

## Key Takeaways

### Foreign Filers’ Feedback Letters on July 2018 U.S. Resolution Plans

*The Agencies published feedback letters on the U.S. resolution plans filed in July 2018 by four FBOs: Barclays, Credit Suisse, Deutsche Bank and UBS (the **FBO Filers**). Our key takeaways are set out below.*

#### Agencies’ Assessment of 2018 Plans and Next Steps

- **No Deficiencies.** None of the FBO Filers had any deficiencies, which means that the Agencies did not find any plan to be “not credible.” Re-submissions are not required, and the Agencies do not prepare for a scenario in which they impose additional capital, leverage or liquidity restrictions on any of the FBO Filers’ U.S. operations in the near term.
- **Shortcomings.** Each of the FBO Filers had a governance mechanisms shortcoming associated with its financial forecasting-related triggers, which are designed to ensure timely communication between U.S. and foreign parent boards as to resource needs. CS also had liquidity and operational shortcomings.

	Barclays	Credit Suisse	Deutsche Bank	UBS
Liquidity		<i>RLEN model and related capabilities to be enhanced</i>		
Governance Mechanisms	<i>Escalation framework should include <b>capital</b> triggers (e.g., RCEN)</i>	<i>Escalation framework should include <b>capital</b> triggers (e.g., RCEN)</i>	<i>Escalation framework should include <b>capital</b> triggers (e.g., RCEN)</i>	<i>Trigger framework linked to <b>both capital and liquidity</b> forecasts (i.e. RLEN + RCEN)</i>
Operational		<i>Critical services mapping to be completed</i>		

- **2019 Project Plans.** Detailed project plans to remediate the shortcomings are due on **April 5, 2019**.
  - The April 2019 submissions’ project plans must also cover their **remaining projects** (see next page) and any additional enhancements that firms identified in their 2018 plans or in writing during the Agencies’ review.
- **2020 Submissions.** Remediation of shortcoming(s) must be complete for the next round of full resolution plan submissions, which are due on July 1, 2020.

#### Our Interpretation of Aspects of the Feedback Letters

- **Streamlining of Process.** The Agencies are “considering ways to **streamline** the resolution plan submission process to allow more time for firms to make progress.” We read this to mean that the Agencies may identify focus areas for future submissions, as opposed to comprehensive plans.
- **Regulatory Cooperation.** The feedback letters reflect a deeper emphasis on global cooperation and recognize that, while FBOs’ plans must address a bankruptcy in the United States, the preferred outcome is a successful SPOE bail-in at the top-tier parent company-level.
- The feedback letters lay out three areas of focus for international regulatory cooperation:
  - **LER.** Agencies seek frameworks and decision-making processes that are aligned across each firm’s U.S. and global operations.
  - **PCS.** Agencies seek to “minimize any differences in expectations,” in particular on indirect access.
  - **Derivatives booking.** Agencies intend to ensure that financial and operational resources will be “transparent, and positioned appropriately.”
- The Agencies’ intent to engage both with firms and with their home-country authorities raises the question of how far the burden of delivering solutions in practice will tilt to the home-country plan or the U.S. plan.
- **Further Feedback and Guidance to Come.** The letters signal that there are areas of further work.
  - The Agencies specifically point to the **unsecured support agreement structures** used by CS and UBS as subject to further consideration and engagement.

Feedback Letters – Comparable Elements

Barclays	CS	DB	UBS	<b>U.S. Operations – Financial Metrics (\$ billions)</b>
305 → <b>208</b>	392 → <b>228</b>	506 → <b>287</b>	372 → <b>184</b>	Combined U.S. Total Assets: 31 Dec 2008 → <b>30 June 2018</b>
240 → <b>106</b>	326 → <b>110</b>	244 → <b>108</b>	253 → <b>56</b>	U.S. Broker-Dealer Assets: 31 Dec 2008 → <b>31 Dec 2017</b>
153 (13.5%)	142 (22.3%)	116 (20.9%)	136 (20.9%)	U.S. IHC Assets (CET1 Ratio) as of 30 June 2018

**Steps taken to enhance resolvability**

Barclays	CS	DB	UBS	
✓	✓		✓	Establishing a subsidiary to allocate resources to MEs
✓	✓	✓	✓	Pre-positioning financial resources
✓ <sup>1</sup>	✓	✓ <sup>1</sup>	✓	Identifying object(s) of sale
✓		✓		Moving critical staff and services into service entities
		✓		Pre-funding service entities with working capital
✓		✓	✓	Developing collateral management system capabilities
	✓	✓		Developing playbooks for key FMUs and agent banks
✓	✓	✓	✓	Documenting derivatives booking model and capabilities
✓	✓ <sup>2</sup>	✓		Developing LER criteria

**Remaining projects**

Barclays	CS	DB	UBS	
✓	✓	✓	✓	Complete build out of RLEN and RCEN frameworks
RLEN + RCEN	RCEN only	Planned enhancements	RLEN + RCEN	Improve forecasting and reporting frequencies/capabilities
✓		✓		Extend reporting of cash flow forecasts to additional U.S. MEs
			✓	Formalize process to reduce variance in cash flow forecast errors
			✓	Extend back-testing of cash flow forecasts to longer horizons
✓	✓ <sup>3</sup>	✓ <sup>4</sup>	✓	Evidence implementation of LER criteria in ongoing operations
✓	✓	✓	✓	Finish amending contracts with critical vendors
	✓			Update U.S. resolution-related policies, procedures and internal controls, and conduct internal audit of adherence

<sup>1</sup> Barclays and DB were also credited with taking steps to make the sale actionable.

<sup>2</sup> CS was specifically credited with evaluating interconnections between each U.S. branch and U.S. non-branch material entity through its LER process.

<sup>3</sup> CS should specifically address: improvements to policies and procedures with respect to dormant and redundant entities; timely execution of planned actions to simplify its large legal entity footprint within the United States; and self-identified exceptions related to intercompany guarantees involving its U.S. IHC, consistent with the firm’s intent to conform to its existing LER criteria.

<sup>4</sup> Agencies note for DB the importance of carrying LER efforts out in conjunction with home authorities, given that some of its business activities rely on a cross-jurisdictional booking model.