December 19, 2017

Mr. Brian Moynihan
Chairman of the Board and Chief Executive Officer
Bank of America Corporation
100 North Tryon Street
Charlotte, North Carolina 28255-0001

Dear Mr. Moynihan:

On July 1, 2017, the Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) received the annual resolution plan submission (2017 Plan) of Bank of America Corporation (BAC) required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 and 12 CFR Part 381 (the Resolution Plan Rule). The Agencies have reviewed the 2017 Plan taking into consideration section 165(d) of the Dodd-Frank Act, the Resolution Plan Rule, the letter that the Agencies provided to BAC on April 12, 2016 (the 2016 Letter) regarding BAC's 2015 resolution plan submission (2015 Plan), the joint "*Guidance for 2017 Resolution Plan Submissions By Domestic Covered Companies that Submitted Resolution Plans in July 2015*" (the 2017 Plan Guidance), other guidance provided by the Agencies and supervisory information available to the Agencies.

In reviewing the 2017 Plan, the Agencies noted meaningful improvements over prior resolution plan submissions of BAC. Among other things, the Agencies reviewed the 2017 Plan

with respect to the shortcomings in BAC's 2015 Plan. Based upon their review of the 2017 Plan, the Agencies have jointly decided that the 2017 Plan satisfactorily addressed these shortcomings, as discussed in section I, below. Nonetheless, the Agencies have identified one shortcoming in the 2017 Plan, as discussed in section II, below. The Agencies will review the plan due on July 1, 2019 (2019 Plan) to determine if BAC has satisfactorily addressed the shortcoming. If the Agencies jointly decide that this matter is not satisfactorily addressed in the 2019 Plan, the Agencies may determine jointly that the 2019 Plan is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code.

I. Background and Progress

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with $50 billion or more in total consolidated assets 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. Under the statute, the Agencies may jointly determine, based on their review, that the plan is "not credible or would not facilitate an orderly resolution of the company under Title 11, United States Code."[1] The statute and the Resolution Plan Rule provide a process by which the deficiencies jointly identified by the Agencies in such a plan may be remedied.

In addition to the Resolution Plan Rule, the Agencies have provided supplemental written guidance to assist BAC's development of a resolution plan that satisfies the requirements of section 165(d) of the Dodd-Frank Act.[2] The Agencies have also provided ongoing engagement

[1] 12 U.S.C. § 5365(d)(4).

[2] Most recently, this guidance has included:

- The 2016 Letter, which detailed two jointly identified deficiencies in the 2015 Plan and the actions required to address them. The 2016 Letter also identified shortcomings in the 2015 Plan and stated that if the Agencies jointly decide that these matters are not satisfactorily

with BAC to facilitate the development of its 2017 Plan. The Agencies' staffs have met with BAC frequently since April 2016 to answer questions related to the 2017 Plan.

In July 2017, the Agencies received the 2017 Plan and began their review to determine whether the 2017 Plan satisfies the requirements of section 165(d) of the Dodd-Frank Act and the Resolution Plan Rule. As part of their review, the Agencies assessed whether the 2017 Plan satisfactorily addressed each of the shortcomings identified in the 2016 Letter. The Agencies also assessed whether the 2017 Plan satisfactorily addressed each of the key vulnerabilities in resolution identified in the 2017 Plan Guidance. As noted in previous communications, actions to enhance resolvability generally were expected to be fully implemented no later than the date of the 2017 Plan.[3]

Progress Made by BAC

Following receipt of the 2016 Letter, BAC has taken important steps to enhance the firm's resolvability and facilitate its orderly resolution in bankruptcy. These steps include those taken to address the requirements of the Board's resolution-related rules regarding total loss-absorbing capacity, clean holding companies,[4] and stays of qualified financial contracts.[5]

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addressed in the 2017 Plan, the Agencies may determine jointly that the 2017 Plan is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code. The deficiencies identified in the 2016 Letter were addressed in October 2016.

- The 2017 Plan Guidance, which described the Agencies' expectations regarding the 2017 Plan and highlighted specific areas where additional detail should be provided and where certain capabilities or optionality should be developed to demonstrate that the firm has considered fully, and is able to mitigate, obstacles to implementation of the preferred strategy.
- Answers to common and firm-specific questions regarding the 2017 Plan Guidance.

[3] See the 2016 Letter.

[4] See 12 CFR 252.60-.65. This rule generally requires BAC to maintain capital and long-term debt outstanding to absorb potential losses following entry into bankruptcy and to not enter into certain financial arrangements that would create obstacles to an orderly resolution.

BAC has taken other significant steps. These include (i) improving its capital and liquidity capabilities by developing approaches to estimate stand-alone financial resource needs for each material entity; (ii) linking measures of estimated financial resource needs to available resources to inform the timely filing of the parent company's bankruptcy; (iii) developing a framework for the pre-positioning of capital and liquidity at material entities; (iv) funding a subsidiary that would allocate resources to material entities during resolution as needed; (v) entering into a contractually binding mechanism designed to provide capital and liquidity support to material entities; (vi) creating a framework to govern escalation of information in support of timely decision-making; (vii) modifying its service contracts with key vendors to include provisions intended to ensure the continuation of services; (viii) identifying options for the sale of discrete businesses and assets under different market conditions and taking actions to make those options actionable; (ix) pre-positioning working capital in service-providing entities; (x) developing playbooks to support continued access to payment, clearing, and settlement activities; (xi) continuing to execute on its project plan to separate institutional and retail brokerage activities; and (xii) developing a detailed playbook that provides an operational guide for downstreaming cash and financial resources to material entities.

Finally, BAC has adequately addressed the shortcomings identified in the 2016 letter. In response to the firm's derivatives shortcoming, BAC provided additional details regarding its approach to segmenting, packaging, and winding down its derivatives portfolio and incorporated the liquidity and cost impacts of its preferred wind-down strategy into its frameworks for estimating liquidity and capital execution needs in resolution. In response to the firm's

[5] See 12 CFR 252.81-.88. This rule generally requires BAC and certain of its subsidiaries to amend their qualified financial contracts to stay the exercise of default rights that could undermine the firm's resolution strategy.

governance mechanisms shortcoming, the firm provided relevant legal analysis of the potential challenges and mitigants to its planned support of material entities before bankruptcy, developed mitigants (e.g., contractually binding mechanism, intermediate holding company) to those challenges, and incorporated these developments into its governance playbooks. In response to the firm's legal entity rationalization shortcoming, BAC revised its legal entity rationalization framework to include a set of 21 specific and actionable criteria and took actions to implement them. BAC also identified divestiture options to provide meaningful optionality under different market conditions.

II. Shortcoming Regarding Derivatives and Trading Activities

The Agencies have identified a shortcoming in the 2017 Plan regarding the firm's analysis of its derivatives portfolio. Specifically, the 2017 Plan did not adequately assess the complexity of the firm's derivatives portfolio and contained conflicting information regarding its residual portfolio. Although the 2017 Plan included capital and liquidity needs estimates under the passive wind-down scenario, it lacked quantitative analysis and supporting assumptions on operational costs and the costs associated with the basis risk that would result from hedging with only exchange-traded and centrally-cleared instruments in a severely adverse stress environment. The 2017 Plan also did not include an analysis of the systemic risk profile of the residual portfolio — or the point of financial resource depletion — resulting from the passive wind-down scenario.

The 2019 Plan may address this shortcoming by providing a fulsome analysis of a passive wind-down scenario. This includes a detailed quantitative analysis, with supporting assumptions, of operational costs and costs associated with the basis risk resulting from hedging with only exchange-traded and centrally-cleared instruments in a severely adverse stress

environment. Analysis of a passive-wind-down scenario should also include a detailed analysis and timeline of estimated resource needs, until the point of total run-off or until resources are depleted. If resources are depleted prior to total run-off in the passive wind-down scenario, the analysis should include the systemic risk profile of the residual portfolio, taking into account its size, composition, complexity, and potential counterparties.

As noted below, the Agencies plan to provide additional clarity regarding the analysis of dealer firms' derivatives portfolios in the resolution plans due July 2019. If the Agencies set different expectations for the derivatives portfolio analysis of the 2019 Plan, the 2019 Plan may alternatively address this shortcoming by fully responding to those expectations.

If the Agencies jointly decide that this shortcoming is not satisfactorily addressed in the 2019 Plan, the Agencies may determine jointly that the 2019 Plan is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code.

III. Conclusion

In their review of the July 2017 resolution plans, the Agencies also identified four common areas where more work may need to be done to improve the resolvability of the firms: intra-group liquidity; internal loss absorbing capacity; derivatives; and payment, clearing, and settlement activities. Next year the Agencies intend to clarify improvements that should be reflected in the firms' next resolution plans, which are due on July 1, 2019. The Agencies are also considering ways to streamline the resolution plan submission process to allow more time for firms to make progress on resolvability before submitting plans to the Agencies.

The resolvability of firms will change as markets change and as firms' activities, structures, and risk profiles change. The Agencies expect firms to continue to address the resolution consequences of their day-to-day management decisions.

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

Sincerely,

Ann E. Misback (Signed)

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

Sincerely,

Robert E. Feldman (Signed)

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation