

From: Maureen OConnor
Subject: Regulation Y

Comments:

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

I am writing in response to the Federal Reserve and Federal Deposit Insurance Corporation's joint Notice of Proposed Rule Making addressing the submission of resolution plans (Plan) and credit exposure reports as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA).

The proposed requirements address a broad range of areas and issues that would be critical in the event a resolution became necessary, and purports to define the minimum required plan content. However, I am concerned that the proposed rule lacks the degree of prescriptiveness and specificity necessary to achieve its goals efficiently and effectively.

Providing Clear and Detailed Guidance to Submitters

In many areas the proposed rule calls for narrative descriptions of functions or plans. Given the unique structure and function of the submitters, this form of response is certainly appropriate. However, there are areas where—even within the narrative form—the rule could provide more detailed guidance. For example, the proposed rule requires the Plan to include a strategic analysis of its components. In §.4 (c)(1)(ii) the proposed rule calls for "a strategic analysis describing the Covered Company's plan for rapid and orderly resolution in the event of material financial distress or failure of the Covered Company. Such analysis shall (1) Include detailed descriptions of the- (ii) Range of specific actions to be taken by the Covered Company to facilitate a rapid and orderly resolution."

A more complete statement of the requirement would request a summary description of each action and the steps required for orderly and rapid resolution, including the examples of the types of actions listed below. A similar outline of actions would also be useful in §.4 (c)(4). The crucial facet is that whichever actions are deemed necessary for resolution planning are specifically described and outlined for the industry.

- Legal Actions
- Divestiture Actions
- Liquidation Actions
- Communication Actions
- International Actions
- MIS/Systems Related Actions

- Personnel/HR Actions

Additionally, a detailed description of the execution of each resolution action should be required. In the event that a resolution is required, a detailed description would enable the FDIC to quickly and effectively implement or oversee such actions. Descriptions might answer the following issues:

- Estimated time to implement and complete the action
- What are the risks and hurdles to successful implementation?
- Dependencies and assumptions for the action
- Are there any key regulatory or legal issues?
- Which executive committee has operational ownership of the action?
- What is the communication plan (internal and external) for the action?

In §.4 (c)(5)(iii) "Provide a detailed description of the processes the Covered Company employs for: .Assessing the impact of any sales, divestitures, restructurings, recapitalizations, or other similar actions on the value, funding, and operations of the Covered Company, its material entities, critical operations and core business lines." However, the proposed rule only requires the process of assessing the impact, and not the impact itself. Requiring the following impact analysis would provide clarity on the impact of executing the plan:

- Potential range of impact on capital and liquidity (range of values quantified) together with assumptions made
- Range of potential effects of each action on the ongoing business (under reorganization) in terms of profit/cash flow
- Impact of action on the franchise
- Impact of action on ongoing business operations and support functions
- Identify any financial system wide implications both in the US and internationally of implementing the resolution action

Also, since the Bankruptcy Code quantifies the requirements and consideration for reorganization and liquidation, it would provide clearer guidance to require Plans to address each aspect of the Code.

Similarly, §.4 (c)(1)(iii) calls for a "mapping of the core business lines and critical operations of the Covered Company and the mapping of funding, liquidity, critical service support and other resources to legal entities." This requirement could be most successfully met by requiring the use of an

identifying code (pseudo legal entity identifier, or LEI). This would eliminate the possibility of confusion caused by similar names, and facilitate automated data storage and analysis.

In addition to requiring the use of a unique entity identifier, the rule should identify the information attributes desired for the mapping, and include a detailed description of the type of data being requested.

Throughout the rulemaking, identifying and describing the specific information/attributes that are being requested will not only ensure that the information received is useful, but will also assist in the processing of the large quantities of data expected from each institution. It will ensure similar information comes from each of the Covered Companies, therefore making the effort to process, review, analyze, and respond easier.

Facilitate the Timely Review and Evaluation of Complex and Voluminous Resolution Plans

The proposed rule has called for vast quantities and types of data from potentially hundreds of "Covered Companies." These documents, potentially in excess of 1000 pages, are currently requested in an unstructured format. This task is at best daunting and at worst fraught with the risk of omission and/or inconsistency. The burden on both the industry to produce such documents with the required information, and the regulator to review, assess, and comment on them in a timely manner will be great.

A proven approach to managing large quantities of unstructured data is to introduce structure as early in processing as possible. Issuing a rule that includes a structure which indexes each requested item, and limits each indexed item to a single response component, would make it possible to create a structured data source. This would in turn support the use of a number of commercially available software tools. These tools would allow for distributed review (by subject matter experts), timelier review, comparison of multiple responses, and easier evaluation of the summary impact of multiple responses.

Provide the Ability to More Easily Assess the Impact of the Simultaneous Execution of Multiple Resolution Plans

It would appear well within the realm of possibility that an acute negative economic event could impact a number of entities requiring the simultaneous execution of multiple resolution plans. In such a case, having a full understanding of the potential combined impact would be critically important.

Structuring the proposed rule so as to create a data source against which "what if" analysis could be executed would allow for a more accurate evaluation of the potential risk incurred by responses to critical situations.

For example, being able to easily determine that multiple entities are dependent on the same secondary liquidity source, or that the same data processor provides critical services to multiple, seemingly unrelated key lines of business in one or more entities could be critical to making informed decision.

Support the Integration of Plan Data with Other Regulatory Information

The information collected in Plans should provide a comprehensive understanding of the structure, operations, and financial condition of the submitter. Although this information is vital for the preparation of a rapid and orderly resolution, it may also bring a deeper understanding of current risk when combined with other reported data, . It seems obvious that a secondary purpose for this rulemaking is to further enhance risk monitoring and the regulators' general understanding of the systemic risk posed by "Covered Companies" as a whole. The steps described throughout this comment would support this integration.

Operational Considerations

An additional step that would significantly improve the functionality of the collection process is the adoption of a submission framework. Many exist and the selection of any one would greatly simplify the process. For example, National Information Exchange Model (NIEM) and eXtensible Business Reporting Language (XBRL) have wide commercial and governmental acceptance: both allow for flexibility in the actual collection method should not impose any significant burden on submitters. Which specific tool is chosen matters less than selecting a single information exchange framework to be used in the creation and review of Resolution Plans.

Summary

I believe these recommendations should be seen as a positive way to "reduce the burden" on industry and regulators alike. Providing clarity and structure to the required Resolution Plan reporting allows submitters to structure and automate their internal reporting systems with certainty that they meet the requirement; it reduces the likelihood that a plan will be rejected (and the additional cost of resubmission); it allows the collection, review, and determination process to be accomplished within prescribed time limits; and it all supports the integration of Plan data with other regulatory information yielding a more complete understanding of the organization, a plus for both parties.

Given the enormity of the risk the Dodd-Frank Act seeks to address, and the critical role resolution plans could play, it is pivotally important to establish a rule that not only asks the right questions, asks them in a manner that produces actionable information.

Very truly yours,

Maureen O'Connor