



**Template Letter to Category II and III Firms with Resolution Plans Due in December 2021**

(Bank of Montreal; Capital One Financial Corporation; Mizuho Financial Group, Inc.; Mitsubishi UFJ Financial Group, Inc.; Northern Trust Corporation; The PNC Financial Services Group, Inc.; Royal Bank of Canada; Sumitomo Mitsui Financial Group, Inc.; The Toronto-Dominion Bank; UBS Group AG; and U.S. Bancorp)

December 15, 2022

[Address]

Dear [Addressee]:

On or before December 17, 2021, the Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) received the targeted resolution plan submission (2021 Targeted Plan) of [Covered Company] (the Covered Company), as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended (Dodd-Frank Act), 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 and 12 CFR Part 381, as amended (Resolution Plan Rule).

The Agencies have reviewed the 2021 Targeted Plan, taking into consideration section 165(d) of the Dodd-Frank Act; the Resolution Plan Rule; the most recent feedback letter that the Agencies provided to the Covered Company, regarding its prior plan submission; the targeted information request letter that the Agencies provided to the Covered Company (Targeted Information Request Letter), regarding the required content of the 2021 Targeted Plan; and certain other information available to the Agencies.

The Agencies did not identify as a result of this review shortcomings or deficiencies in the Covered Company’s 2021 Targeted Plan. Nonetheless, the Agencies have noted areas where further progress will help improve the preparation of the Covered Company for a rapid and orderly resolution[(*IF A FOREIGN BANKING ORGANIZATION ADD:*) of its U.S. subsidiaries and operations], as discussed in section II below.

Under the Resolution Plan Rule, the Covered Company is required to submit a full resolution plan on or before July 1, 2024 (2024 Full Plan). The Agencies anticipate issuing guidance in advance of the 2024 Full Plan submission deadline to triennial full filers that are not already subject to resolution planning guidance, including the Covered Company, to assist in the development of their 2024 Full Plan submissions.

## **I. Background**

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with \$250 billion or more in total consolidated assets, certain bank holding companies with total consolidated assets of between \$100 billion and \$250 billion, and each designated nonbank financial company report to the Agencies the plan of such company for its rapid and orderly resolution in the event of material financial distress or failure.<sup>1</sup> A firm, such as the Covered Company, that is a triennial full filer under the Resolution Plan Rule is required to file a resolution plan every three years, alternating between full and targeted resolution plans.<sup>2</sup>

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<sup>1</sup> In addition, section 401(f) of the Economic Growth, Regulatory Relief, and Consumer Protection Act provides that any bank holding company, regardless of asset size, that is identified as a global systemically important bank holding company under 12 CFR § 217.402 shall be considered a bank holding company with \$250 billion or more in total consolidated assets with respect to the application of standards or requirements under section 165 of the Dodd-Frank Act. 12 U.S.C. § 5365 note.

<sup>2</sup> 12 CFR §§ 243.4(b), 381.4(b).

Pursuant to the Resolution Plan Rule, the 2021 Targeted Plan was required to include the core elements;<sup>3</sup> the Covered Company’s response to the targeted information request (as set forth in the Targeted Information Request Letter); a description of each material change experienced by the Covered Company since its previously submitted resolution plan (or affirmation that no such material change has occurred) and the changes the Covered Company has made to its resolution plan in response; a description of changes to the Covered Company’s previously submitted resolution plan resulting from changes in law or regulation, or from guidance or feedback from the Agencies;<sup>4</sup> and a public section.<sup>5</sup>

Under section 165(d) of the Dodd-Frank Act, the Agencies may jointly determine, based on their review, that a firm’s resolution plan is not credible or would not facilitate an orderly resolution of the company under Title 11 of the United States Code (U.S. Bankruptcy Code).<sup>6</sup>

***[(IF NOT A FOREIGN BANKING ORGANIZATION ADD:)]*** For a firm, such as the Covered Company, that is incorporated or organized in the United States, rapid and orderly resolution means a reorganization or liquidation of the covered company under the U.S. Bankruptcy Code that can be accomplished within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of the covered company would have serious adverse effects on financial stability in the United States.] ***[(IF A FOREIGN BANKING ORGANIZATION ADD:)]*** For a firm, such as the Covered Company, that is incorporated or organized in a jurisdiction other than the United States, rapid and orderly resolution means a

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<sup>3</sup> “Core elements” means the information required to be included in a full resolution plan pursuant to section \_\_.5(c); (d)(1)(i), (iii), and (iv); (e)(1)(ii), (2), (3), and (5); (f)(1)(v); and (g) of the Resolution Plan Rule, regarding capital, liquidity, and the Covered Company’s plan for executing any recapitalization contemplated in its resolution plan, including updated quantitative financial information and analyses important to the execution of the Covered Company’s resolution strategy. 12 CFR §§ 243.2, 381.2; *see also* Resolution Plans Required, 84 Fed. Reg. 59194, 59208 n.35 (Nov. 1, 2019).

<sup>4</sup> 12 CFR §§ 243.6(b), 381.6(b).

<sup>5</sup> 12 CFR §§ 243.11(c), 381.11(c).

<sup>6</sup> 12 U.S.C. § 5365(d)(4).

reorganization or liquidation of the subsidiaries and operations of the covered company that are domiciled in the United States under the U.S. Bankruptcy Code that can be accomplished within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of the covered company would have serious adverse effects on financial stability in the United States.<sup>7]</sup>

Under the Resolution Plan Rule, the Agencies can jointly identify shortcomings or deficiencies in a covered company's resolution plan.<sup>8</sup> The Resolution Plan Rule also provides processes by which shortcomings or deficiencies jointly identified by the Agencies in a resolution plan may be remedied.

## **II. Results of the Agencies' Review of the 2021 Targeted Plan**

Based upon their review of the Covered Company's 2021 Targeted Plan, as well as resolution plans submitted by other triennial full filers, the Agencies anticipate issuing guidance to assist the triennial full filers that are not already subject to resolution planning guidance, including the Covered Company, in the development of their 2024 Full Plan submissions.

Aspects of this guidance may include: demonstrating that a resolution strategy which utilizes a bridge depository institution is the least costly to the Deposit Insurance Fund; providing one or more options for exit from a bridge depository institution, applying certain criteria; and calculating liquidity needs in resolution and analyzing how those needs would be met.

***[(IF A FOREIGN BANKING ORGANIZATION ADD:)*** Another appropriate topic for guidance may be a discussion of how the firm's strategy and capabilities for its resolution plan under the Resolution Plan Rule (single point of entry or multiple point of entry) is complementary to its home country global resolution strategy.]

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<sup>7</sup> 12 CFR §§ 243.2, 381.2.

<sup>8</sup> 12 CFR §§ 243.8(b), (e), 381.8(b), (e).

### III. Conclusion

The resolvability of firms will change as markets and firms' activities, risk profiles, and structures change. In addition to further actions to enhance its current resolvability, the Agencies expect the Covered Company to continue to address the resolution consequences of these changes and its day-to-day management decisions to fulfill its obligation to enable the rapid and orderly resolution of the [(IF A FOREIGN BANKING ORGANIZATION ADD:) Covered Company's U.S. subsidiaries and operations] [(IF NOT A FOREIGN BANKING ORGANIZATION ADD:) Covered Company] under the U.S. Bankruptcy Code.

If you have any questions about the information communicated in this letter, please contact the Agencies.

Sincerely,

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Ann E. Misback  
Secretary of the Board  
Board of Governors of the Federal Reserve  
System

Sincerely,

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Debra A. Decker  
Executive Secretary  
Federal Deposit Insurance Corporation