



December 16, 2019

Mr. James Dimon
Chairman of the Board and Chief Executive Officer
JPMorgan Chase & Co.
383 Madison Ave., 41st Floor
New York, NY 10179

Dear Mr. Dimon:

On or before July 1, 2019, 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 (2019 Plan) of JPMorgan Chase & Co. (JPMC) 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)¹. The Agencies have reviewed the 2019 Plan taking into consideration section 165(d) of the Dodd-Frank Act, the Resolution Plan Rule, the letter that the Agencies provided to JPMC on December 19, 2017 (the 2017 Letter) regarding JPMC's 2017 resolution plan submission (2017 Plan), the joint *Guidance for § 165(d) Resolution Plan Submissions by Domestic Covered Companies applicable to the Eight Largest, Complex U.S. Banking Organizations*, 84 Fed. Reg. 1438, 1449 (February 4, 2019) (the Domestic

¹ The Agencies recently amended the Resolution Plan Rule. See 84 Fed. Reg. 59,194 (November 1, 2019) (the Amended Resolution Plan Rule). The Amended Resolution Plan Rule will become effective on December 31, 2019. JPMC submitted the 2019 Plan and the Agencies completed their review of that Plan before December 31, 2019; accordingly, the Amended Resolution Plan Rule is not applicable to the 2019 Plan.

Guidance), and other supervisory information available to the Agencies. In addition, the staffs of the Agencies engaged with JPMC during the development of its 2019 Plan to answer questions, including those regarding the Domestic Guidance, and to understand the changes JPMC has made since the 2017 Plan.

In reviewing the 2019 Plan, the Agencies noted meaningful improvements over JPMC's prior resolution plan submissions, as described below. Based upon their review of the 2019 Plan, the Agencies did not identify shortcomings or deficiencies in the 2019 Plan but noted areas in which JPMC should continue to improve its resolution capabilities, as discussed in section III below.

I. Background

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with \$250 billion² 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. 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.”³ 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.

² The Economic Growth, Regulatory Relief, and Consumer Protection Act (Pub. L. 115-174, 132 Stat. 1296) raised the minimum assets threshold for general application of the resolution planning requirement under section 165(d) of the Dodd-Frank Act from \$50 billion to \$250 billion in total consolidated assets.

³ 12 U.S.C. § 5365(d)(4).

In addition to the Resolution Plan Rule, the Agencies have provided supplemental written guidance and feedback to assist JPMC's development of a resolution plan that satisfies the requirements of section 165(d) of the Dodd-Frank Act.⁴ JPMC's preferred resolution strategy is a single point of entry (SPOE) strategy, which is designed to provide for material entity subsidiaries to hold or have access to capital and liquidity resources required for an orderly resolution prior to the top tier parent company entering bankruptcy proceedings. The SPOE strategy calls for timely action by the firm to provide its material entities with sufficient capital and liquidity resources to further the strategy's key objectives, including avoiding multiple competing insolvencies and maintaining continuity of critical operations throughout resolution.

JPMC has taken important steps to enhance the firm's resolvability and facilitate its orderly resolution in bankruptcy, the most recent of which are summarized in more detail in section II below. Given the significant progress in JPMC's resolution planning and capabilities since its initial resolution plan submission, the Agencies' review was increasingly focused on testing of the firm's resolution capabilities. Testing of resolution capabilities by the Agencies and by the firm can help to inform the firm and its management, as well as the Agencies, about strengths and weaknesses in JPMC's resolution preparedness and areas on which JPMC should focus its ongoing efforts. To that end, the Agencies' 2019 Plan review included tests of certain capabilities relevant to the execution of JPMC's SPOE strategy, including governance, financial

⁴ This written guidance and feedback includes:

- The 2017 Letter, <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20171219a5.pdf>.
- The Domestic Guidance, <https://www.federalregister.gov/documents/2019/02/04/2019-00800/final-guidance-for-the-2019>.

reporting, and management information systems capabilities related to implementation of the Amended and Restated Support Agreement (SSA).

II. Progress Made by JPMC

JPMC's initiatives to enhance the firm's resolvability have included efforts to incorporate resolution planning into business-as-usual governance, operations, and processes. These initiatives have entailed investment of considerable resources into technology and systems to enhance resolution capabilities. In the payment, clearing, and settlement area, JPMC has focused on its ability to identify key clients and financial market utility providers, as well as planning for continuity of access to payment, clearing, and settlement services in times of stress and resolution. JPMC also continues to enhance its resolution liquidity calculation capabilities, including enhancing its ability to calibrate and alter assumptions in its resolution liquidity execution need (RLEN) methodologies and reducing the need for manual adjustments. JPMC has enhanced its ability to analyze its derivatives portfolio and identify and map its shared services. JPMC has continued to refine its governance mechanism capabilities, in part by testing operationalization of the SSA with key decisionmakers and incorporating lessons learned from this testing.

III. Remaining Projects

JPMC's 2019 Plan described ongoing resolvability enhancement initiatives. It is important that JPMC continue making progress to maintain and improve resolvability under the U.S. Bankruptcy Code, thus increasing the likelihood of JPMC's successful implementation of its preferred SPOE strategy, should the need arise. As one of its key initiatives, the firm is developing a system that will be a centralized source for trade-level risk data and enable the firm to report risk sensitivities alongside Value at Risk, firm-wide stresses, and profit and loss

metrics. JPMC has made progress integrating its inter-affiliate market risk framework into its business-as-usual risk management systems. JPMC should complete the build-out of this system by the June 30, 2020 deadline the firm identified in the 2019 Plan. The firm should develop and submit a detailed project plan for the completion of the system to the Agencies by February 28, 2020, and provide the Agencies with regular progress updates. In the event impediments arise that are outside the firm's control and JPMC believes a different schedule for completion is necessary, JPMC should provide a revised schedule with detailed support for the changes.

JPMC also described enhancements it has underway to improve its capabilities for producing the firm's RLEN. An RLEN framework that can be calibrated to reflect actual stress conditions and that utilizes reliable and timely forecasts produced by the firm's data and reporting systems can help reduce the likelihood of false resolution triggers. In addition, JPMC described a pending project to further improve the firm's flexibility in identifying and mapping critical shared services. Implementing this capability can help the firm increase optionality in resolution under different market conditions and adjust to unexpected impediments to its resolution strategy. The Agencies will continue to monitor the firm's progress on these initiatives.

The Agencies are considering RLEN capabilities and critical services mapping capabilities as potential areas of focus for the 2021 targeted resolution plan. Accordingly, JPMC should provide an update on its RLEN enhancement initiatives and critical services mapping by March 31, 2020. The Agencies will take any information received by that date into account in determining the scope of the 2021 targeted resolution plan. The Agencies will provide supplementary information to JPMC by June 30, 2020, on key areas of focus,

questions, and issues that must be addressed in its 2021 targeted resolution plan, consistent with the Amended Resolution Plan Rule.

IV. Conclusion

The resolvability of firms will change as markets change and as firms' activities, structures, and risk profiles change. The Agencies expect JPMC 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 JPMC in bankruptcy. The Agencies continue to consider areas where more work may need to be done to improve the resolvability of the firms, including intra-group liquidity and internal loss absorbing capacity. The Agencies expect that any future actions in these areas, whether guidance or rules, would be adopted through notice and comment procedures, which would provide an opportunity for public input.

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

Sincerely,
(Signed)

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

Sincerely,
(Signed)

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation