going forward, the FRB and the FDIC noted in all eight feedback letters that they would expect ongoing improvements to "governance mechanisms, liquidity, and capital" including "liquidity resolution capabilities to reflect further actual stress conditions." All eight feedback letters paid particular attention to each institution's resolution liquidity execution need ("RLEN"), and the data needed to integrate RLEN needs with general liquidity risk management. The FRB and the FDIC noted that "the Agencies are considering conducting focused evaluations during the review of the [institutions'] 2023 Full Plan of whether the firm's reliability of data, data accuracy, and BAU data capabilities are adequate to support its resolutions strategies and plans and … the firm's policies and expected practices for moving liquidity at various points along the stress continuum."