



**Deloitte Recovery & Resolution Planning Center of Excellence**  
Summary of the July 2019 G-SIBs Resolution Plan Public Sections

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# Summary of July 2019 Resolution Plan Public Sections

On July 23, 2019, the Board of Governors of the Federal Reserve System (“FRB”) and the Federal Deposit Insurance Corporation (“FDIC”) (collectively, the “Agencies”) released the public sections of the resolution plans for the eight Global Systemically Important Banks (“G-SIBS”). The eight G-SIBS were required to submit their plans by July 1, 2019, which included both private and public sections.

## Background

On December 20, 2018, the Agencies released the [finalized resolution plan guidance](#) (“2019 final guidance”) applying to the eight G-SIBS in relation to how they should develop their next iterations of the resolution plans. The 2019 final guidance provided additional information for the firms regarding their resolution planning capabilities in six areas: capital, liquidity, governance mechanisms, operational, legal entity rationalization and separability, and derivatives and trading activities.

## Key takeaways

The public sections are varied modestly in the level of detail and content that each firm provides, including the level of response to the final guidance. Below are several key takeaways from the public sections:

- **All G-SIB public sections**, with an exception of one firm, reflected a consistent resolution planning approach that is becoming more embedded into their respective business-as-usual (BAU) models.
- **All G-SIBs** continued to discuss improved capabilities and actions taken since the last submission in July 2017. However, the level and amounts of enhancements appear to be less compared to what the G-SIBs have previously reported.
- With one firm transitioning from a multiple point of entry (MPOE) to the SPOE resolution strategy since the 2017 submission, **all G-SIBs** indicated the use of single point of entry (“SPOE”) as their preferred resolution strategy, reflecting how the resolution plan submissions are migrating to a more common approach.
- **Five out of eight G-SIBs** mentioned the development of a derivatives booking model and framework to facilitate resolvability, while only one firm mentioned the establishment of a derivatives booking model in the 2017 submission.
- **Four out of eight G-SIBs** mentioned how they have addressed [shortcomings](#) identified in the July 2017 resolution plan submissions through compliance with the 2019 final guidance.



Firms continued to demonstrate evidence of simplification of operations and minimization of intercompany funding frictions with most reflecting a reduction in legal entities and only one firm adding two more material entities.



With less regulatory-based actions and fewer resolution-related initiatives, five of the plans were modestly shorter; however, most of the structure and content of the public sections were similar, or unchanged, from the 2017 plans.



While much of the strategy implementation focus has been to address regulatory requirements, it would be expected to see efforts shifting to reduce the costs of maintaining these plans.

# Observations of Key Capabilities (1 of 11) - Capital

The following pages summarize features described in the public sections submitted to the Agencies on July 9, 2019.<sup>2</sup>

Theme	Common Features <sup>3</sup>	Differentiating Features
<b>Capital</b>	<ul style="list-style-type: none"> <li>• Indicated having sufficient Resolution Capital Adequacy and Positioning (RCAP) and Resolution Capital Execution Need (RCEN) at each material entity to support their resolution strategies</li> <li>• Indicated having specific capital metric thresholds that, when breached, trigger actions, notifications, and reporting protocols along their crisis continuum</li> <li>• Established the ability to perform sensitivity analyses for RCAP and RCEN needs under different resolution scenarios</li> <li>• Created an allocated mix of pre-positioned capital and buffers between the parent, Intermediate Holding Companies (IHCs), and subsidiary material entities</li> <li>• Incorporated inter-affiliate costs into their working capital calculations</li> <li>• Created pre-funded IHCs to hold capital for subsidiary material entities</li> <li>• Independently reviewed capital calculation assumptions and methodologies</li> <li>• Integrated firm-specific capital management framework into day-to-day processes, procedures and reporting</li> <li>• Indicated having adequate amount of loss absorbing capacity to recapitalize material entities</li> <li>• Maintained contingency capital plan and playbook that documents execution steps, policies, and protocols for individual operating entities</li> </ul>	<ul style="list-style-type: none"> <li>• Created the ability to calculate RCAP &amp; RCEN needs at a daily frequency</li> <li>• Established the ability to perform near real-time portfolio reconciliations across currencies*</li> </ul>

<sup>2</sup> - This document **only considers information that firms disclosed as part of their Public Section filings in the July 2019 submissions**. The undisclosed sections of the various submissions likely contain additional information that, if not discussed in the Public Sections, would not have been included in this analysis.

<sup>3</sup> - Common Features refers to specific features disclosed by more than half of the firms in their respective Public Sections

\* - Only one firm

# Observations of Key Capabilities (2 of 11) - Liquidity

Theme	Common Features	Differentiating Features
<b>Liquidity</b>	<ul style="list-style-type: none"><li>• Stated having sufficient Resolution Liquidity Adequacy and Positioning (RLAP) and Resolution Liquidity Execution Need (RLEN) at each entity to support their resolution strategies</li><li>• Established the capability to produce RLAP estimates on a daily basis</li><li>• Conducted an RLAP estimate over a 30-day stress scenario</li><li>• Hold a pre-positioned mix of liquidity with buffers between their parent/IHC and subsidiary material entities</li><li>• Defined assumptions considered restrictions to liquidity, FMI requirements, and client/ counterparty behaviors</li><li>• Aligned liquidity metrics and thresholds to escalation protocols within their crisis continuum</li><li>• Independently reviewed liquidity calculation assumptions and/or methodologies</li><li>• Maintained a liquidity positioning framework to consider material entity's RLAP and minimum operating needs</li><li>• Developed capabilities to support derivatives and trading-related inputs for RLEN and RLAP for liquidity risk management</li></ul>	<ul style="list-style-type: none"><li>• Implemented an additional third-party friction analysis to capture funding frictions and size the required buffer at IHC to cover significant intercompany transactions*</li><li>• Eliminated significant amount of overnight intercompany funding arrangements and streamlined cross-border flows in order to simplify and minimize intercompany funding frictions*</li><li>• Implemented automation to the resolution liquidity frameworks to ensure daily reporting and analysis capabilities in resolution*</li><li>• Conducted their RLAP estimate using a 90-day stress scenario*</li><li>• Maintained suite of applications that provide real-time granular information about intraday activities to monitor liquidity risk exposure*</li><li>• Improved modeling capabilities to enhance data capture and analytics, and further integration of these capabilities across liquidity management frameworks*</li></ul>

\* - Only one firm

# Observations of Key Capabilities (3 of 11) – Derivatives & Trading (D&T)

Theme	Common Features	Differentiating Features
<b>Derivatives &amp; Trading</b>	<ul style="list-style-type: none"> <li>• Addressed both passive and active wind-down analysis for their derivatives portfolios. Two firms provided detail on the composition and maturity profiles of their portfolios</li> <li>• Created or updated booking model framework to facilitate resolvability</li> <li>• Built capabilities to track and monitor risk associated with derivative trading including on a legal entity basis to ensure the firm has operational capacity to transfer prime brokerage accounts to other prime brokers in an orderly fashion during financial distress</li> <li>• Maintained capabilities to monitor and track risks and exposure associated with derivatives trading on a legal entity basis</li> <li>• Dealer firms conducted operational capacity assessments to demonstrate its resources can handle to high volume of transactions</li> <li>• Aligned compliance policies and processes to adhere to the International Swaps and Derivatives Association (ISDA) protocol to improve resolvability</li> </ul>	<ul style="list-style-type: none"> <li>• Developed forecast and derivatives portfolio segmentation tools to improve wind-down strategy</li> <li>• Utilized both automated processes in the derivatives booking model to ensure efficiency and manual processes to apply detailed analysis and judgement*</li> <li>• Identified a residual population of accounts that would be difficult to exit</li> <li>• Assessed the derivatives activities against the six LER criteria to see how to best support resolvability</li> <li>• Created or improved inter-affiliate risk management and monitoring, with one firm mentioning the inclusion of a Derivatives Booking Policy to govern the relationship of inter-affiliate transactions</li> <li>• Identified the residual portfolio of derivatives positions that could remain at the end of wind-down and demonstrated that the residual positions remaining would be non-systemic*</li> <li>• Performed segmentation of firmwide over-the-counter (OTC) derivatives portfolio based on the 2019 Resolution Plan Guidance</li> <li>• Applied exit framework to categorize positions based on the expected ability (both financial and operational) to unwind derivatives positions in Resolution*</li> </ul>

\* - Only one firm

# Observations of Key Capabilities (4 of 11) - Operational

Theme	Common Features	Differentiating Features
<b>Operational: Payment, Clearing, and Settlements</b>	<ul style="list-style-type: none"><li>• Developed FMU contingency playbooks with actionable steps to allow for continued access during resolution</li><li>• Established governance processes and protocols around their PCS capabilities</li><li>• Developed frameworks and methodologies that uses both quantitative and qualitative parameters to improve identification and mapping of PCS clients and services</li><li>• Enhanced their reporting of FMU exposures and details by material entity</li><li>• Enhanced intraday liquidity monitoring and forecasting, increased pre-positioned liquidity, and incorporated payment, clearing and settlements (PCS) estimates into their resolution financial projections</li></ul>	<ul style="list-style-type: none"><li>• Established a formal governance group to monitor and coordinate PCS activities leading up to and during resolution</li><li>• Developed a data and reporting platform to store, track, and report exposure and other information with respect to material FMUs</li><li>• Updated standard agent bank and sub-custodian contract language to include resolution-friendly termination and assignability provisions, and established formal procedures to require such language to be included in future agreements*</li></ul>

# Observations of Key Capabilities (5 of 11) - Operational

Theme	Common Features	Differentiating Features
<b>Operational: Collateral</b>	<ul style="list-style-type: none"><li>• Discussed the use of a business-as-usual collateral tracking and management tool that enables the firms to monitor and track collateral across geographies and rapidly move, value, and margin collateral in Resolution. Moreover, firms track and manage collateral requirements associated with counterparty credit risk exposures between affiliates, including foreign branches; and estimate the liquidity impact of collateral arrangements under various stress scenarios</li><li>• Leveraged collateral management policies for enterprise-wide governance that ensure consistent treatment of collateral and appropriate risk management in business-as-usual conditions</li><li>• Maintained the capability to identify legal and operational differences and potential challenges in managing collateral within specific jurisdictions, agreement types, counterparty types, collateral forms, and other distinguishing characteristics</li><li>• Created a legal agreement repository, which catalogs key contracts, netting and re-hypothecation rights</li><li>• Created the ability to identify Committee on Uniform Identification Procedures (CUSIP) and asset class information on collateral pledged</li></ul>	<ul style="list-style-type: none"><li>• Conducted a comprehensive analysis of how the firm would manage collateral processes in resolution at each key operating entity that either pledges or holds third-party collateral and related valuation processes*</li><li>• Developed a simulation engine for securities and finance activities that quantifies potential net future exposures relating to certain transactions and provides analysis of potential market and firm risks*</li><li>• Continued use of a robust data sourcing and enterprise-wide reporting platform that provides a holistic centralized view of collateral across the organization*</li></ul>

\* - Only one firm

# Observations of Key Capabilities (6 of 11) - Operational

Theme	Common Features	Differentiating Features
<b>Operational: Management Information Systems</b>	<ul style="list-style-type: none"><li>• Established the capabilities to collect and maintain information that the management uses to monitor the firm's financial health, risks and operations and to inform strategic decision-making</li><li>• Created reporting capabilities with sufficient granularity to facilitate decision-making in stable and stressed conditions</li></ul>	<ul style="list-style-type: none"><li>• Completed testing on their MIS ready capabilities*</li><li>• Created a central repository of rule sets to determine net exposures to counterparties*</li><li>• Defined formal MIS procedures in place to facilitate ongoing information-sharing access of MIS to regulators*</li><li>• MIS platforms are built and managed in compliance with all applicable data privacy laws and regulations</li><li>• Data visualization platform used to visualize key interdependencies and relationships among legal entities and entity owners.</li></ul>

\* - Only one firm

# Observations of Key Capabilities (7 of 11) - Operational

Theme	Common Features	Differentiating Features
<b>Operational: Shared and Outsourced Services</b>	<ul style="list-style-type: none"> <li>• Created formal mapping procedures in order to capture interdependencies a firm would require in a resolution scenario</li> <li>• Created detailed taxonomy to identify and map critical services</li> <li>• Disclosed having allocated capital to legal entities to assist with the continuation of services in resolution</li> <li>• Leveraged information gathered from mapping procedures to formalize and strengthen the sustainability of inter-affiliate service relationships in resolution by:                             <ul style="list-style-type: none"> <li>○ adding arms-length pricing</li> <li>○ adding “resolution friendly” contractual language</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Allocated working capital to promote continuity and access to shared services for a full six months</li> <li>• Technology is used for managing service level relationship data and recording of service-level agreements of intercompany services</li> <li>• Created playbooks to document actions related to Shared and Outsourced services, including Employee Retention, Inter-Affiliate Services, Facilities, Technology, and Vendor Management</li> <li>• Created policy and procedures documentation in support of shared services management practices*</li> <li>• Maintain reporting on metrics and exception tracking to monitor compliance with shared services criteria*</li> <li>• Prefunded service entities/service companies with six months of working capital</li> </ul>
	<b>Additional Considerations</b>	
	<p><b>Tax Considerations:</b></p> <ul style="list-style-type: none"> <li>• One of the firms highlights the Tax department as a critical shared service with identified sub-services such as Tax Planning and Tax Compliance</li> </ul>	

\* - Only one firm

# Observations of Key Capabilities (8 of 11) – Governance

Theme	Common Features	Differentiating Features
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Developed trigger and escalation frameworks to guide the timely execution of the resolution plan</li> <li>• Defined decision making processes within governance playbooks for the boards, executives and other governing bodies during a resolution scenario</li> <li>• Defined a sequence of triggers in the context of a continuum during business as usual through resolution scenarios and bankruptcy (although the number of stages and naming varies by firm)</li> </ul>	<ul style="list-style-type: none"> <li>• Described recovery and resolution planning (RRP) training conducted for various governing bodies</li> <li>• Triggers are tested for a wide variety of stress scenarios and subjected to sensitivity analysis</li> <li>• Stated they regularly test the resolution strategy under rigorous stress scenarios</li> <li>• Developed support triggers starting at the Point of Non-Viability to post-resolution event period</li> <li>• Disclosed they obtain certification of review and approval by its board*</li> <li>• Utilized its Risk Management Framework to incorporate resolution and recovery efforts under the direction of its Risk function; other firms have developed standalone policies under the direction of a Resolution Steering Committee (or equivalent)*</li> <li>• Modified the recovery plan activation trigger so that recovery actions begin earlier than it would have under earlier recovery plans*</li> </ul>

\* - Only one firm

# Observations of Key Capabilities (9 of 11) - LER

Theme	Common Features	Differentiating Features
<b>Legal Entity Rationalization and Separability</b>	<ul style="list-style-type: none"> <li>• Embedded Legal Entity Rationalization Criteria and governance in BAU processes, policies &amp; procedures and governance framework</li> <li>• Established definitions of LER themes and Criteria</li> <li>• Established an annual review process to ensure ongoing compliance to LER criteria and review of potential changes to the criteria</li> <li>• Established a formal Governance process and a group/Committee for overseeing Legal Entity Rationalization and related processes</li> <li>• Placed an emphasis on flexibility/optionality of sale options</li> <li>• Created efforts to reduce the total number of legal entities and Material Entities in order to further simplify entity structure</li> </ul>	<ul style="list-style-type: none"> <li>• Some firms identified sale entities based on a target legal entity structure while others focused on executability and/or value as an independent business</li> <li>• Certain firms conducted hypothetical due diligence and/or analyzed potential buyers while others focused on a valuation of the businesses that would be sold</li> <li>• Certain firms highlighted carve-out financial statements that have been developed for entities considered as sale options</li> <li>• Developed a legal entity "visualizer" to clearly present information about the firm's legal entities in a clear, visual format (including search and filtering)*</li> <li>• Proactively managing required structural changes to minimize impact from Brexit*</li> </ul>
	<b>Additional Considerations</b>	
	<p><b>Tax Considerations:</b></p> <ul style="list-style-type: none"> <li>• Certain firms mention income tax assets/liabilities as key items on the balance sheet of entities that have been identified for potential divestiture in a resolution scenario</li> </ul>	

\* - Only one firm

# Observations of Key Capabilities (10 of 11) – Legal

Theme	Common Features	Differentiating Features
<b>Legal – Day 1 Implications</b>	<ul style="list-style-type: none"><li>• Amended the Support Agreement and Security Agreement</li><li>• Created ME board bankruptcy playbooks to outline decision making in resolvability scenarios</li><li>• Completed analysis of potential legal and creditor challenges</li></ul>	<ul style="list-style-type: none"><li>• Drafted emergency motions and filings to leverage in the event of bankruptcy</li><li>• Completed an analysis of potential conflicts of interest such as overlapping ME board directorships*</li></ul>

\* - Only one firm

# Observations of Key Capabilities (11 of 11) – Resolution Strategy

Theme	Common Features	Differentiating Features
<b>SPOE</b>	<ul style="list-style-type: none"> <li>• Addressed the deployment of preferred resolution strategy that uses a SPOE approach</li> <li>• Described the use of a support agreement framework as a central component of the SPOE resolution strategy, as well as a capital and liquidity-based trigger and escalation framework</li> <li>• Communicated the main advantages of the firms’ respective resolution strategies, including the ability to preserve the value of core business lines, customers having full protection and access to brokerage accounts, liabilities of material entities to be paid in an orderly fashion during wound down etc.</li> <li>• Described the stabilization of continuing material entity subsidiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Described the transition from a multiple point of entry (MPOE) to the SPOE approach for the 2019 plan*</li> <li>• Addressed the management of international operations and global compliance with existing enterprise standards and policies related to resolution. Further mentioned how the firm meets the expectations required by the resolution plan guidance related to successful execution of the SPOE strategy on a cross-border basis. For example, this includes analyzing the potential actions that local authorities could take during a failure scenario or maintaining crisis management governance structure and communication strategy for non-US material entities*</li> </ul>

\* - Only one firm

# What's next - Considerations



**Don't wait for feedback** - Filers should continue the march down the path to continuous improvement, prioritizing initiatives noted in their respective resolution plans for which future commitments have been made. As follow up questions and feedback are raised in regards to the submitted plans in the coming weeks and months, the ability to demonstrate progress since submission could be an important evaluation factor.



**Seek out better ideas** - Filers should benchmark their resolution plan strategy, approach and capability path against those presented in the released public sections and explore whether others have identified more efficient, simpler or better approaches that could be tailored to the organization.



**Considerations for other filers** – The foreign bank organizations (FBOs) and other domestic filers (please refer to the FRB's [proposed amendments](#) to resolution plan requirements) should analyze the information from the public sections submitted by the G-SIBs and refine their resolution strategy and plan, especially the requirements and enhancements related to derivatives & trading including booking models. Moreover, filers must understand that, with the exception to FBOs with global consolidated assets of \$250 billion or less, the public section requirements will remain unchanged under the proposed amendments.



**Maturing process** – The public sections submitted by the G-SIBs reflect a more maturing resolution planning process. Especially with all eight G-SIBs having adopted SPOE as their preferred resolution strategy, resolution plan submissions are showing more common features. Given where these firms are in the development cycle, they should now turn their attention towards identifying and addressing efficiency gaps.

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