



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 14-1

January 24, 2014

TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK AND CERTAIN LARGE DOMESTIC
BANK HOLDING COMPANIES

SUBJECT: Heightened Supervisory Expectations for Recovery and Resolution Preparedness for Certain Large Bank Holding Companies - Supplemental Guidance on Consolidated Supervision Framework for Large Financial Institutions (SR letter 12-17/CA letter 12-14)

Applicability: This guidance only applies to eight domestic bank holding companies that may pose elevated risk to U.S. financial stability.

As a supplement to SR letter 12-17/CA letter 12-14, “Consolidated Supervision Framework for Large Financial Institutions,” the Federal Reserve is issuing this letter to clarify the heightened supervisory expectations for recovery and resolution preparedness for the eight domestic bank holding companies¹ that may pose elevated risk to U.S. financial stability. The letter’s attachment provides detailed information regarding the capabilities that a bank holding company subject to this guidance should maintain for effective recovery or resolution preparedness.² However, the list of capabilities in this letter should not be viewed as exhaustive. Additional practices for effective recovery and resolution preparedness, beyond those contained in this letter, may be appropriate for a particular bank holding company. The Federal Reserve plans to incorporate reviews of key capabilities for recovery and resolution preparedness in its ongoing supervisory work for each bank holding company subject to this guidance.

Heightened Supervisory Expectations for Certain Bank Holding Companies

Through horizontal comparisons, Federal Reserve supervisory staff has observed a range of capabilities which are critical to certain large bank holding companies’ operational resilience

¹ These eight companies are Bank of America Corporation, Bank of New York Mellon Corporation, PLC, Citigroup Inc., Goldman Sachs Group, Inc., JPMorgan Chase & Co., Morgan Stanley, State Street Corporation, and Wells Fargo & Company.

² This guidance applies immediately to all domestic bank holding companies that filed initial resolution plans on or before July 1, 2012 (all bank holding companies listed in footnote 1 except Wells Fargo & Company). For Wells Fargo & Company, which submitted its initial resolution plan on July 1, 2013, this guidance applies on July 1, 2014. Refer to the Board’s Regulation QQ (12 CFR 243) – “Resolution Plans.”

and contingency planning in circumstances where capital and liquidity buffers are strained and to the resiliency of the financial system as a whole. Specifically, a bank holding company subject to this guidance should have:

- Effective processes for managing, identifying, and valuing collateral it receives from and posts to external parties and affiliates;
- A comprehensive understanding of obligations and exposures associated with payment, clearing, and settlement activities;
- The ability to analyze funding sources, uses, and risks of each material entity and critical operation, including how these entities and operations may be affected under stress;
- Demonstrated management information systems capabilities for producing certain key data on a legal entity basis that is readily retrievable and controls in place to ensure data integrity and reliability; and
- Robust arrangements in place for the continued provision of shared or outsourced services needed to maintain critical operations that are documented and supported by legal and operational frameworks.

The attachment to this letter provides additional information on the practices that a bank holding company subject to this guidance should have in place to support robust recovery and resolution preparedness. As indicated in SR 12-17/CA 12-14, additional supervisory and operational guidance will be developed in the future to further clarify supervisory expectations around recovery and resolution preparedness for all large financial institutions.

Federal Reserve Banks should distribute this letter to bank holding companies subject to this guidance and to appropriate supervisory staff. Questions regarding this guidance may be directed to Molly Mahar, Adviser, at (202) 973-7360 and Catherine Piché, Assistant Director, at (202) 452-3793. In addition, questions may be sent via the Board's public website.³

Michael S. Gibson
Director

Attachment:

- *Principles and Practices for Recovery and Resolution Preparedness*

Cross-References:

- Board's Regulation QQ (12 CFR 243) -- "Resolution Plans"
- SR letter 12-17/CA letter 12-14, "Consolidated Supervision Framework for Large Financial Institutions"

³ <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.