

Remarks by

Jelena McWilliams

Chairman

Federal Deposit Insurance Corporation

“Preparing for Cross-border Resolution Together”

at the

Single Resolution Board Conference

Brussels, Belgium
(delivered via video)

October 15, 2018

Introduction

Thank you for the opportunity to address you today as part of the SRB's annual resolution conference.

I apologize that I am unable to be with you in person, but I'm grateful for the opportunity to talk about our progress on bank resolvability.

The mission of the FDIC, including our work with the SRB on cross-border resolution, resonates profoundly with me.

Like the newest SRB Board member Bostjan Jazbec, I was born in the former Yugoslavia. I lived through the start of the civil war that eventually broke that country apart. After the collapse of its financial system, my parents' meager savings disappeared overnight when a local bank closed its doors. Yugoslavia had no deposit insurance and my then 68-year-old father had to return to work as a day laborer, making the equivalent of \$5 a day for a 70-hour work week.

Because of my family's experience, deposit insurance and the mission of the FDIC are real to me. I've seen firsthand how vulnerabilities in the financial system can impact real people and their lives. The experience has stayed with me to this day.

Since I was sworn in as the FDIC's chairman in June, I have developed an even greater appreciation for the agency and its history as a resolution authority.

The FDIC has developed its approach to bank resolution over decades, adapting our resolution strategy in response to each crisis we have faced since 1933.

Like the SRB, I am bringing a fresh perspective to the challenge of cross-border bank resolution, and I welcome this opportunity to recap our efforts in the United States before discussing some of the issues we will face together in the years ahead.

Resolution Preparedness in the United States

Let me begin by highlighting how we approach resolution preparedness. In the United States, the largest bank holding companies are required by law to submit resolution plans (also known as "living wills") in a process overseen by the FDIC and the Federal Reserve Board. Through this work, the largest, internationally-active domestic banks, commonly referred to as U.S. G-SIBs, have implemented significant structural and operational improvements that have enhanced their resolvability.

U.S. agencies also have worked to develop strategies that would facilitate the resolution of failing financial institutions in an orderly fashion. A primary goal is for losses to be absorbed by the shareholders and unsecured creditors of the holding company, thus avoiding the taxpayer bailouts and instability we faced in the most recent financial crisis.

Significant work has been done, but no U.S. G-SIB has had to put their plan into action – fortunately! Our work to address obstacles and strengthen the resolvability of these institutions continues.

Transparency in the Resolution Process

One of my key initiatives since I became Chairman of the FDIC is to look for ways to improve transparency at the agency, including surrounding the resolution process.

We began in June by soliciting feedback from the public on our joint proposed guidance with the Federal Reserve, as well as on resolution planning more generally. Our joint proposed guidance for the next round of U.S. G-SIB resolution plans addresses the agencies’ expectations regarding a number of key issues. These include capital, liquidity, governance mechanisms, derivatives and trading activities, and other areas of concern.

Asking the public to weigh in and review our assumptions will provide us with valuable input. We also believe that more transparency will serve as a stabilizing force in times of stress. Actions by firms and authorities should be predictable so that, even under the most challenging circumstances, markets will still function.

Cross-Border Cooperation

Given the cross-border activities of our G-SIBs, resolution preparedness requires international coordination based on strong working relationships.

Bank resolution becomes more challenging when institutions are larger, more complex, and more globally interconnected.

The FDIC, SRB, and other authorities have established a solid foundation in this regard.

Since the SRB’s inception in 2016, our two agencies have worked closely at the principal and senior staff levels on cooperation and resolution planning for G-SIBs with assets and operations in the United States and the Banking Union.

We have formed Crisis Management Groups that have brought together firms and “home and host” authorities to discuss resolution planning. We have developed information-sharing arrangements to support this work, and we have engaged in a number of international operational exercises to test and improve our readiness.

This is a strong foundation that should allow us to address challenges together.

Applying the Resolution Framework to Smaller Institutions

While our work on the resolution of systemically important financial institutions continues, we must also be mindful of the non-systemic banks for which we are responsible. In the United

States, the FDIC and other banking agencies are actively working to further tailor our regulations to take into account the size and business models of institutions, while maintaining the ability of the agencies to ensure safety and soundness and resolve banks in an orderly way.

Similarly, small, medium, and large banks in the European Union will be affected by the issues discussed here today and should factor into the efforts to build a more resilient post-crisis banking sector in the European Union. This includes a Banking Union backstop for the Single Resolution Fund, a European Deposit Insurance Scheme, and other measures. These strike me as pressing matters, especially for those who share a common currency and an increasingly integrated financial sector.

Conclusion

In conclusion, I would like to emphasize that the U.S. financial regulators are committed to redoubling our efforts to cooperate with our foreign counterparts.

The work we do together gives us all more confidence in the resolution process. The FDIC places enormous value on these relationships and I look forward to continuing this work in the years ahead.

Thank you, and I wish you a productive conference.