

SUPPORTING STATEMENT
RESOLUTION PLANS AND PERIODIC ENGAGEMENT AND
CAPABILITIES TESTING REQUIRED
(OMB CONTROL NO. 3064-0185)

INTRODUCTION

This submission is being made in connection with a notice of proposed rulemaking (NPR) published in the *Federal Register* by the Federal Deposit Insurance Corporation (FDIC). The current information collection titled, “Resolution Plans and Periodic Engagement and Capabilities Testing Required Market Risk Capital Requirements” (OMB No. 3064-0185), which is in accordance with 12 C.F.R. Part 360.10 (the Rule), expires on February 28, 2025.

A. JUSTIFICATION

1. Circumstances and Need

The FDIC’s roles as insurer and receiver require a distinct focus on potential loss severities, default risks, complexities in structure and operations, and other factors that impact risk to the Deposit Insurance Fund and the ability of the FDIC to conduct an orderly resolution. The Federal Deposit Insurance Act (FDI Act) gives the FDIC broad authority to carry out its statutory responsibilities, and to obtain the information required by the Rule. The authority to issue the Rule is provided by Section 9(a) Tenth of the FDI Act, 12 U.S.C. 1819(a) Tenth, which authorizes the FDIC to prescribe, by its Board of Directors, such rules and regulations as it may deem necessary to carry out the provisions of the FDI Act or of any other law that the FDIC is responsible for administering or enforcing.

Since the 2008-2009 financial crisis, financial authorities throughout the world have recognized and agreed that advance planning for the resolution of large, complex financial institutions is critical to minimizing the disruption that a failure of such an institution may have as well as the costs of its resolution.

The NPR would revise the current rule that requires the submission of resolution plans by insured depository institutions (IDIs) with \$50 billion or more in total assets. In particular, the NPR would modify the current rule by revising the requirements regarding the content and timing of resolution submissions as well as interim supplements to those submissions provided to the FDIC by IDIs with \$50 billion or more in total assets in order to support the FDIC’s resolution readiness in the event of material distress and failure of these large IDIs. IDIs with \$100 billion or more in total assets would submit full resolution plans, while IDIs with total assets between \$50 and \$100 billion would submit informational filings. The NPR would also enhance how the credibility of resolution submissions will be assessed, expand

expectations regarding engagement and capabilities testing, and explain expectations regarding the FDIC's review and enforcement of IDIs' compliance with the rule.

2. Use of Information Collected

The Rule requires IDIs with \$50 billion or more in total assets (covered IDIs or CIDs) to submit resolution plans periodically. This resolution plan requirement was established to facilitate the FDIC's readiness to resolve a CIDI under the FDI Act in the event of its insolvency.

The NPR builds on the FDIC's more than a decade-long experience implementing the Rule, providing guidance and feedback to CIDs, and leveraging the content of submissions for the development of resolution strategies by the FDIC. Through this process, the FDIC has gained a better understanding of the challenges of resolving CIDs and the importance of resolution plans and other related submissions to facilitate the FDIC's readiness in the event of a failure of one of these CIDs. Part of the challenge arises from the wide range of business models and structures among CIDs. While some of these CIDs are engaged largely in traditional banking activities, with nearly all assets and activities conducted within the CIDI or its subsidiaries (the bank chain), others conduct significant non-banking activities. Many of the CIDs have a broker-dealer subsidiary or affiliate that provides services to bank customers. The CIDs subject to the Rule also include banks primarily engaged in a particular business segment, such as credit card services, as well as U.S. IDIs that are part of large foreign banking organizations. There is no one-size-fits-all resolution approach for these institutions; rather, the FDIC must be prepared to execute a range of resolution options, recognizing the trade-offs among those options. The FDIC's development of resolution strategies—and its assessment of the options and trade-offs that inform them—benefit from the CIDI's knowledge of its own firm, an understanding of the CIDI's relevant capabilities, and an awareness of the impediments to executing an orderly resolution of the CIDI. Across the different CIDI business models and structures, there are a variety of factors that increase the challenges and complexity of resolution in the event of the failure of these large banks. These factors include deposit profile as well as size and organizational complexity.

The NPR addresses two distinct groups of CIDs based on size, with differing corresponding obligations for each group under the NPR. The first group comprises those IDIs with \$100 billion or more in total assets (group A CIDs). The NPR would require group A CIDs to submit full resolution plans containing an identified strategy appropriate to the CIDI for its orderly and efficient resolution, as well as providing all other content elements described in the NPR.

The second group comprises those IDIs with at least \$50 billion but less than \$100 billion in total assets (group B CIDs). The NPR would require resolution submissions from group B CIDs in the form of an informational filing. The informational filing would not require development of an identified strategy for resolution nor the

demonstration of capabilities necessary to produce valuations needed in assessing the least-cost test. All CIDs would be required to participate in engagement and capabilities testing regarding matters related to their resolution submissions.

Based upon these considerations, and the FDIC's experience in planning for and executing bank resolutions since the adoption of the Rule, the FDIC is proposing changes intended to make the resolution submissions more useful and appropriately focused on the resolution challenges presented by both group A CIDs and group B CIDs.

3. Use of Technology to Reduce Burden

Respondents may use any information technology that permits review by FDIC staff.

4. Efforts to Identify Duplication

The collection required is unique and is structured to avoid duplication of other collections.

5. Minimizing Burden on Small Entities

Not applicable.

6. Consequences to Less Frequent Collections

The failure of a large, complex CID is likely to present operational challenges in resolution, particularly if operations must be initiated in a bridge depository institution. Through the FDIC's experience in failed bank resolutions, particular in the 2008-2009 financial crisis, and now with the recent failures of three large banks in the spring of 2023; Silicon Valley Bank (SVB), Signature Bank and First Republic Bank underscore the importance of robust resolution planning in advance of failure, particularly for these large and complex CIDs. The speed of bank runs has been accelerated by advances in banking technology that allow deposits to move electronically, with no need to stand in line or wait for physical checks or bills. Advances in communications technology allow a message to reach hundreds of millions of screens instantaneously. In the case of SVB, the speed of the run was the fastest and largest withdrawal of deposits in a single day in the nation's history. From a resolution planning perspective, this new reality underscores the need for effective resolution planning long before a bank's failure is on the horizon.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The FDIC published the NPR in the *Federal Register* (88 FR 64579, September 19,

2023). The comment period on the NPR in connection with the PRA closes on November 30, 2023.

9. Payment or Gifts to Respondents

None.

10. Confidentiality

Information will be kept confidential to the extent allowed by law. Any information deemed to be of a confidential nature would be exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Information of a Sensitive Nature

There are no questions of a sensitive nature.

12. Estimates of Hour Burden and Annualized Cost

Estimated Annual Burden (OMB No. 3064-0185)					
Information Collection (Obligation to Respond)	Type of Burden (Frequency of Response)	Number of Respondents	Number of Responses per Respondent	Time per Response (HH:MM)	Annual Burden (Hours)
1. Resolution Plan update by previous filer (group A), NPR (Mandatory)	Reporting (Annual, 2-year filing cycle)	15	1	30,081:36	451,224
2. Resolution Plan by new filer (group A), NPR (Mandatory)	Reporting (Annual, 2-year filing cycle)	1	1	10,667:00	10,667
3. Informational Filing update by previous filer (group B), NPR (Mandatory)	Reporting (Annual, 2-year filing cycle)	4	1	4,059:05	16,236
4. Informational Filing by New Filers (group B), NPR (Mandatory)	Reporting (Annual, 2-year filing cycle)	6	1	7,200:00	43,200
5. Interim Supplement, NPR (Mandatory)	Reporting (Annual, 2-year filing cycle)	21	1	11,935:37	250,648
Total Annual Burden (Hours):					771,975
Source: FDIC.					
Note: The annual burden estimate for a given collection is calculated in two steps. First, the total number of annual responses is calculated as the whole number closest to the product of the annual number of respondents and the annual number of responses per respondent. Then, the total number of annual responses is multiplied by the time per response and rounded to					

the nearest hour to obtain the estimated annual burden for that collection. This rounding ensures the annual burden hours in the table are consistent with the values recorded in the OMB’s regulatory tracking system.

Annualized Cost of Internal Hourly Burden:
771,975 hours x \$109.32 per hour = \$84,392,307.

Summary of Hourly Burden Cost Estimate (OMB No. 3064-0185)								
Information Collection (Obligation to Respond)	Hourly Weight (%)	Percentage Shares of Hours Spent by and Hourly Compensation Rates for each Occupation Group (by Collection)						Estimated Hourly Compensation Rate
		Exec. & Mgr. (\$133.82)	Lawyer (\$165.76)	Compl. Ofc. (\$64.61)	IT (\$102.64)	Fin. Anlst. (\$101.15)	Clerical (\$37.83)	
1. Resolution Plan update by previous filer (group A), NPR (Mandatory)	58.45	25	0	0	0	75	0	\$109.32
2. Resolution Plan by new filer (group A), NPR (Mandatory)	1.38	25	0	0	0	75	0	\$109.32
3. Informational Filing update by previous filer (group B), NPR (Mandatory)	2.10	25	0	0	0	75	0	\$109.32
4. Informational Filing by New Filers (group B), NPR (Mandatory)	5.60	25	0	0	0	75	0	\$109.32
5. Interim Supplement, NPR (Mandatory)	32.47	25	0	0	0	75	0	\$109.32
Weighted Average Hourly Compensation Rate:								\$109.32
Source: Bureau of Labor Statistics: 'National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)' (May 2021), Employer Cost of Employee Compensation (March 2021), and Employment Cost Index (March 2021 and December 2022). Standard Occupational Classification (SOC) Codes: Exec. And Mgr = 11-0000 Management Occupations; Lawyer = 23-0000 Legal Occupations; Compl. Ofc. = 13-1040 Compliance Officers; IT = 15-0000 Computer and Mathematical Occupations; Fin. Anlst. = 13-2051 Financial and Investment Analysts; Clerical = 43-0000 Office and Administrative Support Occupations.								
Note: The estimated hourly compensation rate for a given collection is the average of the hourly compensation rates for the occupations used to comply with that collection, weighted by the share of hours spent by each occupation. The weighted average hourly compensation rate is the average of the estimated hourly compensation rates for all information collections, weighted by the share of hourly burden for each collection. These hourly weights, calculated as the estimated number of annual burden hours in a given collection over the total estimated number of annual burden hours across all collections, are shown in the “Hourly Weight” column of this table.								

13. Capital, Start-up, Operating, and Maintenance Costs

None.

14. Estimated Annualized Cost to the Federal Government

None.

15. Reason for Change in Burden

The requirements in the NPR result in an increase of 482,312 hours. The increase in the estimated annual burden is driven by several factors. First, the NPR requires a wider variety of content elements for resolution plans and reinstates several content elements that were previously exempted. Second, the supervisory expectations in the previous estimates reflected those for a triennial filing cycle, rather than a biennial one that is proposed in the NPR. Third, as discussed above, the estimates for the NPR include estimates for CIDs with total assets between \$50 billion and \$100 billion, whereas the estimates in the prior submission only pertained to CIDs with over \$100 billion in total assets.

16. Publication

No publication for statistical use is contemplated.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification Statement

None.

B. STATISTICAL METHODS

Not applicable.