G-SIB Resolution Under Title II

Staff Presentation of the FDIC and CFTC

Market Risk Advisory Committee

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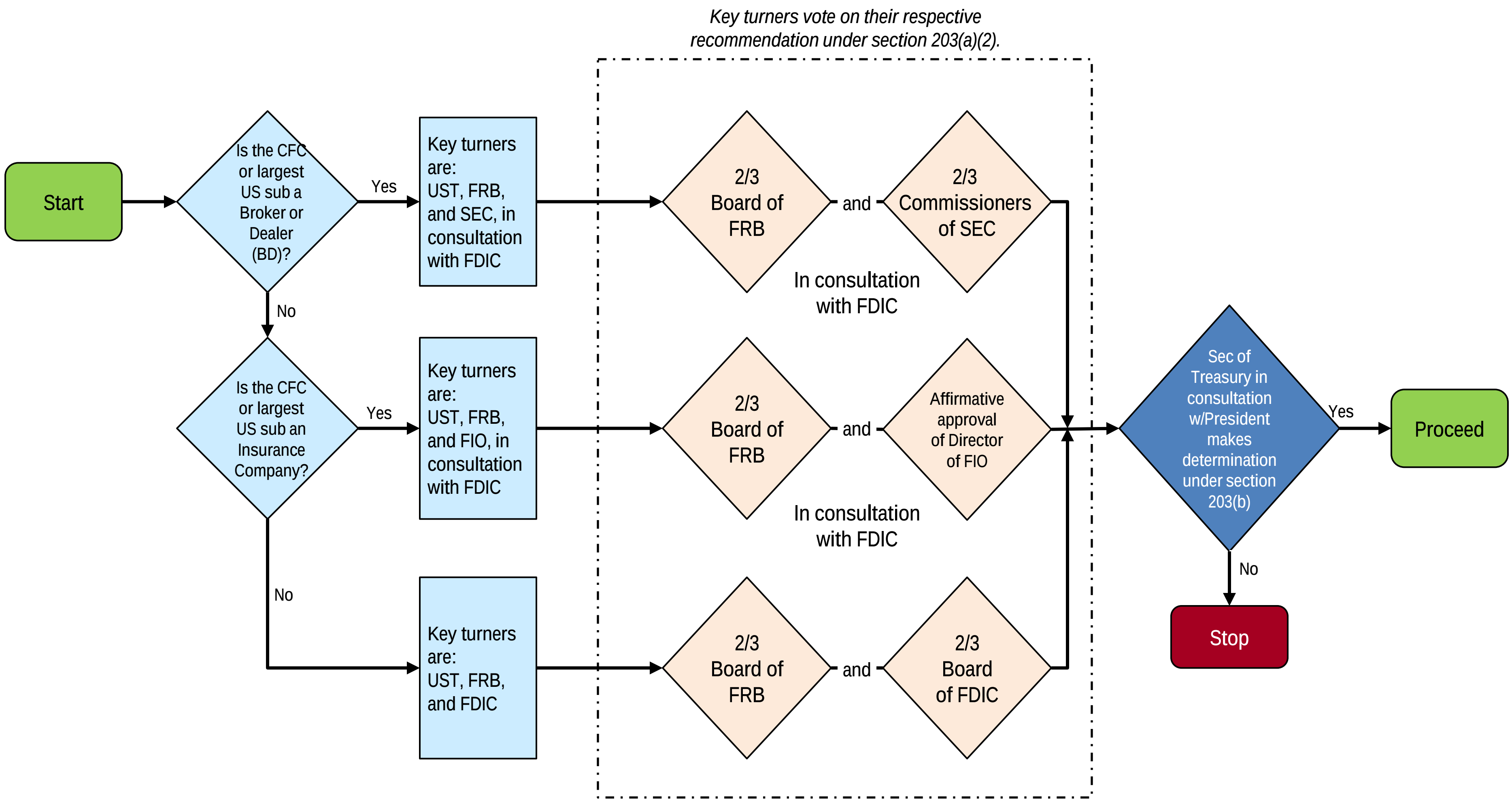
Title II Process under Dodd-Frank Act

- Dodd-Frank Title II provides for an alternative to bankruptcy of Systemically Important Financial Institutions – an Orderly Liquidation Authority – when failure in bankruptcy would have serious adverse effects on financial stability in the U.S.
- Title II gives FDIC many of the same powers over Systemically Important Financial Institutions that it has long exercised in managing failed bank receiverships
- The Fed and FDIC (and/or SEC, FIO) are responsible for making joint recommendation to the Secretary of the Treasury
- Secretary of the Treasury makes determination in consultation with the President
- Financial company offered a judicial hearing, to be held within 24 hours, only after which FDIC can be appointed as receiver

Three Keys Process



Title II Receivership

- Powers are similar to the Federal Deposit Insurance Act
  - Succeeds to all rights, titles, powers, and privileges of the covered financial company
  - May organize a bridge financial company
  - May transfer or dispose of assets without obtaining consents
  - May determine claims against the failed financial company
  - May transfer QFCs to a newly-formed bridge financial company to prevent the QFCs from being terminated or netted-out
  - 90-day stay against termination of contracts (shorter for QFCs)

Special Accountability for Company Management

- All directors and managers responsible for the failed condition of G-SIB must be removed
- Compensation for prior 2 years can be recouped from “substantially responsible” senior executives and directors
- Claims for wages by senior executives and directors subordinated

The Orderly Liquidation Fund

- Access to the Orderly Liquidation Fund (OLF) if private-sector liquidity is unavailable
- The FDIC must submit an orderly liquidation plan and a mandatory repayment plan, which must be approved by the Secretary
- The FDIC may issue obligations to the Secretary as a means of funding (no more than 10% of total assets for up to 30 days; 90% once fair valuation of assets available for repayment is completed)
- Industry assessments as backstop if needed to ensure the OLF is fully repaid

International Engagement

- The FDIC engages with key domestic and foreign counterparts to identify issues and address obstacles to the successful execution of cross-border G-SIB resolution
  – Bilateral Outreach
  – Multilateral Outreach
  – Institution Specific Engagement

Bilateral Engagement with Key Foreign Authorities

- Ongoing dialogue
- Information sharing agreements
- Tabletop exercises with key foreign authorities to develop a better understanding of:
  - Respective authorities
  - Concerns and issues
  - How we would coordinate and communicate

Multilateral Outreach

- The FDIC's engagement includes work under the auspices of international member organizations such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision
  - The Resolution Steering Group (ResG)
  - Cross-Border Crisis Management Groups for Banks
  - The Cross-Border Crisis Management Group for Insurers
  - The Cross-Border Crisis Management Group for FMI

Institution Specific Engagement

- Crisis Management Groups
  - Home-Host Coordination
  - Resolution Planning
  - Resolvability Analysis
  - Engagement with Institutions
- Firm-specific information sharing
  - Cooperation Agreements