



March 29, 2019

Mr. Roger C. Hochschild
Chief Executive Officer and President
Discover Financial Services
2500 Lake Cook Road
Riverwoods, IL 60015

Dear Mr. Hochschild:

The Board of Governors of the Federal Reserve System (the Board) and the Federal Deposit Insurance Corporation (the FDIC) (together, the Agencies) have reviewed the resolution plan submission (2017 Plan) that Discover Financial Services (Covered Company) submitted in December 2017, as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (Dodd-Frank Act) and the jointly issued Resolution Plan Rule.² The Agencies did not identify as a result of this review shortcomings or deficiencies in the Covered Company's 2017 Plan.

Upon the enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA),³ resolution plan requirements no longer applied to the Covered Company because its total consolidated assets, as calculated pursuant to section 2(f) of the Resolution Plan Rule, were less than \$100 billion. Based on the Covered Company's Form FR Y-9C as of June 30, 2018, the Covered Company has again become subject to resolution plan

¹ 12 U.S.C. § 5365(d).

² 12 CFR Part 243 (Board) and 12 CFR Part 381 (FDIC).

³ Pub. L. No. 115-174, 132 Stat. 1296 (2018).

requirements because its total consolidated assets, as calculated pursuant to section 2(f) of the Resolution Plan Rule, now exceed \$100 billion. Consistent with past practice, in order to afford the Covered Company adequate time to develop its next resolution plan submission, the Agencies have jointly determined that the Covered Company's next resolution plan submission date will be December 31, 2019.

The EGRRCPA amended section 165 of the Dodd-Frank Act to increase the threshold of application of enhanced prudential standards to large bank holding companies. Eighteen months after the date of enactment of EGRRCPA, bank holding companies with total consolidated assets of less than \$250 billion will not be subject to section 165, provided that the Board may apply any enhanced prudential standard to a bank holding company with between \$100 billion and \$250 billion in total consolidated assets if the Board determines that application of the prudential standard is appropriate to prevent or mitigate risks to the financial stability of the United States, or to promote safety and soundness. In addition, the Agencies intend to issue for notice and comment proposed revisions to the Resolution Plan Rule that would, among other things, adjust the scope and applicability of the resolution plan requirements for companies that remain subject to the resolution plan requirements.

If on December 31, 2019, the Covered Company is not subject to the resolution plan requirements of section 165(d) of the Dodd-Frank Act, then the Covered Company will not be required to file a resolution plan unless the Covered Company again becomes subject to the requirements. The remainder of this letter lays out the expectations under the current resolution plan requirements.

The Agencies are jointly issuing this letter to clarify expectations for the December 31, 2019, resolution plan (2019 Plan). The Covered Company may comply with the Resolution Plan

Rule requirements for its 2019 Plan by submitting information that is responsive to and consistent with this letter by December 31, 2019.

For sections __.4(b) through .4(g) of the Resolution Plan Rule, the 2019 Plan should provide updated financial statements, describe any material changes⁴ to the information provided in the 2017 Plan pursuant to such sections, and incorporate by reference any such information that has not materially changed, with reference to the relevant chapter and page(s) of the 2017 Plan. The Agencies have exempted the Covered Company from the remaining information requirements of section __.4 of the Resolution Plan Rule.⁵

The 2019 Plan must be divided into a confidential section and a public section. The public section should be submitted as a separate document and should contain an executive summary of the resolution plan that describes the business of the Covered Company and includes, to the extent material to an understanding of the Covered Company, the 11 informational elements required by subsection __.8(c) of the Resolution Plan Rule. Additionally, either the public section or the confidential section must detail compliance with subsection __.3(e) of the Resolution Plan Rule.

If the Covered Company meets the criteria under the Resolution Plan Rule to file a tailored plan for its December 31, 2019, submission and wishes to file a tailored plan for such submission, the Covered Company must provide a tailored plan notice in 2019, pursuant to the Resolution Plan Rule.

⁴ Material changes could include, for example, changes resulting from organizational restructuring or changes to resolution planning governance or resolution strategy.

⁵ The Covered Company may also provide additional information that it believes would be helpful to the Agencies in their review of the 2019 Plan, including information regarding any improvements made to the firm's resolvability since its 2017 Plan.

The 2019 Plan should assume that the Dodd-Frank Act Stress Test (DFAST) severely adverse scenario for the first quarter of 2019 is the domestic and international economic environment at the time of the Covered Company's failure and throughout the resolution process. The 2019 Plan should also discuss any changes to the resolution strategy under the adverse and baseline scenarios to the extent that these scenarios reflect obstacles to a rapid and orderly resolution that are not captured under the severely adverse scenario.

If you have any questions about the information communicated in this letter, please contact Catherine Tilford, Assistant Director, Federal Reserve Board, at 202-452-5240 or catherine.a.tilford@frb.gov or Robert Connors, Associate Director, FDIC, at 202-898-3834 or rconnors@fdic.gov.

Sincerely,



Michael S. Gibson
Director
Division of Supervision & Regulation
Board of Governors
of the Federal Reserve System

Sincerely,



Doreen R. Eberley
Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation