

GAO Highlights

Highlights of [GAO-16-341](#), a report to the Chairman, Committee on Financial Services, U.S. House of Representatives

Why GAO Did This Study

Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires bank holding companies with \$50 billion or more in total assets and nonbank financial companies designated by the Financial Stability Oversight Council for supervision by the Federal Reserve to prepare plans for their rapid and orderly resolution under the Code. In 2011, the regulators issued a rule to require companies to annually file a resolution plan. If they jointly found a plan was not credible, the company could be subject to more stringent requirements. GAO was asked to review the regulators' programs for assessing resolution plans. This report examines each regulator's review processes, the progress made in assessing plans, and stakeholder views on the usefulness of the plans.

GAO analyzed FDIC's and the Federal Reserve's policies and procedures, documentation of plan reviews, guidance and feedback provided to companies, and public plans. GAO also interviewed the regulators, a judgmental sample of 25 companies (18 percent of all companies required to file a plan) based on assets, and a variety of market participants and academics based on their expertise, experience working with companies, or use of public plans.

What GAO Recommends

GAO recommends that FDIC and the Federal Reserve publicly disclose information about their assessment frameworks and reduced plan criteria for smaller companies and revise the annual filing requirement. The regulators agreed with GAO's recommendations.

View [GAO-16-341](#). For more information, contact Lawrence L. Evans, Jr., at (202) 512-8678 or EvansL@gao.gov

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RESOLUTION PLANS

Regulators Have Refined Their Review Processes but Could Improve Transparency and Timeliness

What GAO Found

The Federal Deposit Insurance Corporation (FDIC) and Federal Reserve System (Federal Reserve) have developed separate but similar review processes for determining whether a resolution plan is "not credible" or would not facilitate a company's orderly resolution under the Bankruptcy Code (the Code). Both regulators have processes for staffing review teams, determining whether a plan includes all required information, assessing whether a plan's strategy mitigates obstacles to the company's orderly resolution, and documenting and vetting team findings and conclusions. Although the regulators' review processes are separate, the regulators coordinate with each other by meeting jointly with companies, working together to discuss and share review findings, and jointly issuing guidance and feedback to companies.

The regulators have made progress assessing resolution plans but have provided limited disclosures about their reviews. Following their 2012, 2013, and 2014 plan reviews, the regulators clarified and expanded their expectations for the plans—jointly providing companies with guidance or feedback. The regulators did not jointly make any not-credible determinations but reported they may do so for the 2015 plans. However, they have not disclosed their frameworks for determining whether a plan is not credible. They also developed but have not disclosed their criteria for reducing plan requirements for many smaller companies. Without greater disclosure, companies lack information they could use to assess and enhance their plans. The regulators view such information as confidential, but a federal directive on open government recognizes that transparency promotes accountability by providing more information on government activities. A lack of information on how the regulators assess plans and allow some companies to file reduced plans could undermine public and market confidence in resolution plans.

In addition, the resolution plan rule requires companies to annually submit plans approved by their board of directors. However, the annual filing cycle may not be feasible. GAO found that the regulators took 9 months, on average, to complete their reviews. FDIC said companies can take up to 3 months to obtain internal approval of their plans. The regulators attributed their long review time in part to the plans' complexity, and one regulator said that companies ideally should have 6 months to incorporate feedback. Absent a longer filing cycle, companies may not have sufficient time to revise their plans to incorporate regulatory feedback intended to enhance their resolvability under the Code.

According to companies and stakeholders that GAO interviewed, resolution planning has improved the resolvability of large financial companies under the Code. Companies with \$100 billion or more in nonbank assets generally said that resolution planning also had led to some operational improvements, but companies with less than \$100 billion in nonbank assets generally said that they had reaped few benefits from resolution planning. However, whether the plans of the largest companies actually would facilitate their rapid and orderly resolution under the Code is uncertain, in part because none has used its plan to go through bankruptcy. At the same time, the regulators told GAO that they were incurring costs to review the plans, and companies said that complying with the rule also had raised their costs.