

Attachment Principles and Practices for Recovery and Resolution Preparedness

Collateral Management

A domestic banking holding company subject to this guidance¹ should have effective processes for the management, identification, and valuation of collateral received by the bank holding company or posted to external parties and affiliates on a material entity basis. For example, these bank holding companies should, with respect to this collateral, be able to:

- As of the conclusion of any business day:
 - Identify the legal entity and geographic jurisdiction where counterparty collateral is held;
 - Document all netting and re-hypothecation arrangements with affiliates and external parties, by legal entity; and
 - Track and manage collateral requirements associated with counterparty credit risk exposures between affiliates, including foreign branches.
- At least on a quarterly basis:
 - Review the material terms and provisions of International Swaps and Derivatives Association Master Agreements and the Credit Support Annexes, such as termination events, for triggers that may be breached as a result of changes in market conditions;
 - Identify legal and operational differences and potential challenges in managing collateral within specific jurisdictions, agreement types, counterparty types, collateral forms, or other distinguishing characteristics; and
 - Forecast changes in collateral requirements and cash and non-cash collateral flows under a variety of stress scenarios.

Payment, Clearing, and Settlement Activities (PCS)

A domestic bank holding company subject to this guidance should have a comprehensive process to understand, on a material entity basis, obligations and exposures associated with PCS activities, including contractual obligations and commitments. For example, these bank holding companies should be able to:

- Track the following items by material entity and location/jurisdiction:
 - PCS activities, with each activity mapped to the relevant material entities and core business lines;

¹ The domestic banking holding companies subject to this guidance 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.

- Customers and counterparties for PCS activities, including values and volumes of various transaction types, as well as used and unused capacity for all lines of credit;
 - Exposures to and volumes transacted with financial market utilities (FMUs), Nostro agents, and custodians; and
 - Services provided and service level agreements for other current agents and service providers (internal and external).
- Assess the potential effects of adverse actions by FMUs, Nostro agents, custodians, and other agents and service providers, including suspension or termination of membership or services, on the bank holding company and customers and counterparties;
 - Develop contingency arrangements in the event of such adverse actions; and
 - Quantify the liquidity needs and operational capacity required to meet all PCS obligations, including any change in demand for and sources of liquidity needed to meet such obligations.

Liquidity and Funding

A domestic bank holding company subject to this guidance should have a comprehensive understanding of funding sources, uses and risks at material entities and critical operations, including how funding sources may be affected under stress. For example, these bank holding companies should:

- Evaluate the funding requirements necessary to perform critical operations, including shared and outsourced services and access to FMUs;
- Monitor liquidity reserves and relevant custodial arrangements by jurisdiction and material entity;
- Routinely test funding and liquidity outflows and inflows at the legal entity level under a range of adverse stress scenarios, taking into account the effect on intra-day, overnight and term funding flows between affiliates and across jurisdictions;
- Assess existing and potential restrictions on the transfer of liquidity between material entities; and
- Develop contingency strategies to maintain funding for material entities and critical operations in the event of a disruption in the bank holding company's current funding model.

Management Information Systems (MIS)

A domestic bank holding company subject to this guidance should be able to produce the following types of information by material entity on a timely basis:

- Financial statements for each material entity (at least monthly);

- External and inter-affiliate credit exposures, both on- and off-balance sheet, by type of exposure, counterparty, maturity, and gross payable and receivable;
- Gross and net risk positions with internal and external counterparties;
- Guarantees, cross holdings, financial commitments and other transactions between material entities;
- Data to facilitate third-party valuation of assets and businesses, including risk metrics;
- Key third party contracts, including the provider, provider's location, service(s) provided, legal entities that are a party to or a beneficiary of the contract, and key contractual rights (for example, termination and change in control clauses);
- Legal agreement information, including parties to the agreement and key terms and interdependencies (for example, change in control, collateralization, governing law, termination events, guarantees, and cross-default provisions);
- Service level agreements between affiliates, including the service(s) provided, the legal entity providing the service, legal entities receiving the service, and any termination/transferability provisions;
- Licenses and memberships to all exchanges and value transfer networks, including FMUs;
- Key management and support personnel, including dual hatted employees, and any associated retention agreements;
- Agreements and other legal documents related to property, including facilities, technology systems, software, and intellectual property rights. The information should include ownership, physical location, where the property is managed and names of legal entities and lines of business that the property supports; and
- Updated legal records for domestic and foreign entities, including entity type and purpose (for example, holding company, bank, broker dealer, and service entity), jurisdiction(s), ownership, and regulator(s).

Shared and Outsourced Services

A domestic bank holding company subject to this guidance should have robust arrangements in place for the continued provision of shared or outsourced services needed to maintain critical operations. For example, these bank holding companies should:

- Evaluate internal and external dependencies and develop documented strategies and contingency arrangements for the continuity or replacement of the shared and outsourced services that are necessary to maintain critical operations. Examples may include personnel, facilities, systems, data warehouses, and intellectual property; and
- Maintain current cost estimates for implementing such strategies and contingency arrangements.