

## Statement by Vice Chairman Travis Hill on the Final Rule Amending the IDI Resolution Planning Rule

June 20, 2024

Although today’s final rule on resolution planning for large insured depository institutions (IDIs) makes certain improvements over the proposal, I plan to vote no.

When the FDIC revised its approach to IDI resolution planning three years ago, we focused on obtaining “the information most relevant to the FDIC’s resolution readiness” and engaging with covered IDIs (CIDIs) on this information over the course of a three-year submission cycle.<sup>1</sup> While the spring 2023 bank failures demonstrated a few lessons for IDI resolution planning (such as the importance of being capable of quickly establishing a virtual data room), the final rule goes far beyond those lessons and sets forth detailed content requirements for written plans.<sup>2</sup> For example, all Group A CIDIs (*i.e.*, IDIs with \$100 billion or more in total assets) will be required to develop and include in their plan submissions hypothetical failure scenarios<sup>3</sup> and provide detailed valuation information for franchise components and the IDI franchise as a whole, including under the failure scenario assumed.<sup>4</sup> I am skeptical that the expected benefit of such information in a hypothetical resolution justifies the costs of producing them, and generally support shifting our focus more toward firm engagement and away from increasingly detailed plan submissions.

With respect to the plan submission cycles, I support the move from a two-year to a three-year cycle for Group A CIDIs that are not affiliated with GSIBs.<sup>5</sup> As I noted in response to the proposal, a two-year cycle was not realistic if the FDIC expects to provide constructive feedback on plans and meaningfully engage with firms each cycle.<sup>6</sup> Still, I think it would have been helpful to provide more structure and process around engagement and capabilities testing, as was provided in the 2021 Statement.<sup>7</sup> Additionally, I believe that any resolution planning

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<sup>1</sup> Federal Deposit Insurance Corporation, [Statement on Resolution Plans for Insured Depository Institutions](#) (June 25, 2021) (“2021 Statement”).

<sup>2</sup> See 12 C.F.R. § 360.10(d).

<sup>3</sup> See 12 C.F.R. § 360.10(d)(2).

<sup>4</sup> See 12 C.F.R. § 360.10(d)(12).

<sup>5</sup> See 12 C.F.R. § 360.10(c)(2)(ii). However, the FDIC estimates the final rule would actually result in a modest *increase* in compliance cost for Group A CIDIs that are not affiliated with GSIBs because the FDIC expects to place a greater emphasis on engagement and capabilities testing for these firms. See Final Rule, at 103.

<sup>6</sup> See [Statement by Vice Chairman Travis Hill on the Proposed Amendments to the IDI Resolution Planning Rule](#) (Aug. 29, 2023).

<sup>7</sup> In the 2021 Statement, the FDIC noted that engagement more frequently than once per submission cycle would only occur in “unique cases, such as when a specified CIDI is experiencing stress.” 2021 Statement, *supra* note 1, at 3. The preamble to the final rule states the FDIC “preserve[s] the flexibility to undertake engagement and capabilities testing with a CIDI *as frequently as needed and whenever prudent*, based on the circumstances of the

requirements for firms with less than \$100 billion in assets should be significantly more streamlined and focused than they are in the final rule.

Finally, I continue to believe that the credibility determinations under the new framework are too subjective, and transform what should be a less formal, iterative process into a crude and binary assessment of CIDs' resolution readiness. Although I appreciate the addition of the "significant finding" category to describe certain concerns that do not rise to the level of a "material weakness,"<sup>8</sup> I continue to think that providing specific feedback on particular issues as they arise is a better approach than thumbs-up thumbs-down votes on entire plans.

I will vote against the rule, but would like to express my thanks to the staff for their continued engagement on these issues.

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particular CIDI," though it also notes that the FDIC "generally expects that engagement or capabilities testing with a particular CIDI would occur *no more than once during the three-year or two-year submission cycle.*" Final Rule, at 94 (emphasis added).

<sup>8</sup> See 12 C.F.R. § 360.10(f)(5). (Our resolution framework has been good business for thesaurus authors.)