

# FDIC Office of Inspector General

## FDIC Readiness to Resolve Large Regional Banks

Evaluation Report - Final - Audits, Evaluations, and Cyber  
**December 2024** | No. EVAL-25-02



Integrity • Independence • Accuracy • Objectivity • Accountability



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## NOTICE

Pursuant to Pub. L. 117-263, section 5274, non-governmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to [comments@fdicoig.gov](mailto:comments@fdicoig.gov) within 30 days of the report publication date as reflected on our public website. Any comments will be appended to this report and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.

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# Executive Summary

FDIC Readiness to Resolve Large Regional Banks (EVAL-25-02)

December 10, 2024

## What We Did

Our objective was to assess the FDIC's readiness to resolve large regional bank failures under the FDI Act, prior to the failures of SVB, Signature, and First Republic. We considered FDIC resolution planning activities, and lessons learned after the failures, using best practices presented in the FDIC Crisis Readiness and Response Framework. We also reviewed policies and procedures, inspected planning documents, and interviewed responsible officials to understand FDIC resolution planning activities.

## Impact on the FDIC

Readiness to resolve large regional banks is key to the FDIC's mission of maintaining stability and public confidence in the U.S. financial system. Improving operational readiness will enhance the FDIC's ability to conduct resolutions in the most efficient and effective manner, reduce strain on staff, and strengthen interdivisional relationships.

## What We Found

In Spring 2023, the FDIC responded to the unanticipated rapid liquidity failures of Silicon Valley Bank (SVB), Signature Bank of New York (Signature), and First Republic Bank (First Republic), three of the largest bank failures in FDIC history. The FDIC resolved each bank through a purchase and assumption agreement, facilitated in part by a systemic risk exception for SVB and Signature. However, the FDIC's readiness to resolve large regional banks under the Federal Deposit Insurance (FDI) Act was not sufficiently mature to facilitate consistently efficient response efforts in a potential crisis failure environment.

At the time of the Spring 2023 failures, the FDIC had not ensured that it fully met human and technology resource needs or that it sufficiently coordinated resources among its divisions and offices. As a result, the FDIC did not satisfy the readiness activities for planning, training, exercises, evaluation, and monitoring consistent with best practices. The FDIC could have been more effective in demonstrating its readiness by completing, communicating, and coordinating regional resolution framework guidance, improving resolution plans, training key staff on resolution roles, conducting interdivisional resolution exercises, and evaluating and monitoring resolution readiness.

## What We Recommended

We made 11 recommendations to further mature the FDIC's readiness to resolve large regional banks. We recommended the FDIC take actions to: improve interdivisional coordination of human and information technology resources; complete or revise resolution guidance, plans, and agreements to address significant gaps; increase interdivisional coordination over planning and exercises; ensure regular training of key resolution staff; identify, prioritize, and track significant after-action review recommendations; conduct regular internal reviews of resolution planning activities; and implement a process to periodically assess its resolution readiness. The FDIC concurred with the 11 recommendations and plans to complete all corrective actions by June 30, 2026.



# TABLE OF CONTENTS

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<b>Objective .....</b>	<b>1</b>
<b>Background.....</b>	<b>1</b>
FDIC Divisions Responsible for Large Regional Bank Resolution Planning and Execution .	5
The FDIC Structure for Resolution Planning .....	8
The FDIC Crisis Readiness and Response Framework .....	10
<b>Results.....</b>	<b>11</b>
The FDIC Did Not Sufficiently Resource Large Regional Bank Resolution Readiness Efforts .....	12
The FDIC Should Improve Its Large Regional Bank Resolution Procedures .....	19
The FDIC Should Improve Its Large Regional Bank Resolution Plans .....	25
The FDIC Should Improve Its Training and Exercises for Large Regional Bank Resolutions .....	29
The FDIC Should Enhance Its Evaluation and Monitoring of Large Regional Bank Readiness.....	36
<b>FDIC Comments and OIG Evaluation .....</b>	<b>39</b>
<b>Appendix 1: Objective, Scope, and Methodology .....</b>	<b>41</b>
Objective.....	41
Scope and Methodology .....	41
<b>Appendix 2: History of Changes to the 360.10 Resolution Plan Requirement.....</b>	<b>43</b>
<b>Appendix 3: FDIC Comments.....</b>	<b>45</b>
<b>Appendix 4: Summary of the FDIC's Corrective Actions.....</b>	<b>53</b>



## OBJECTIVE

We are conducting a series of evaluations to assess the adequacy of the Federal Deposit Insurance Corporation (FDIC) resolution readiness and response efforts for the failures of Silicon Valley Bank (SVB), Signature Bank of New York (Signature), and First Republic Bank (First Republic), including the extent to which the FDIC adhered to established policies and procedures for key resolution functions. The objective of this evaluation was to assess the FDIC's readiness to resolve large regional bank<sup>1</sup> failures under the Federal Deposit Insurance (FDI) Act, prior to the failures of SVB, Signature, and First Republic. We anticipate that subsequent evaluations will assess the FDIC's valuation and franchise marketing activities for these institutions.

To answer the objective for this evaluation, we reviewed FDIC resolution planning activities prior to the failures of SVB and Signature in March 2023 and First Republic in May 2023, which we collectively refer to in this report as the Spring 2023 failures. Our scope covered the FDIC's planning activities in 2022 and early 2023.<sup>2</sup> We also reviewed actions taken by the FDIC in response to lessons learned from those failures. We used the FDIC Crisis Readiness and Response Framework (CRRF)<sup>3</sup> as a basis for our review due to the significant impact large regional bank failures can have on the United States (U.S.) financial system. [Appendix 1](#) of this report includes additional details about our objective, scope, and methodology.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. These standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objective.

## BACKGROUND

The FDIC's mission is to maintain stability and public confidence in the U.S. financial system. Pursuant to the FDI Act, the FDIC has the authority to resolve, and act as receiver for failed FDIC insured depository institutions (IDI).<sup>4</sup> The FDI Act requires the FDIC to resolve IDIs at the

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<sup>1</sup> For purposes of this report, we defined large regional banks as insured depository institutions (IDIs) with assets of \$100 billion or more.

<sup>2</sup> Our scope did not include an assessment on the adequacy of the FDIC's contracting efforts and contractor resources for its resolution readiness capabilities. Our office has initiated separate work in this area.

<sup>3</sup> The CRRF is an internal framework designed to ensure that the FDIC is prepared to maintain operations under any hazard or circumstance. The provisions of the CRRF apply to (1) mission-related crises impacting IDIs or the stability of and public confidence in the nation's financial system; and (2) other crises and incidents of such a severe nature as to substantially impact FDIC operations, the safety of the FDIC workforce, or FDIC facilities or systems.

<sup>4</sup> 12 U.S.C. Chapter 16.

least possible cost to the Deposit Insurance Fund<sup>5</sup> (DIF) unless there is a systemic risk exception.<sup>6</sup> The systemic risk exception can be invoked if the collapse of a financial institution poses a significant risk to the overall stability of the U.S. financial system.<sup>7</sup> It allows the FDIC to bypass certain provisions of the FDI Act (e.g., least cost resolution requirement).

Since 1933, the FDIC has been responsible for resolving IDIs, regardless of their size.<sup>8</sup> An international financial crisis resulted in the failure of nine large U.S. financial institutions during the years 2008 through 2013.<sup>9</sup> During that crisis, the FDIC resolved the largest bank failure in U.S. history – Washington Mutual Bank, which at the time of failure held \$307 billion in assets. Large U.S. banks with over \$50 billion in assets have grown from 33 (\$8.6 trillion in assets) at the end of 2009 to 45 at the end of 2022 (\$17.1 trillion in assets), an increase of 36 percent in the number and nearly 200 percent in assets.

In 2023, the U.S. banking sector faced another potential crisis with the unanticipated rapid liquidity failures of SVB and Signature, followed shortly by the collapse of First Republic. Specifically, on March 10, 2023, the California Department of Financial Protection and Innovation closed SVB and appointed the FDIC as receiver. In response, the FDIC created the Deposit Insurance National Bank (DINB) of Santa Clara and transferred all of SVB's insured deposits to the DINB at the time of closing. The FDIC subsequently established Silicon Valley Bridge Bank, National Association (N.A.) and transferred all deposits and substantially all of the assets to this new entity.<sup>10</sup> On March 26, 2023, the FDIC, entered into a purchase and assumption agreement with First Citizens Bank & Trust Company for all deposits (excluding Cede & Co. deposits) and loans of Silicon Valley Bridge Bank, N.A.

On March 12, 2023, the New York State Department of Financial Services closed Signature and appointed the FDIC as receiver. The FDIC, as receiver, transferred all deposits and substantially all of the assets of Signature to Signature Bridge Bank, N.A. On March 20, 2023, the FDIC entered into a purchase and assumption agreement with Flagstar Bank, N.A. for substantially all deposits and certain loan portfolios of Signature Bridge Bank, N.A.

On May 1, 2023, the California Department of Financial Protection and Innovation closed First Republic and appointed the FDIC as receiver. On that same day, the FDIC entered into a

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<sup>5</sup> 12 U.S.C. 1823(c)(4).

<sup>6</sup> 12 U.S.C. 1823(c)(4)(G).

<sup>7</sup> The U.S. Secretary of the Treasury makes the decision to invoke a systemic risk exception, in consultation with the President, after a written recommendation by a two-thirds majority of both the FDIC Board of Directors and the Board of Governors of the Federal Reserve System.

<sup>8</sup> FDIC, [A Brief History of Deposit Insurance in the United States](#) (September 1998).

<sup>9</sup> FDIC, [Crisis and Response: An FDIC History, 2008-2013](#) (November 2017). That document defines a large bank as having at least \$10 billion in assets.

<sup>10</sup> A bridge bank is a full-service IDI operated by the FDIC.

purchase and assumption agreement with JP Morgan Chase Bank, N.A. to assume all the deposits and substantially all the assets of First Republic.

First Republic, SVB, and Signature were the second, third, and fourth largest bank failures in U.S. history, respectively, based on total assets at the time of failure.<sup>11</sup> According to the FDIC, the speed and volume of deposit outflows that occurred at SVB and Signature were unprecedented, and the FDIC responded by recommending that the U.S. Secretary of the Treasury invoke a systemic risk exception for these two banks to protect the U.S. economy by strengthening public confidence in the U.S. banking system.<sup>12</sup>

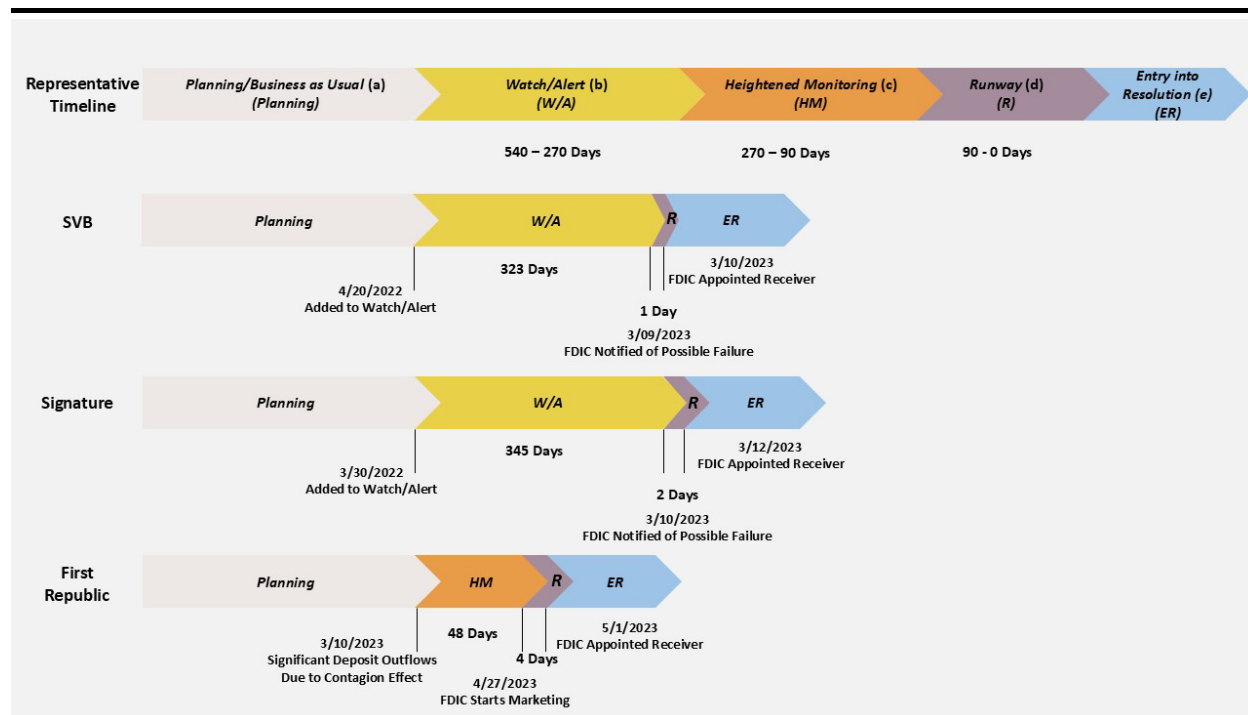
The FDIC has established a phased approach for monitoring and resolving large regional banks. The phases include planning, watch/alert, heightened monitoring, runway, and entry into resolution. Figure 1 below presents the FDIC activities during these phases, a representative large regional bank failure timeline developed by the FDIC prior to the Spring 2023 failures, and the actual failure timelines for the Spring 2023 failures, by resolution phase. As presented in Figure 1, the actual timelines for the Spring 2023 failures were significantly compressed in comparison to the representative timeline. In addition, there was no heightened monitoring phase for SVB or Signature due to the unprecedented speed at which these institutions deteriorated.

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<sup>11</sup> SVB (\$209 billion in assets) failed on March 10, 2023, Signature (\$110.4 billion in assets) failed on March 12, 2023, and First Republic (\$229.1 billion in assets) failed May 1, 2023.

<sup>12</sup> [Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC](#), March 12, 2023. The U.S. Secretary of the Treasury did not invoke a systemic risk exception for the failure of First Republic.

**Figure 1: Representative Failure Timeline vs Actual Spring 2023 Failures, by Resolution Phase<sup>13</sup>**



- (a) The Planning/Business as Usual phase involves ongoing risk monitoring and resolution planning activities.
- (b) The Watch/Alert phase involves coordinating information needs, updating resolution planning documents, and assessing resolution scenarios.
- (c) The Heightened Monitoring phase involves initiation of tactical resolution planning, receivership administration, and franchise marketing activities.
- (d) The Runway phase involves preparing documentation for the bridge bank, completing the least cost test, and operationalizing the receivership.
- (e) The Entry into Resolution phase involves forming the bridge bank and the receivership and ensuring operational continuity.

**Source:** OIG analysis of the FDIC *Regional Resolution Framework Document*, Interim Version (August 31, 2022, version available at the time of the Spring 2023 failures) and other FDIC documents.

<sup>13</sup> The Regional Resolution Framework Document states that “[t]he duration and outcome of each phase will vary depending on the facts and circumstances surrounding the failing or failed institution and the resolution transaction.”





### FDIC Divisions Responsible for Large Regional Bank Resolution Planning and Execution

As a result of the 2008 global financial crisis, the FDIC recognized the need for additional efforts to address the exposure of the banking industry to the risks of large complex financial institution<sup>14</sup> (LCFI) failures, which include large regional bank failures. In 2010, the FDIC created the Office of Complex Financial Institutions (OCFI) in response to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010<sup>15</sup> (Dodd-Frank Act). OCFI's three core functions were:

1. **Monitoring** – Monitoring risk within and across large complex financial companies for back-up supervisory and resolution readiness purposes. In March 2013, the FDIC transferred monitoring responsibilities from OCFI to the Division of Risk Management Supervision (RMS).
2. **Systemic Resolution Planning and Implementation** – Reviewing resolution plans submitted by bank holding companies and IDIs.
3. **International Coordination** – Coordinating with foreign regulators regarding challenges with cross-border resolutions.

While OCFI was in operation, the responsibilities for the supervision and resolution of LCFIs were spread across three FDIC divisions: OCFI, RMS, and the Division of Resolutions and Receiverships (DRR). OCFI was responsible for resolution strategy, planning, and international outreach and coordination. RMS was responsible for institution monitoring and supervision. DRR was responsible for resolving failed IDIs and managing the resulting receiverships.

#### **Division of Complex Institution Supervision and Resolution**

In July 2019, the FDIC established the Division of Complex Institution Supervision and Resolution (CISR) to enhance the FDIC's ability to oversee and manage the risks posed by LCFIs. The FDIC combined OCFI with the RMS branches responsible for LCFI supervision and monitoring and the DRR branches responsible for LCFI resolution planning and execution. The FDIC stated that the reorganization creating CISR "was an important mitigation effort to address concerns regarding existing risks related to potential duplication of effort, lack of coordination,

<sup>14</sup> The FDIC generally defines large complex financial institutions as systemically important financial companies and IDIs with assets above \$100 billion. According to the FDIC, a systemically important financial company is "any entity that meets the statutory definition of "financial company" as defined under Title II of the Dodd-Frank Act, and for which a determination is made that, among other things, the resolution or insolvency of the entity under the otherwise applicable Federal or State law would have serious adverse effects on U.S. financial stability."

<sup>15</sup> 12 U.S.C. § 5301, et seq.



## FDIC Readiness to Resolve Large Regional Banks

and information sharing, among other things, caused by the distribution of complex financial institution-related staff and responsibilities across multiple divisions.”<sup>16</sup>

CISR currently has lead responsibility for resolving failed LCFIs, as well as responsibilities for back-up supervision and risk monitoring. To fulfill these obligations, CISR is organized into four main branches:

- **Institution Risk Branch** – Provides back-up supervision for IDIs with \$100 billion or more in total assets, for which the FDIC is not the Primary Federal Regulator (PFR). This branch also provides risk monitoring for global systemically important banks (G-SIB)<sup>17</sup> and foreign banking organizations.
- **Resolution Readiness Branch (RRB)** – Formulates, and in the event of failure leads the execution of strategies and plans for resolving IDIs with \$100 billion or more in total assets, and smaller IDIs that are subsidiaries of certain holding companies, under its resolution responsibility pursuant to the FDI Act. RRB also has resolution responsibility for G-SIBs and other systemically important financial companies pursuant to the Dodd-Frank Act. The RRB work includes administering resolution plans under Section 360.10<sup>18</sup> of the FDIC Rules and Regulations and Section 165(d) of the Dodd-Frank Act.<sup>19</sup>
- **Systemic Risk Branch** – Monitors and assesses systemic and emerging risks for institutions in CISR’s portfolio. The branch also engages in policy initiatives, outreach to promote U.S. resolution policy objectives, and resolution plan and strategy development for non-bank financial companies.<sup>20</sup>
- **Operations Branch** – Oversees all aspects of CISR operations, including human resources management, information technology and security, knowledge management, procurement and contracting, records and information management, and risk management and internal controls.

<sup>16</sup> OIG Report, [The FDIC's Implementation of Enterprise Risk Management](#) (EVAL-20-005) (July 2020).

<sup>17</sup> The Basel Committee on Banking Supervision assessment methodology for identifying a G-SIB requires a sample of banks to report a set of indicators to national supervisory authorities. These indicators are aggregated and used to calculate a score for the banks in the sample. Currently, banks with a cut-off score of 130 basis points or above, are designated as G-SIBs, after considering supervisory judgment regarding the global systemic impact of the bank’s distress or failure. <https://www.bis.org/bcbs/gsib>. For example, JP Morgan Chase, Bank of America, and Citigroup are G-SIBs.

<sup>18</sup> 12 C.F.R. § 360.10.

<sup>19</sup> 12 U.S.C. § 5365(d).

<sup>20</sup> CISR has resolution responsibility for non-bank financial companies designated as systemically important by the Financial Stability Oversight Council.

The FDIC assigns supervision and resolution responsibilities for IDIs to CISR, DRR, or RMS based on the total asset size of the largest IDI in a group and whether a company maintains a state-chartered IDI that is not a member of the Federal Reserve System, for which the FDIC serves as the PFR. In July 2021, the FDIC established the *CISR, DRR, RMS Principles of Coordination and Collaboration* policy to identify and coordinate responsibility for LCFI supervision and resolution among the three divisions. In addition, CISR and DRR established 11 Coordination Memorandums (Memos) prior to the Spring 2023 failures to outline areas in which CISR and DRR personnel would share responsibilities for specific resolution activities.<sup>21</sup>

### **Division of Resolutions and Receiverships**

Prior to 2019, DRR was responsible for planning and executing the resolution of all large IDIs,<sup>22</sup> and it worked to develop a framework and plans for resolving such institutions. Since the creation of CISR, DRR has been responsible for resolution planning and execution for large IDIs with total assets between \$50 billion and \$100 billion. DRR also resolves failed bank assets retained by the FDIC in receivership, regardless of the bank's asset size or transaction type.

### **Division of Risk Management Supervision**

RMS supervises all IDIs for which the FDIC is the PFR, regardless of size, and serves in a back-up supervisory role for other IDIs with less than \$100 billion in total assets for which the FDIC is not the PFR. RMS also conducts risk monitoring of the groups of IDIs it supervises and shares information and analysis with CISR and DRR to support their resolution planning efforts.

### **Other FDIC Divisions and Offices Participating in Large Regional Bank Resolution Planning and Execution**

While CISR serves as the lead FDIC division for resolving large regional banks, and DRR provides substantial support, multiple other FDIC divisions and offices (e.g., Division of Administration, Division of Finance (DOF), Division of Information Technology, Legal Division, Office of Communications, and Office of Legislative Affairs) play key roles in the resolution process. For example, the Legal Division has a role in the Bridge Formation and Governance functional area, the Division of Finance has a role in the Accounting functional area, and the Office of Communications has a role in the External Communications functional area.

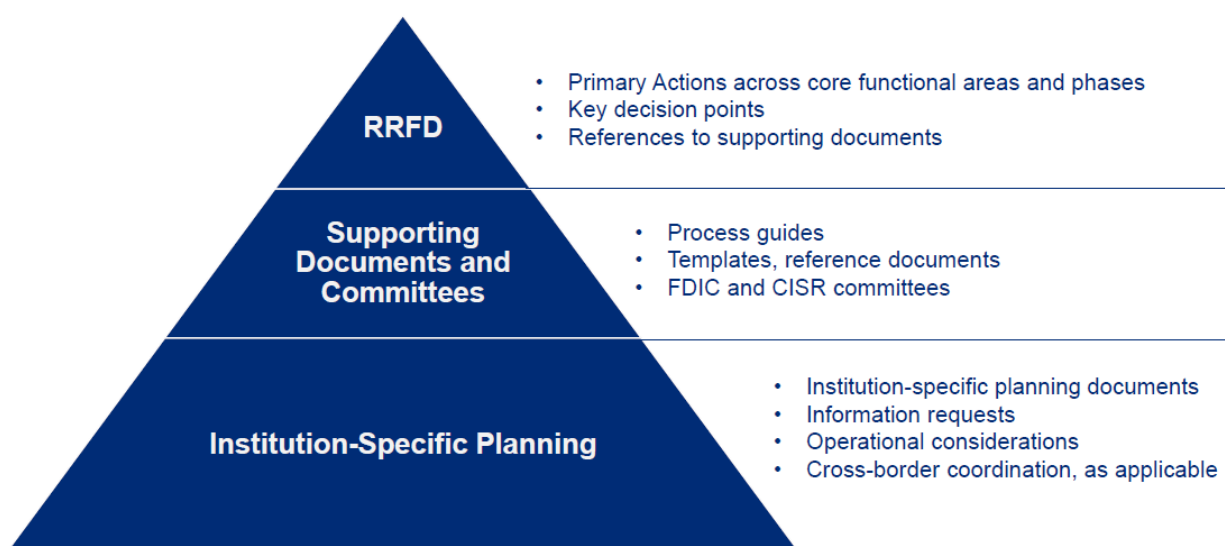
<sup>21</sup> The 11 coordination memos provided guidance in the following areas: Accounting, Asset Management, Claims Section 360.9, Deposit Claims Part 370, Executive Placement, Franchise Marketing, Investigations, Least Cost Test, Non-Deposit Claims, Qualified Financial Contracts, and Technology Operations.

<sup>22</sup> Consistent with 12 C.F.R. § 360.10, large IDIs were those IDIs with total assets of \$50 billion or more.

## The FDIC Structure for Resolution Planning

The FDIC is responsible for performing general and institution-specific resolution planning. To prepare for a large regional bank resolution, the FDIC developed its Regional Resolution Framework (RRF). The FDIC organized the RRF into three tiers as identified in Figure 2 below.

**Figure 2: Regional Resolution Framework**



**Source:** OIG analysis of the FDIC *Regional Resolution Framework Document*, Interim Version (August 31, 2022, version available at the time of the Spring 2023 failures).

- Tier I is the Regional Resolution Framework Document (RRFD),<sup>23</sup> which defines the overall structure and organization of the resolution strategy, and the primary actions and key decisions needed to respond to the potential failure of a large regional bank and to carry out its resolution should the bank fail.
- Tier II consists of the supporting documents and committees needed by FDIC staff to execute or advance operational processes within functional areas<sup>24</sup> and for primary

<sup>23</sup> At the time of the Spring 2023 failures, the RRFD version was the *Regional Resolution Framework Document*, Interim Version (August 2022).

<sup>24</sup> The RRFD defines functional areas as “technical expertise and related processes needed to execute a resolution.” Each functional area represents a distinct body of work and area of responsibility, but to varying degrees, are reliant on one another. As of February 28, 2023, the RRFD identified 14 functional areas. These areas were Strategic Analysis, Resolution Management, Financial Management, Valuation, Franchise Marketing, Bridge Formation and Governance, Operational Continuity, Human Capital Transition, External Communications, Claims, Qualified Financial Contracts, Accounting, Receivership Administration, and Asset Management.



actions.<sup>25</sup> Supporting documents consist of process guides, templates, and reference documents. Tier II also includes the following four key readiness committees that the FDIC chartered in mid-2022:

1. CISR's Risk and Readiness Committee (RRC), comprised of CISR officials, ensures supervisory and resolution strategies and escalation protocols are in place for CISR institutions, and informs CISR senior management of the safety and soundness and resolution risks posed by CISR institutions.
  2. Resolution Readiness Coordinating Committee (RRCC), comprised of CISR and DRR officials, is responsible for approving the allocation of resolution roles and responsibilities, as described within the CISR-DRR Coordination Memos.
  3. Resolution Legal Documents Committee, comprised of CISR and DRR officials and advised by Legal Division officials, reviews and approves changes to all resolution transaction documents, such as templates for bridge bank formation, which the FDIC maintains in a centralized repository.
  4. CISR's resolution planning Program Oversight Group (POG) oversees and coordinates the FDIC's responsibilities to review and assess plans submitted by (1) bank holding companies under Section 165(d) of the Dodd-Frank Act and (2) IDIs under Section 360.10 of the FDIC Rules and Regulations.
- Tier III consists of the institution-specific planning documents, which include FDIC-drafted resolution planning documents called Resolvability Assessment Documents (RAD), Resolvability Assessment Strategic Plans (RASP), and Operational Continuity Assessments (OCA).<sup>26</sup> Further, institution-specific planning documents include institution-developed 165(d) holding company resolution plans and 360.10 resolution plans.<sup>27</sup> These planning documents typically contain analysis of strategic alternatives that the FDIC could use in a resolution conducted under its FDI Act authorities, and other details from internal and external institution-specific resolution planning and engagement.

<sup>25</sup> The RRFD defines primary actions as higher-level activities or decisions that are core to the preparation for and execution of a resolution. As of February 28, 2023, the RRFD identified 63 primary actions.

<sup>26</sup> The operational continuity assessment documents the review of capabilities and challenges in continuing critical services and operations in a large regional bank resolution.

<sup>27</sup> FDIC Rules and Regulations require IDIs with \$50 billion or more in total assets to prepare a 360.10 resolution plan for resolution of the IDI under the FDI Act. 12 C.F.R. § 360.10. CISR reviews these resolution plans for IDIs with \$100 billion or more in total assets and DRR reviews plans for IDIs with less than \$100 billion in assets. [Appendix 2](#) explains the history of revisions to, and the moratorium on, the 360.10 resolution plan requirement.

## The FDIC Crisis Readiness and Response Framework

The CRRF, established in 2021, outlines FDIC guidance for ensuring readiness in various crisis scenarios. The CRRF aims to maintain stability and public confidence in the U.S. financial system by enabling the FDIC to execute its mission under all conditions. The provisions of the CRRF apply to mission-related crises impacting insured IDIs, or the stability of and public confidence in, the U.S. financial system. According to the CRRF, mission-related risks or operational threats can emerge regionally (e.g., sector-specific risks, weather events) or at a national level (e.g., systemic financial crises, cyber-attack on a sector). The CRRF describes a series of readiness activities as ongoing tasks to ensure that the FDIC is prepared to respond to the full range of threats facing the Agency. Figure 3 below depicts the CRRF readiness activities.

**Figure 3: FDIC CRRF Readiness Activities**

Planning	Training
Conducting Exercises	Evaluation and Improvement Planning
Reporting	Maintaining an Information Repository

**Source:** OIG Analysis of the FDIC's CRRF.

- Planning – Planning scenarios for FDIC-wide plans are identified through a collaborative process involving all relevant FDIC divisions and offices.
- Training – Crisis readiness training includes the identification of FDIC personnel with specialized knowledge, skills, and abilities needed to successfully execute the response activities outlined in applicable readiness plans. Crisis readiness training encompasses awareness training, plan-specific training, and functional training.
- Conducting Exercises – The FDIC tests crisis plans through a comprehensive exercise program to capture lessons learned. Exercises simulate real-world scenarios and involve potential threats and realistic crisis or incident scenarios.

- Evaluation and Improvement Planning – The FDIC conducts formal after-action assessments following each exercise and any significant real-world incidents. This process enables leadership to identify and address areas needing improvement.
- Reporting – The FDIC provides reports and programmatic updates to the FDIC Chairperson and Operating Committee upon request, and at a minimum annually, to communicate progress on overall corporate-wide readiness.
- Maintaining an Information Repository – A central repository for plans, exercise schedules, and lessons learned is maintained for future reference.

## RESULTS

In Spring 2023, the FDIC resolved SVB, Signature, and First Republic through purchase and assumption agreements with other large banks, facilitated in part through a systemic risk exception in the resolutions of both SVB and Signature. However, the FDIC's readiness to resolve large regional banks under the FDI Act was not sufficiently mature to facilitate consistently efficient response efforts in a potential crisis failure environment.

At the time of the Spring 2023 failures, the FDIC had not ensured that it fully met its human and technology resource needs or that it sufficiently coordinated resources among its divisions and offices. As a result, the FDIC did not satisfy the readiness activities for planning, training, exercises, evaluation, and monitoring consistent with the best practices identified in its CRRF.<sup>28</sup> Specifically, the FDIC could have been more effective in demonstrating its readiness to resolve large regional bank failures by completing, communicating, and coordinating the regional resolution framework guidance; improving large regional bank resolution plans; training key staff on their resolution roles; conducting interdivisional exercises to test resolution procedures; and periodically evaluating and monitoring large bank resolution readiness.

Unless the FDIC obtains, maintains, and coordinates the resources needed to improve its readiness capabilities to respond to future large regional bank failure scenarios, it risks further strain on its staff and on divisional relationships, as well as reputational harm should there be a loss of public confidence in the banking system.

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<sup>28</sup> The majority of findings in this report fall under one or more of the CRRF readiness activities.

### Finding 1

#### **The FDIC Did Not Sufficiently Resource Large Regional Bank Resolution Readiness Efforts**

The FDIC did not obtain and retain sufficient resources to ensure operational readiness to resolve large regional banks. This weakness was magnified by the very compressed timeframe in which the Spring 2023 failures occurred. In addition, the FDIC did not sufficiently coordinate the resolution resources that CISR and DRR had in place at the time of those failures. The FDIC's crisis readiness and response program directive and CRRF guidance support that resolution planning efforts should incorporate an agency-wide perspective and that such efforts should be adequately resourced. The resource and coordination challenges occurred because the FDIC did not maintain a consistent integrated focus for ensuring large regional bank resolution readiness. As a result, the FDIC's response to the Spring 2023 failures was inefficient, strained existing resources, and negatively impacted divisional relationships.

#### **FDIC Resources for Large Regional Bank Resolution Were Not Sufficient**

The U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Internal Control Standards)<sup>29</sup> state that management should establish the organizational structure necessary to enable the entity to plan, execute, control, and assess the organization in achieving its objectives. As described in the Background section above, in 2019, the FDIC assessed its existing organizational structure and made a strategic decision to consolidate systemic resolution responsibilities, including those related to resolving large, complex IDIs under the FDI Act, into one division. Specifically, the FDIC consolidated the resolution and back-up supervision responsibilities for IDIs with assets of \$100 billion or more within CISR. The June 2019 FDIC proposal to establish CISR stated the new division "would improve efficiencies, by integrating staff working on similar duties, eliminating related redundancies." According to an internal statement by the former FDIC Chairperson, who presided at the time, the reorganization was intended to improve "coordination, consistency, and accountability" and to address the "duplicative functions, management challenges, and employee retention issues that the [former] fragmented structure produced."

FDIC Directive 1500.07, *Crisis Readiness and Response Program*, emphasizes that crisis planning should incorporate an agency-wide perspective, coordinate and integrate plans, and "[e]nsure Corporate response efforts are scalable, agile, resourced, communicated, tested, and adaptable to various potential crisis events." Consistent with these concepts and in conjunction with the creation of CISR in 2019, the FDIC established the role of Deputy to the Chairperson for Financial Stability. This role is responsible for, among other things, coordinating, as

<sup>29</sup> *Standards for Internal Control in the Federal Government*, Paragraph 3.02 (GAO-14-704G) (September 2014).



appropriate, the work of CISR, DRR, and the Division of Insurance and Research in resolving failing financial institutions.<sup>30</sup>

As previously described in this report, the FDIC created CISR from the combined staff resources of the former OCFI and certain RMS and DRR branches. However, the adequacy of resources has been a significant challenge for CISR since its inception. As described below, the FDIC could have done more from an agency-wide perspective to obtain and retain the staff and technology resources needed, in particular within CISR and DRR, to resolve large regional bank failures, and ensure those resources were sufficiently coordinated.<sup>31</sup>

### *Insufficient Human Resources for Large Regional Bank Resolutions*

Since its inception, CISR has used its available resources to advance large regional bank resolution planning. In an October 2019 speech,<sup>32</sup> the current FDIC Chairperson, in his role as an FDIC Board Member at the time, highlighted the underappreciated risks and challenges for large regional banks.<sup>33</sup> In particular, he noted that “[t]heir size, complexity, and reliance on market funding and uninsured deposits would present very substantial risks in resolution, with potential systemic consequences.” He also noted that the resolution of large regional banks in the U.S. had received relatively little attention during the 10 years since the financial crisis of 2008-2009, instead with most focus, appropriately, on the challenges posed by the resolution of G-SIBs. He concluded that resolution planning for large regional bank failures should be a top priority for the FDIC, for the other Federal and state bank regulatory agencies, and for the banking industry. As described in a previous OIG report, CISR officials stated that the COVID-19 pandemic further heightened the risks of large regional bank failures.<sup>34</sup>

Senior CISR officials informed us that from 2020 to 2022, CISR focused significant resources on the development of the RRF and related process guides for large regional bank resolutions. While the FDIC, and CISR in particular, have made large regional bank resolution planning a high priority, the FDIC has not ensured CISR was able to obtain and retain the human resources deemed necessary by CISR to effectively achieve its intended objectives. As noted

<sup>30</sup> FDIC Bylaws Section 4(h) (October 2022).

<sup>31</sup> As described above, our scope did not include an assessment on the adequacy of FDIC’s contracting efforts and contractor resources to support its resolution readiness capabilities. Our office has initiated separate work in this area.

<sup>32</sup> Martin J. Gruenberg, *An Underappreciated Risk: The Resolution of Large Regional Banks in the United States*, a speech to the Brookings Institution Center on Regulation and Markets, Washington, D.C., October 16, 2019. [www.fdic.gov/sites/default/files/2024-03/spoct1619.pdf](https://www.fdic.gov/sites/default/files/2024-03/spoct1619.pdf).

<sup>33</sup> For purposes of the speech, the FDIC defined regional banks as having assets between \$50 billion and \$500 billion.

<sup>34</sup> OIG Report, [The FDIC’s Orderly Liquidation Authority](#) (EVAL-23-004) (September 2023).

in Table 1 below, since its creation, CISR has consistently had staffing levels significantly below the level authorized to achieve its objectives.

**Table 1: CISR Staff on Board Compared to Budget Authorized Positions**

	2019	2020	2021	2022	2023
<b>CISR – Budget Authorized Positions at Year End<sup>a</sup></b>	275	273	318	341	369
<b>CISR – Staff on Board at Year End<sup>b</sup></b>	243	258	280	286	285
<b>Variance</b>	<b>32</b>	<b>15</b>	<b>38</b>	<b>55</b>	<b>84</b>

<sup>a</sup> Authorized positions are positions authorized by the FDIC Board of Directors.

<sup>b</sup> Staff on board represent full-time equivalent staff numbers.

**Source:** OIG analysis of data from FDIC annual Proposed Operating Budget Exhibits (authorized positions) and FDIC Annual Reports (staff on board).

FDIC officials stated that the Spring 2023 failures demonstrated to CISR and DRR the need to promptly address staffing gaps. FDIC 2023 budget documents showed that CISR RRB had 28 vacancies among its 97 authorized positions as of the end of February 2023,<sup>35</sup> which is roughly a 30-percent vacancy rate. In April 2023, DRR requested an increase of 30 new permanent positions and 20 non-permanent positions, in part, due to the additional workload from the failures of SVB and Signature.

The FDIC established a 2023 performance goal to complete recruiting and hiring activities for newly authorized and existing vacancies within CISR and to reduce the overall number of vacant positions in CISR by at least 50 percent. However, the FDIC missed that goal, citing “reductions in the overall number of vacant positions in CISR was undermined by attrition .... CISR senior leadership continues to meet monthly to discuss recruitment initiatives and challenges encountered.”<sup>36</sup>

### *Insufficient Technology Resources for LCFI Resolution*

CISR and DRR Information Technology staff participated in several meetings between December 2021 and May 2022 to discuss technology roles, responsibilities, and gaps for the resolution of banks within the CISR portfolio. CISR officials stated that CISR and DRR staff assessed technical and information security responsibilities between CISR and DRR technology groups in the event of a CISR-led resolution, based upon the *Technology Operations*

<sup>35</sup> The FDIC approved 13 of the authorized positions in December 2022, as part of the 2023 FDIC budget.

<sup>36</sup> 2023 FDIC Performance Goal Quarterly Report - 4<sup>th</sup> Quarter.

*Coordination Memo* between the two divisions. As one result of these meetings, CISR prepared an analysis that identified an overarching technology gap, highlighting that DRR's resolution processes, technology, and staff may not be sufficient for CISR-led resolutions, due to the size, complexity and geographic distribution of such resolutions.

The analysis noted that the overarching technology gap was comprised of 15 individual gaps deemed significant by the CISR and DRR SMEs, including insufficient coordination with the FDIC Chief Information Officer Organization (CIOO) to ensure all resolution-related systems were adequate for an LCFI resolution. Another significant gap the analysis identified was that existing FDIC processes for securing a failed bank's information technology environment are not sufficiently scalable for a large bank resolution. The analysis determined that, rather than addressing the gaps through a siloed, division-level approach, the FDIC should acknowledge and advocate for this initiative as a cross-divisional corporate mission effort. Accordingly, the analysis team recommended that, among other things, CISR and DRR partner with the CIOO on an integrated approach to address the overarching gap, in part by linking disparate CISR, DRR, and CIOO work streams and obtaining funding from the FDIC DOF for a holistic effort. A recommended action item was to develop a roadmap to prioritize and address the underlying gaps, with a focus on the significant gaps with no existing action plans.

FDIC officials stated that, for the Spring 2023 failures, the FDIC leveraged the failed banks' systems and staff as technology resources, helping minimize some of the previously identified technology gaps. Although the FDIC had not addressed the overarching technology gap prior to the Spring 2023 failures, it did establish a 2023 FDIC Performance Goal to "[i]dentify critical information technology gaps for LCFI resolution execution in collaboration with DRR and CIOO and develop a proposed high-level strategy and multi-year timeline for the FDIC to close critical gaps." At the end of 2023, the 2023 FDIC Performance Goal – 4<sup>th</sup> Quarter status report stated that the FDIC had made significant progress on multi-year planning for Part 370,<sup>37</sup> the highest priority gap. Nevertheless, it noted that challenges and impediments to LCFI resolution remained, and the risks were unmitigated. The status report also stated new gaps and challenges emerged during the 2023 bank failures that also needed to be prioritized and sequenced, and further concluded that additional time, resources, and multidivisional commitment was needed to fully complete the goal.

Accordingly, the FDIC *Risk Inventory*<sup>38</sup> for March 2024, identified Resolution Technology as an area with an elevated residual risk level and a significant potential impact, stating that "[i]f FDIC

<sup>37</sup> 12 C.F.R. Part 370, *Recordkeeping for Timely Deposit Insurance Determination*, requires covered IDIs to implement the information technology system and recordkeeping capabilities needed to calculate the amount of deposit insurance coverage available for each deposit account in the event of its failure. According to the FDIC, SVB, Signature, and First Republic were not covered IDIs subject to Part 370. However, the majority of large regional banks were subject to that regulation as of December 31, 2022.

<sup>38</sup> According to the [FDIC 2022-2026 Strategic Plan](#), the FDIC *Risk Inventory* is a comprehensive, detailed list of risks that could hamper the FDIC's ability to achieve its goals and objectives. Divisions and offices assign residual risk level ratings based on the impact and likelihood of the risk occurring and identify risk mitigations for higher rated risks.

systems do not scale to support a large complex institution resolution (i.e., data ingestion capacities and records retention), then the FDIC may not have the capability or systems in place to effectively ingest large amounts of data and appropriately handle a large complex institution failure.” A July 2024 status report on the CISR 2024 Divisional Goals stated that CISR planned to establish a Technology Advisory Committee to help overcome the technology coordination challenges.

### **Agency-wide Human Resources for Large Regional Bank Resolutions Were Not Sufficiently Coordinated**

According to the CRRF, a response team or task force is a key component of a crisis response structure. The RRFD, and related Resolution Management Process Guide, identifies a Failing Institution Project Team (FIPT) as a key component of a resolution response structure. The FIPT is responsible for executing specific functions needed for a resolution, and comprises functional leads, sub-function staff, and contractors. However, the FDIC did not fully define the FIPT in terms of the number of potential staff for each role, and whether the staff would come from CISR or DRR. In addition, the RRFD guidance on the FIPT did not provide insight into the baseline staffing needed for a large regional bank resolution.

Prior to the Spring 2023 failures, CISR officials had not completed an agency-wide staffing analysis to identify the baseline level of FDIC and contractor resources that might be needed for a large regional bank FIPT. CISR officials stated that as part of the 2022 effort to update the RRF process guides, staff within select functional areas undertook a “bottom up” staffing analysis for management consideration and included the analyses as appendices to the process guides. However, CISR had not finalized this staffing analysis prior to the Spring 2023 failures.

The 2022 draft staffing estimates within these analyses identified a collective resource shortfall of 66 staff, primarily in three of the 14 functional areas necessary for executing a resolution—the External Communications (26 staff), Operational Continuity (23 staff), and Resolution Management (10 staff).<sup>39</sup> The analyses did not indicate whether the staffing shortfalls considered only available CISR resources, or considered resources that were available within DRR. In addition, the Claims Administration Process Guide stated that “[f]ormal staffing estimates remain to be performed; however, staffing estimates are expected to be large.” As described above, DRR requested additional resources in 2023 to facilitate its increased responsibilities for the Spring 2023 failures.

Understanding the general size and composition of agency-wide team resource requirements would have helped to optimize the acquisition or coordination of resources to respond to a crisis failure environment. It would also facilitate the identification of the positions that could potentially comprise the FIPT, ensuring personnel within those positions understand their

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<sup>39</sup> *Supra* note 24.



responsibility to respond to an actual failure event.

The FDIC 2023 Annual Performance Plan acknowledged that the Spring 2023 failures highlighted the need “to give greater attention to the resources and methods available for the resolution of institutions with more than \$100 billion in assets.” Because of those failures, the FDIC now has a better understanding of the number of staff and contractor resources across divisions that might be needed to resolve a large regional bank.

### **The FDIC Did Not Maintain a Consistent Integrated Focus for Ensuring Large Regional Bank Resolution Readiness**

We determined that inadequate agency-wide consideration of enterprise risk during the establishment of CISR and CISR’s integration within the FDIC contributed to the resolution-related resource challenges that CISR and the FDIC have experienced. A previous OIG report, *The FDIC’s Implementation of Enterprise Risk Management*,<sup>40</sup> concluded that the FDIC did not use an Enterprise Risk Management approach when it created CISR. Specifically, the report found that not all members of the FDIC’s leadership team were involved in the risk assessment process related to the creation of CISR. The report stated that as a result, there was no assurance that the risks related to the reorganization were considered at the enterprise level by senior officials responsible for program operations and mission-support functions.

In particular, the report noted that the FDIC Operating Committee<sup>41</sup> (OC), as the focal point for the coordination of risk management at the FDIC, should have been involved in such an important cross-divisional reorganization cascading across the FDIC and related to the most significant risks facing the FDIC. The report highlighted the importance of discussing a risk at the OC with the other members where the primary focus is on the “enterprise,” the FDIC as a whole. Furthermore, the prior OIG report noted that it did not appear that the Chief Information Officer, the Chief Information Security Officer, or the Division of Information Technology, which are all members of the OC, were involved in the CISR reorganization and the discussion of risks.<sup>42</sup> Such involvement may have helped the FDIC more readily identify and address the resolution technology gaps described above.

The Deputy to the Chairperson for Financial Stability position was established in 2019 to provide oversight and coordination of large regional bank resolution planning and response activities. According to FDIC officials, the Deputy, collectively with other FDIC officials, is responsible for

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<sup>40</sup> *Supra* note 16.

<sup>41</sup> The Operating Committee is comprised of Division and Office Directors and Deputies to the Chairperson who meet periodically to address crosscutting issues, share information about risks, resolve issues, and determine next steps.

<sup>42</sup> To address these findings, the report recommended that the FDIC “Define, document, and implement procedures to ensure that enterprise risks are evaluated using ERM before enterprise-wide decisions are made.” The OIG determined FDIC corrective actions were responsive and closed this recommendation on February 23, 2021.

addressing CISR and DRR resource needs. However, prior to the Spring 2023 failures, their efforts had not sufficiently reduced the gaps in the FDIC’s resolution resources and ensured the coordination of CISR and DRR resolution strategies, capabilities, and resources into an overall agency-wide approach for resolution readiness.

### **Agency-wide Resource Planning Is Key to Resolution Readiness**

The FDIC’s Risk Inventory for February 2023 identified a risk related to resolution operational readiness that stated “[i]f CISR is not prepared to administer the resolution of large, complex financial institutions, including those designated as systemically important, then the FDIC may not accomplish its mission.” The Risk Inventory identified this risk area as one with an elevated residual risk level and a significant impact. Correspondingly, the FDIC also identified a risk related to large regional bank resolution planning and execution that stated, “[i]f DRR is not prepared to resolve or assist CISR in the resolution of banks above and below \$100 billion in total assets, then the FDIC may not accomplish its mission.” The Risk Inventory identified this risk area as one with a high residual risk level and a critical impact. Accordingly, the FDIC recognized that effective coordination and collaboration between CISR and DRR is critical to ensure that large regional banks are resolved efficiently and in a manner that is least costly to the DIF.

During our interviews with FDIC staff and from our review of FDIC documents, we observed that the FDIC’s experience in resolving the Spring 2023 failures caused tensions that have strained relationships between CISR and DRR officials and staff. CISR and DRR officials identified challenges, frustrations, and uncertainties related to conducting work in areas where both divisions had resolution roles and responsibilities. We believe that these issues warrant the continued attention of FDIC leadership to facilitate the FDIC’s core value of Teamwork<sup>43</sup> and strengthen its ability to achieve mission-related responsibilities in future large regional bank resolution events.

Further, we determined that the FDIC’s resource and coordination challenges related to large regional bank resolutions were an underlying cause for our findings regarding the FDIC’s resolution readiness, listed below:

- Regional Resolution Framework procedures (Finding 2);
- Readiness plans (Finding 3);
- Readiness training and exercises (Finding 4); and
- Evaluation and monitoring of resolution readiness (Finding 5).

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<sup>43</sup> The FDIC has established six core values for accomplishing its mission. The core value of Teamwork ensures that FDIC staff communicate and collaborate effectively with one another and with other regulatory agencies.

Because the frequency and severity of large regional bank failures is inherently uncertain, it is imperative that the FDIC mature and maintain its agency-wide readiness to resolve such failures. The FDIC Chairperson acknowledged, in an August 2023 speech, the “need for meaningful action to improve the likelihood of an orderly resolution of large regional banks under the FDI Act, without the expectation of invoking the systemic risk exception.”<sup>44</sup>

## Recommendation 1:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution**, in coordination with the **Acting Director, Division of Resolutions and Receiverships**, the **Deputy to the Chairperson and Chief Operating Officer**, and the **Deputy to the Chairperson and Chief Financial Officer**, establish and implement an agency-wide resource committee to monitor and report on corporate resource needs, including existing recruiting strategies, staffing levels, and information technology resources in order to strengthen resource planning and response capabilities for large regional bank resolutions.

## Finding 2

### The FDIC Should Improve Its Large Regional Bank Resolution Procedures

The FDIC developed a draft Regional Resolution Framework and related draft guidance for large regional bank resolutions.<sup>45</sup> However, this guidance contained significant gaps and did not fully benefit from interdivisional coordination. The CRRF emphasizes the importance of ensuring personnel with key resolution readiness responsibilities have ready access to relevant resolution policies and procedures. The Spring 2023 failures came soon after the initial development of the draft guidance, and CISR did not timely address the gaps or broadly communicate the guidance. Improved guidance that is communicated throughout the FDIC would help

Planning	Training
Conducting Exercises	Evaluation and Improvement Planning
Reporting	Maintaining an Information Repository

<sup>44</sup> FDIC Chairperson Martin Gruenberg, *The Resolution of Large Regional Banks — Lessons Learned*, August 14, 2023.

<sup>45</sup> The interim draft of the RRFD and all except one of the related draft process guides were dated August 31, 2022. Although the FDIC identified these documents as interim drafts, CISR officials indicated that the documents were operational at the time of the Spring 2023 failures.

staff more clearly understand and effectively execute their roles and responsibilities in a large regional bank resolution.

### **FDIC Procedures for Executing a Large Regional Bank Resolution Contained Significant Gaps**

GAO Internal Control Standards state that management should document in policies each unit's responsibilities for operational processes and may further define policies through day-to-day procedures.<sup>46</sup> At the time of the Spring 2023 failures, CISR had prepared policies and procedures for executing a large regional bank resolution. These included the draft RRFD and a draft process guide for each resolution functional area identified in the RRFD. The RRFD described the purpose of the process guides as the step-by-step processes for executing the functional areas<sup>47</sup> and responsibilities in a resolution.

As part of drafting the process guides, CISR staff identified operational gaps, policy issues, or other considerations that warranted attention to advance resolution readiness for a given functional area, collectively referred to in the guidance as "Open Items." At the time of the Spring 2023 failures, the process guides still included 35 significant Open Items that CISR staff had flagged as high priority for specific resolution processes. According to CISR officials, CISR addresses Open Items over time, prioritizing them based on criticality and resources, and incorporating certain critical items into branch or divisional objectives.

The process guides described certain Open Items as "current or anticipated operational gaps," which would be "necessary to complete [the] process successfully." Examples of such significant Open Items<sup>48</sup> or other significant gaps in the process guides included:

- *Franchise Marketing*: In the Bidder Operations area, the process guide stated that CISR needed to develop the underlying tactical implementation steps to prepare and launch bidder due diligence. However, it did not reference the existing relevant Franchise Marketing guidance for bidder due diligence maintained by DRR.
- *Valuation* (Least Cost Test): In the Receivership Expenses area, the process guide stated that CISR needed to identify alternatives to the FDIC's historical receivership expense model, as that model may not provide reasonable expense estimates for large regional banks. In addition, while the process guide identified the need to

<sup>46</sup> *Standards for Internal Control in the Federal Government*, Paragraph 12.03 and 12.04 (GAO-14-704G) (September 2014).

<sup>47</sup> *Supra* note 24.

<sup>48</sup> Significant Open Items is an OIG defined term for open items that CISR assigned a critically rating of 1 in the process guides, defined as "Necessary to complete [the] process successfully; current or anticipated operational gap."

value a bridge bank resolution transaction for least cost test purposes, CISR had not yet developed the process for determining the estimated value.<sup>49</sup>

- *Resolution Management:* The process guide did not identify the key roles of Receiver-In-Charge and Closing Manager, which DRR officials performed in the Spring 2023 failures. Neither did it address the coordination necessary between the Resolution Manager and those two roles. It also did not identify the role of the Branch Representative, a necessary resolution role to which the FDIC assigned multiple staff from various divisions during the Spring 2023 failures.<sup>50</sup>

A CISR official also explained that CISR had not yet created a process guide with the procedures necessary for CISR information technology operations during a large regional bank resolution. According to the CISR draft after-action review document on the Spring 2023 failures, CISR Information Technology and Security Section (ITSS) staff were uncertain how best to support CISR and the FDIC during the failures. Based on the Technology Operations Coordination Memo, CISR had anticipated that DRR information technology personnel would perform most of the work in this area, but found during the Spring 2023 failures that the CISR ITSS also had significant operational responsibilities during a resolution.

Despite the operational gaps in existing process guides, CISR officials highlighted multiple functional areas for which they believed the resolution process was notably successful. These activities, by functional area, included:

- *Bridge Formation and Governance:* The FDIC's coordination with the Office of the Comptroller of the Currency on updated chartering documents, and FDIC execution of an established executive search program, facilitated the rapid creation of the two bridge banks and placement of chief executive officers for those new IDIs.
- *Human Capital Transition:* Rapid deployment of custom-designed retention packages for thousands of bridge bank employees facilitated bridge bank operations.
- *External Communications:* The FDIC used a crisis communications firm along with existing FDIC communications capabilities to perform essential communication responsibilities.

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<sup>49</sup> CISR has a 2024 performance target to identify financial advisors who can assist in developing tools to estimate franchise value for an all deposit bridge bank and an approach for estimating franchise value destruction for an insured only bridge bank.

<sup>50</sup> According to the FDIC *Failed Financial Institution Closing Manual*, Section 12.b (February 2018), the Branch Representative works with the FDIC closing team and failed bank branch employees to ensure the safe operation of their assigned branch location and that internal controls are in place to mitigate risks or loss to the FDIC.

Lastly, a finding in the CISR draft after-action review document indicated that the FDIC did not fully develop the Executive Lead<sup>51</sup> role, a key appointed position in the resolution process. According to that report, certain FDIC resolution staff were confused about the Executive Lead role, including who was serving in that role and what role they had in decision making, which contributed to information sharing challenges between the FDIC executives at headquarters and the FDIC resolution staff. Neither the RRFD nor the Resolution Management process guide indicated who would appoint the Executive Lead, or how the FDIC would communicate that appointment to resolution staff. According to a senior CISR official, the FDIC determined it should have a decision-making committee in lieu of the Executive Lead role to make sure it is clear across the divisions on the strategy being deployed.

### **The FDIC Could Have Improved Coordination of FDIC Procedure Development**

GAO Internal Control Standards state that management should periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. The FDIC has made progress to ensure interdivisional involvement in reviewing large regional bank resolution planning. For example, as described earlier in the Background section of this report, the FDIC promoted interdivisional coordination through the Resolution Legal Documents Committee in developing bridge bank templates, which facilitated the prompt establishment of both the SVB and Signature Bridge Banks. CISR and DRR officials also met regularly in the RRCC to discuss divisional roles and responsibilities for large bank failures.

Although senior CISR executives reviewed the draft RRFD and related process guides in 2022, other divisions and offices, with key roles identified in these documents, did not have an established role in the review process. We did find evidence that CISR provided staff from DRR or other divisions an opportunity to review information in many of the process guides. However, a formal review process would provide additional assurance that relevant stakeholders in other divisions and offices consistently review these documents for accuracy, completeness, and confirm their respective key roles and responsibilities. For example, the Asset Management and Claims process guides indicated DRR staff would fulfill significant responsibilities in these functional areas. CISR officials stated that in 2024, they instructed CISR staff to share the process guides with DRR and other divisions and offices as part of their ongoing collaboration. The CISR RRB Policies and Procedures Inventory as of March 2024 indicated CISR plans to develop procedures describing the processes used to maintain, review, and validate the RRF and related functional area process guides, to include the frequency, scope, and governance of these processes. These procedures should help to formalize interdivisional collaboration on this guidance.

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<sup>51</sup> The RRFD defined the Executive Lead as having a key strategic role, responsible for directing the tactical role of Resolution Manager, and prioritizing and escalating appropriate information and issues, upward and downward. The RRFD noted that the CISR Resolution Readiness Branch Deputy Director would likely perform this role.



As noted in the Background section of this report, effective coordination between multiple FDIC divisions and offices is critical to the large regional bank resolution process. Therefore, it is important for the FDIC to ensure it has an interdivisional perspective and obtains agency-wide feedback on, and understanding of, the RRFD and the related process guides intended to guide FDIC large regional bank resolution operations. For example, DRR review could help facilitate the identification of best practices or potential redundancies between the two sets of FDIC guidance developed for the resolution of IDIs. Such interdivisional coordination would help to ensure a consistent understanding of how staff across the FDIC would execute these procedures for a large regional bank resolution.

### **CISR Officials Did Not Timely Address Significant Open Items or Coordinate Interdivisional Review of RRF Guidance**

CISR officials had not completed addressing significant Open Items or initiated interdivisional coordination of guidance in a timely manner. While CISR staff identified certain Open Items in this guidance as critical to the successful execution of a resolution, CISR officials concluded that these items would not prevent resolution activities and could be addressed during their annual process review cycle. However, before CISR completed the first review cycle, the Spring 2023 failures occurred. As described above, the interim draft of the RRFD and all but one of the related draft process guides were dated August 31, 2022, only 6 months before three of the largest bank failures in FDIC history.

CISR officials also stated that they planned to conduct broader engagement and coordination of the RRFD and process guides but had not achieved this objective prior to the Spring 2023 failures. CISR is developing procedures describing the processes used to maintain, review, and validate both the RRF and RRF functional area process guides. CISR targeted completion of these procedures, intended to define the frequency, scope, and governance of the RRF guidance, by September 30, 2024. The FDIC should ensure that such guidance addresses interdivisional coordination in RRFD development and review.

### **Enhanced Guidance Would Improve Resolution Response Capabilities**

Addressing the significant Open Items in RRF guidance, and ensuring interdivisional understanding and acceptance of that guidance, would facilitate the ability of key FDIC personnel to clearly understand and effectively execute their roles and responsibilities in a large regional bank resolution event. DRR officials stated that during the Spring 2023 failures, DRR staff were generally not familiar with the FDIC's RRFD and related process guides. As a result, they stated that DRR staff, in carrying out their roles, used DRR policies and procedures for the resolution of community and other large IDIs that were not large regional banks. For example, DRR used its resolution guidance related to franchise marketing, the least cost test, and resolution management, while working on the Spring 2023 failures. The FDIC has an opportunity to leverage the collective knowledge throughout its organization to avoid redundant

guidance and incorporate best practices as part of a unified approach to large regional bank resolutions.

In December 2023, CISR updated the RRFD and related process guides as part of its annual review process. CISR officials indicated that one aspect of the annual review process was to prioritize and address significant Open Items in the guidance.

### **Recommendation 2:**

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We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution** complete or update, as applicable, the Regional Resolution Framework Document and related process guides to address significant process gaps.

### **Recommendation 3:**

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We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, establish a practice of regular interdivisional participation in the development and review of the Regional Resolution Framework procedural documents, as appropriate.

## Finding 3

### The FDIC Should Improve Its Large Regional Bank Resolution Plans

Key resolution planning documents were incomplete and missing important information that the FDIC needed to facilitate more efficient resolution activities. In addition, DRR resolution personnel did not have prior access to the SVB 360.10 or CISR resolution plans. The CRRF emphasizes the importance of adequate readiness plans and interdivisional review of these plans. A moratorium delayed 360.10 resolution plan<sup>52</sup> submissions by certain IDIs to the FDIC. Further, the CISR sub-branch responsible for resolution planning was under resourced, impacting its ability to complete and coordinate resolution planning efforts. Inadequate resolution plans hindered the FDIC's ability to efficiently resolve these institutions in a rapid failure environment.

Planning	Training
Conducting Exercises	Evaluation and Improvement Planning
Reporting	Maintaining an Information Repository

#### **Resolution Planning Documents Needed Improvement**

At the time of Signature's failure in March 2023, the FDIC had not received a 360.10 resolution plan for the bank because the requirement in place at that time did not require Signature to submit a plan until June 2023.<sup>53</sup> In addition, although the FDIC received 360.10 resolution plans for SVB (first iteration) and First Republic (third iteration) in December 2022, the FDIC was in the process of reviewing those plans and did not have an opportunity to provide feedback to these institutions on their plans prior to the Spring 2023 failure events. Specifically, the FDIC had not finished its initial review of the 360.10 resolution plans, which takes approximately 4 months to complete. According to CISR officials, the 360.10 resolution plan for SVB was immature because it had not been through multiple iterations of FDIC review like the 360.10 resolution plan for First Republic. CISR officials stated that this made it more challenging to resolve the bank. A GAO report highlighted statements from FDIC officials that the 360.10 resolution plan for SVB was missing key information, in that it "...did not list potential acquirers for a whole bank purchase, specific portfolios, and franchise components. The plan

<sup>52</sup> *Supra* note 27.

<sup>53</sup> According to 12 C.F.R. § 360.10, the \$50 billion or more in total assets is determined by the average of the four most recent quarters. In November 2018, the FDIC announced a moratorium on 360.10 resolution plan requirements until January 2021, at which time the FDIC lifted the moratorium for IDIs with \$100 billion or more in total assets. Signature first became subject to the 360.10 resolution plan reporting requirement in March 2022, with its first 360.10 resolution plan due on or before June 30, 2023.

[also] did not detail crisis communication, liquidity needs, liquidity resources, or processes for determining liquidity drivers.”<sup>54</sup> In addition, since the FDIC did not receive the SVB and First Republic 360.10 resolution plans until December 2022, the FDIC was not able to update its internal institution-specific resolution planning documents, called resolvability assessment documents (RAD), to fully incorporate the contents of the recently submitted 360.10 resolution plans before the Spring 2023 failures, limiting the usefulness of the RADs.<sup>55</sup>

CISR also set a goal in 2022 to revise the existing RAD model into a new Resolvability Assessment and Strategic Plan (RASP) format. CISR established the RASP format in early 2023, and prototyped its use for Signature Bank. However, there was insufficient time to apply the RASP format to SVB and First Republic prior to the Spring 2023 failures. The fourth quarter status report for the 2023 FDIC Performance Goals added that the bank failures in the first half of the year diverted resources from RASP development for other IDIs. As of June 2024, CISR had not yet completed updating RADs to RASPs for the IDIs in its portfolio. Completing the updates of RADs to RASPs is important for the FDIC’s readiness because each RASP includes important execution considerations, such as a resolvability ratings component,<sup>56</sup> which were not included in the prior RAD format.

The CRRF identifies the importance of interdivisional review of readiness plans, stating that plans should be shared for comment, review, and approval. The CRRF also indicates the importance of providing personnel who have key resolution responsibilities with ready access to relevant plans. In addition, GAO Internal Control Standards state that management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives. Prior to the Spring 2023 failures, CISR included 10 DRR personnel in the 360.10 resolution plan review process, providing them access to 7 of the 21 plans submitted in December 2022. This access included the plan for First Republic. However, CISR did not include DRR personnel with resolution-related roles and responsibilities in the review of the SVB 360.10 resolution plan.<sup>57</sup> In addition, a CISR official stated that DRR staff did not obtain access to the CISR-prepared RADs prior to the Spring 2023 failures. At the time of those failures, DRR was not involved in CISR’s Risk and Readiness Committee, which met monthly to discuss, among other things, the risk of failure and institution-specific planning documents, such as RADs (now RASPs) for institutions in CISR’s portfolio. As a result, DRR resolution staff was generally unfamiliar with the RADs.

<sup>54</sup> GAO Report, [BANK REGULATION Preliminary Review of Agency Actions Related to March 2023 Bank Failures](#) (GAO-23-106736) (April 2023).

<sup>55</sup> RADs help CISR understand large regional bank challenges and outline strategic options that would improve the FDIC’s speed of response in the event of a large regional bank failure.

<sup>56</sup> The resolvability rating section of the RASP includes five individual component ratings and a composite rating. The individual components are (1) strategic options, (2) complexity and business model stability, (3) operational continuity, (4) financial, and (5) disruption and systemic risk.

<sup>57</sup> CISR provided DRR access to the SVB 360.10 resolution plan on March 9, 2023, the day before SVB’s failure. SVB submitted its 360.10 resolution plan to the FDIC in December 2022.

Further, the Tactical Resolution Plan, identified by CISR as a key resolution project management document to ensure continuity, collaboration, and understanding across CISR and the FDIC, had been a prototype for 2 years and was not ready to deploy at the time of the Spring 2023 failures. Instead, the FDIC used the DRR-designed Strategic Resolution Plan to prepare for and guide the resolution of First Republic, indicating the FDIC should consider this tool when finalizing the Tactical Resolution Plan.<sup>58</sup> CISR officials stated that insufficient staffing had been a significant reason for the delay in completing the Tactical Resolution Plan template.

### **A Moratorium on 360.10 Resolution Plan Submissions and Insufficient Staff Resources Delayed Progress**

The FDIC's November 2018 moratorium on the requirement to submit 360.10 resolution plans, detailed in [Appendix 2](#) of this report, hindered the FDIC's ability to complete comprehensive planning efforts. The FDIC put the moratorium into effect while the FDIC considered significant changes to Section 360.10, partly in response to changes in resolution plan requirements under Section 165(d) of the Dodd-Frank Act.<sup>59</sup> In January 2021, the FDIC ended the moratorium for banks of \$100 billion or more in total assets. As a result, Signature, which reached \$50 billion in assets in 2019, did not become subject to Section 360.10 until March 2022, and was not required to submit a 360.10 resolution plan until June 2023. Therefore, the FDIC did not receive a 360.10 resolution plan for Signature before it failed. The moratorium also delayed submission of the 360.10 resolution plans for SVB and First Republic, and as a consequence, delayed the FDIC's ability to review and recommend improvements to these plans. Absent the moratorium, these banks would have been expected to submit their 360.10 resolution plans before December 1, 2022.<sup>60</sup>

According to a June 2022 CISR Reorganization Proposal, the Strategic Planning Sub-Branch of the RRB – with responsibilities for 360.10 resolution plan review and for the associated CISR internal institution-specific planning documents – was overburdened and under resourced. As previously described in the background, the RRB also has resolution planning responsibilities for LCFIs that are not IDIs, such as G-SIBs. According to the proposal, at the 2022 staffing levels, the Strategic Planning Sub-Branch could not devote sufficient resources to institution-specific work in CISR's resolution portfolio, which at that time included 25 IDIs, 8 G-SIBs, and 3 other non-IDI firms. In addition, the proposal stated that the FDIC's 2021 lift of the 2018 moratorium on the 360.10 resolution plan filing requirement for institutions with assets over

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<sup>58</sup> DRR officials indicated that the speed of the SVB and Signature failures prevented the preparation of Strategic Resolution Plans for these banks.

<sup>59</sup> *Supra* note 27.

<sup>60</sup> Absent the moratorium, First Republic would likely have filed a 360.10 resolution plan in 2019, SVB in 2019, and Signature in 2021.

\$100 billion resulted in 22 IDIs<sup>61</sup> having a 360.10 resolution plan filing date of December 1, 2022. The review of such plans was the first by CISR since its formation, and CISR needed additional core staff to manage the reviews, provide training, and incorporate the information and analysis from these reviews into the RASPs for each institution. However, CISR did not receive approval for all requested additional staff for the Strategic-Planning Sub-Branch before the Spring 2023 failures.<sup>62</sup>

### **Inadequate Resolution Plans and Coordination Hindered the FDIC Response to the Spring 2023 Failures**

Improving the quality of resolution planning documents and coordination among FDIC divisions is key to maturing the FDIC's resolution readiness capabilities. As described above, the resolution planning documents available to the FDIC were incomplete and missing key information necessary to support resolution efforts. For example, a CISR official noted that not having a RASP for SVB added challenges to understanding the bank's organizational structures and its interconnections with SVB's parent company, because SVB's 360.10 resolution plan "was not of the best quality." In addition, DRR officials indicated that not having advance access to, or experience with, the resolution planning documents for SVB and Signature limited DRR knowledge of the banks' personnel, technology, business operations, and planned resolution strategy, which hindered their ability to initially respond to the failure of these institutions. Current and thorough resolution planning information would have facilitated the FDIC's preparations for, and response to, the Spring 2023 failures.<sup>63</sup>

The FDIC issued a final rule on July 9, 2024, modifying the 360.10 resolution plan requirements for IDIs.<sup>64</sup> The new rule includes several changes impacting the FDIC's resolution planning. For example, the FDIC will now require IDIs with total assets of at least \$100 billion to submit 360.10 resolution plans, while IDIs with total assets of at least \$50 billion but less than \$100 billion will have to submit limited informational filings. The revised rule also requires periodic testing to validate key capabilities and processes needed in a resolution, such as continuation of critical banking services, potential marketing of the IDI's franchise or its components, and the IDI's capability to populate a virtual data room with key information at the time of failure. In addition, CISR has initiated processes to improve interdivisional coordination. Specifically, CISR is incorporating DRR into its Risk and Readiness Committee meetings and 360.10 resolution plan review and is drafting a Resolution Coordination Memo and IDI Plan Review Manual, which will establish DRR's role in the review of, and access to,

<sup>61</sup> The list of 360.10 resolution plans on [www.fdic.gov](https://www.fdic.gov) shows only 21 plans were submitted on December 1, 2022.

<sup>62</sup> CISR requested 16 additional permanent positions for the Strategic Planning Sub-Branch for 2023. However, they only received approval for 11 of the requested permanent positions.

<sup>63</sup> We anticipate that subsequent OIG evaluations will assess the adequacy of the FDIC's resolution of these institutions, including valuation and franchise marketing activities.

<sup>64</sup> 89 Fed. Reg. 56620 (July 9, 2024).



360.10 resolution plans and other institution-specific resolution planning documents once finalized.

## Recommendation 4:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution** update all FDIC prepared institution-specific resolution plans to the new Resolvability Assessment and Strategic Plan format.

## Recommendation 5:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, provide for regular interdivisional participation in the review of IDI-prepared 360.10 resolution plans and FDIC-prepared institution-specific resolution plans.

## Finding 4

### The FDIC Should Improve Its Training and Exercises for Large Regional Bank Resolutions

The FDIC had not established adequate training and exercise practices for large regional bank resolutions. The FDIC's CRRF emphasizes the importance of establishing a robust training and exercise program to ensure readiness and response capabilities. The readiness activities for training and exercises facilitate effective coordination among multiple divisions and help ensure roles and responsibilities are effectively communicated, understood, and executed. According to GAO, management should enable individuals to develop competencies appropriate for key roles and tailor training based on needs of the role. However, the rapid onset of the Spring 2023 failures, in conjunction with CISR challenges obtaining staffing resources, limited the division's ability to fully implement training activities. Further, CISR was still developing its exercise program at that time. As a result, the FDIC's response to the Spring 2023 failures was inefficient in some areas.

Planning	Training
Conducting Exercises	Evaluation and Improvement Planning
Reporting	Maintaining an Information Repository

### **The FDIC Could Have Provided More Training to Prepare for a Large Regional Bank Resolution**

The FDIC's June 2019 proposal to establish CISR recognized the importance of developing a CISR-specific readiness training program, given the unique challenges and approach to LCFI resolutions. The CRRF explains that awareness training, plan-specific training, role-based training, and functional training support a mature readiness and response capability. Specifically, the CRRF notes that response plans should also define the training requirements necessary to enable assigned personnel to carry out the tasks described in the plan. The goal of such training is to learn plan specifics, including roles and responsibilities for executing the plans. The CRRF recommends plan-specific training no less than once every 2 years.

Although the RRFD was not a plan developed under the CRRF, it is a significant plan for ensuring the FDIC readiness to respond to a large regional bank failure event and broader systemic risk to the financial sector. The RRFD does not document training requirements. However, CISR officials stated that in 2022, the division provided training on the Regional Resolution Framework to staff within the CISR RRB. Nevertheless, we did not find that CISR had established a documented process for periodic awareness or plan-specific training for positions with large regional bank resolution responsibilities.<sup>65</sup> As noted previously in this report, prior to the Spring 2023 failures, CISR had not adequately communicated key resolution documents, including the RRFD and associated process guides with other divisions expected to coordinate in resolution efforts (e.g., DRR, Legal Division, etc.) to ensure a common understanding of strategies, roles, and responsibilities. CISR officials acknowledged that they could have more effectively educated relevant staff from other FDIC divisions on its newly developed RRFD and process guides.

Similar to the CRRF guidance, the FDIC's Crisis Readiness and Response Program Directive 1500.07 states that training should include the identification of FDIC personnel with specialized knowledge, skills, and abilities needed to successfully execute the response activities outlined in their readiness plans. Management should make training requirements available to staff to ensure personnel are prepared to execute the duties and tasks identified in their readiness plans. In addition, GAO guidance states that training is aimed at developing and retaining employee knowledge, skills, and abilities to meet changing organizational needs.

We found that CISR had not established a formal role-based training curriculum for newly established key resolution roles described in the RRFD, such as the Executive Lead and the Resolution Manager. In contrast, DRR had developed advance training for other key resolution-related roles, such as the Receiver-in-Charge and Closing Manager. Such training is particularly important for ensuring employees have the knowledge, skills, and abilities to

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<sup>65</sup> According to the CRRF, awareness training includes an overview of the contents of key plans, and sets the baseline for role- and plan-specific training through establishing a common vocabulary and shared expectations.

successfully fulfill their designated roles. In addition, according to the draft CISR after-action review document, certain officials assigned to serve in the key role of Bridge Bank Board Member indicated that they had not received and would have benefited from advance training for the role. We note that the DRR had developed web-based training for this role in 2018, and this training was available to all FDIC employees on the FDIC intranet.

The FDIC also provided interdivisional training on certain key resolution functions (i.e., functional training) prior to the Spring 2023 failures. In particular, DRR officials indicated that DRR and CISR officials conducted multiple interdivisional developmental training sessions related to franchise marketing and the least cost test in 2022. In addition, the Chief, RRB-Resolution Transactions received on-the-job training by serving as Chief, DRR-Franchise Marketing on a 120-day temporary promotion in the first quarter of 2022. Nevertheless, the DRR After-Action Review report indicated that CISR staff would benefit from additional training related to the least cost test process.<sup>66</sup>

In addition, the FDIC was not able to complete certain Claims functional training prior to the SVB and Signature failures because FDIC staff and contractors had not yet been assigned to Claims-related roles. Specifically, the CISR-DRR Coordination Memo: *Non-Deposit or Creditor Claims* (December 2022) stated, “DRR will develop a training plan to provide CISR and contractors the necessary skills to perform non-deposit claims tasks and other related functions.” The Claims Process Guide (August 2022) flagged this training as an Open Item that was “important to improve process effectiveness.” DRR officials stated that once the FDIC assigned staff and on-boarded contractors in April 2023 tasked with supporting non-deposit claims for the resolutions of SVB and Signature, DRR staff developed a claims training plan and provided it to FDIC staff and contractors.

### **The FDIC Could Have Conducted More Interdivisional Exercises to Prepare for a Large Regional Bank Resolution**

The FDIC’s June 2019 proposal to establish CISR stated that while the FDIC had clearly identified and routinely tested roles and responsibilities in community bank resolutions for many years, “LCFI resolution is different, new and, [at the time], untested.” We believe this statement acknowledges the importance of conducting regular exercises to develop clear lines of responsibility and accountability in advance of a large regional bank resolution. The CRRF also indicates that conducting exercises is necessary to establish a mature readiness and response capability that continuously improves through lessons learned. Similarly, the FDIC’s Crisis Readiness and Response Program Directive 1500.07 states that the FDIC should periodically conduct readiness tests and exercises to ensure employees are familiar with plan operations,

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<sup>66</sup> The DRR After-Action Review report stated that the FDIC did not perform a traditional least cost test for SVB and Signature given the systemic risk exception; however, the FDIC used similar valuation steps to determine the selection of the best value bidder.

understand their roles and responsibilities, and can readily execute plans. Exercises can help the FDIC assess the adequacy of the resources and skill sets needed to execute a resolution, and can provide feedback on the quality of resolution-related training.

CISR had a divisional objective in 2022 to complete three institution-specific staff exercises and a functional exercise to test and validate the RRF process guides. In accordance with this objective, CISR did conduct certain exercises internally in 2022 to assess its readiness to resolve a large regional bank, including an RRB institution-specific exercise in November 2022, specifically for Signature.<sup>67</sup> Further, CISR documented that the RRB held resolution exercises for its staff in 2022, focused on multiple functional areas, including Bridge Formation, Operational Continuity, the Qualified Financial Contracts determination process, and Resolution Management. The latter included project management considerations and the completion of an initial "Tactical Resolution Plan" for one large regional bank.<sup>68</sup>

A December 2022 CISR status report on the CISR 2022 divisional objectives stated that the RRB had also prepared a proposal for a full-scale FDI Act bridge bank simulation exercise. However, the FDIC, and in particular CISR and DRR, had not conducted the interdivisional exercise prior to the Spring 2023 failures. In addition, we did not find that the FDIC conducted other interdivisional exercises to test the effectiveness of the draft RRFD and related draft process guides.

Specifically, the FDIC updated coordination memos at various times between January 2022 and February 2023 to allocate key RRF resolution roles and responsibilities between CISR and DRR. However, prior to the Spring 2023 failures, the FDIC had not held recent interdivisional exercises to test the adequacy of the allocation of resolution-related roles and responsibilities established in these documents. Therefore, those memos did not consistently reflect how the FDIC would ultimately implement these roles and responsibilities in an actual resolution. As a result of the lessons learned from actually executing roles and responsibilities during the Spring 2023 failures, the FDIC identified a need for a total of nine coordination memos addressing key areas requiring DRR support for CISR personnel. These coordination memos will include three revised existing memos<sup>69</sup> and six new memos to cover areas not previously addressed, such as coordination of resolution activities between the CISR Resolution Manager and the DRR Receiver-In-Charge.<sup>70</sup> The FDIC will also consolidate or retire eight prior

<sup>67</sup> This exercise involved a staff-level discussion of three questions relevant to the Resolution Strategy, Operational Readiness, and Receivership Management sub-branches of CISR RRB. It was not a simulation of a resolution. One lesson learned from the exercise was that, given the significant amount of uninsured deposits at the bank and the business profile, the likely resolution strategy would be a liquidation under the FDI Act.

<sup>68</sup> The bank was not SVB, Signature, or First Republic.

<sup>69</sup> The revised memos include Franchise Marketing, Least Cost Test, and Qualified Financial Contracts.

<sup>70</sup> The new memos include Bridge Formation and Governance; Cross-Border Issues in Resolution; External Communications; Resolution Coordination; Receivership Operations; and Liquidity, Funding, and Liability. The latter memo is also in coordination with DOF.

memos.<sup>71</sup> Once the FDIC completes these efforts, it should test the adequacy of the nine coordination memos through interdivisional exercises.

In April 2023, the FDIC Vice Chairperson acknowledged that “FDIC staff deserves tremendous credit for their efforts over the past month, with many working through the night, night after night, and through the weekends, weekend after weekend.”<sup>72</sup> During our evaluation interviews, multiple FDIC personnel described the positive interdivisional interactions and teamwork they experienced in responding to the significant challenges of the Spring 2023 bank failures. Specifically, they noted nightly interdivisional status calls among the FDIC closing functional teams and executives, and ongoing interdivisional collaboration through FDIC IT resources. However, DRR officials acknowledged that certain roles and responsibilities were not adequately addressed in the CISR-DRR Coordination Memos. This uncertainty, when coupled with the extensive overtime and travel required to resolve the Spring 2023 failures, created a significant strain on DRR staff resources. The draft CISR after-action review document acknowledged that CISR staff also expressed concerns about staff resources and confusion regarding roles and responsibilities across divisions, which led to inefficiencies in the FDIC’s execution of those roles and responsibilities. FDIC personnel and documentation capturing lessons learned cited examples of these inefficiencies, such as duplication of work, inconsistent messaging, and multiple data requests between CISR and DRR that led to confusion and other negative impacts on failed bank staff.

### **CISR Did Not Have the Resources, Time, and Processes Needed to Fully Support Training and Exercises**

We found that CISR was unable to implement a more robust training and exercise framework for its large regional bank resolution responsibilities because it had not received requested resources to adequately implement its Knowledge Management Program. A key priority of CISR’s Knowledge Management Program is staff training and professional development to ensure that all employees have the skills, expertise, and information necessary to execute their responsibilities in current and future roles. In addition, CISR Directive 2021-001, Learning and Professional Development Policy (March 2021), states that the CISR Knowledge Management Program will maintain CISR Core Competencies and Skills Assessments for each branch, sub-branch, and section that will be used to determine individual employee knowledge gaps and development needs along with individual training requests. In 2024, CISR has been working to establish a Learning and Professional Development Committee to develop, maintain, and

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<sup>71</sup> The FDIC is consolidating the Receivership Accounting, Asset Management and Disposition, Claims - Section 360.9, Deposit Claims, Investigations, and Non-Deposit or Creditor Claims memos into the Receivership Operations memo, and consolidating the Executive Placement memo into the Bridge Formation and Governance memo. The FDIC retired the Technology Operations memo, as CISR and DRR plan to address resolution technology within each functional area.

<sup>72</sup> Remarks by Vice Chairman Travis Hill at the Bipartisan Policy Center on the Recent Bank Failures and the Path Ahead, April 12, 2023.

oversee training and professional development opportunities and ensure that training resources are appropriate, current, and comprehensive.

In addition, a senior CISR official explained at the November 2022 Systemic Resolution Advisory Committee (SRAC) meeting that a liquidity failure was likely for a large regional bank, and such failures would occur rapidly.<sup>73</sup> CISR resolution planning documents for SVB and Signature further acknowledged the need to prepare for a potential short runway phase for these types of failures. However, the RRF guidance did not anticipate, nor prepare the FDIC for, the unprecedented speed at which these institutions failed. The RRFD indicated that CISR would likely consult with DRR on roles and responsibilities for a potential resolution during the heightened monitoring phase of the resolution process. This phase did not occur for the SVB and Signature resolutions because of the rapid failure of these IDIs. A longer runway would have provided more time to identify personnel for key roles and provide advance training and exercises on those roles. At the December 2023 SRAC meeting, a senior CISR official acknowledged that FDIC resolution planning should anticipate truncated and atypical resolution timelines.

A CISR official indicated that CISR had expected to use contractor personnel rather than FDIC personnel to serve as Bridge Bank Board Members and executives. The FDIC was able to successfully and quickly onboard two contractor personnel to serve as the chief executive officers of the SVB and Signature Bridge Banks. However, the rapid onset of the failures did not allow for advance identification and onboarding of other contractor personnel to serve in the Bridge Bank Board Member role, so FDIC officials had to fill in. As CISR had not anticipated targeting specific FDIC officials in advance for the Bridge Bank Board Member role, those officials would not have known to take the available online training for that role.

In addition, at the time of the Spring 2023 failures, CISR needed to finalize its Discussion, Exercise, and Simulation (DEXS) Program<sup>74</sup> for resolution readiness assessment and testing activities. CISR subsequently completed and approved the DEXS Program policies and procedures document in March 2024. The document describes the planning, scoping, resourcing, and implementation processes used to administer the program.

### **Regular Training and Exercises Are Critical Activities for Resolution Readiness**

According to the 2023 CISR Business Plan, a 2022 CISR Risk Awareness Survey indicated that one of the most significant risks facing the division was adequate staffing, training, and

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<sup>73</sup> FDIC, [Systemic Resolution Advisory Committee Meeting, Transcript](#) (November 9, 2022).

<sup>74</sup> The CISR *Discussion, Exercise, and Simulation (DEXS) Program Policies and Procedures* document (March 2024) states that the program's goal is "to continue to build crisis preparedness, readiness, and capabilities with a focus on developing, testing, evaluating, and improving specific processes for decision-making and executing a resolution at staff and principal levels."



succession management. OIG analysis of FDIC staffing data supported that 31 percent of CISR personnel and 49 percent of DRR personnel on board in 2023 will be eligible to retire within the next 3 years.<sup>75</sup> A robust training and exercise regimen would help ensure successful knowledge retention and transfer, which is critical due to the general infrequency and significance of large regional bank failures. As confirmed in the Spring of 2023, such failures can occur rapidly and concurrently, and have a significant impact on the U.S. financial system, challenging the FDIC's ability to fully define, assign, and train key roles and responsibilities in the midst of a resolution. Identifying key positions in advance would allow the FDIC to test the ability of individuals to execute these roles through exercises. In addition, regular training and exercises on key components of the RRF would help assess the level and quality of resources, and the ability of staff to efficiently and effectively execute a large regional bank resolution when needed.

### Recommendation 6:

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We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, develop and implement a resolution readiness training program for key personnel responsible for executing the Regional Resolution Framework and related procedures. The training program should address awareness, plan-specific, role-based, and functional training.

### Recommendation 7:

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We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, establish and implement a process of periodic interdivisional exercises of large regional bank resolution activities, to test the ongoing effectiveness of agency-wide response and coordination.

### Recommendation 8:

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We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, complete efforts to revise or create Coordination Memos to address all key large regional bank resolution functions where more than one FDIC division shares significant resolution responsibilities.

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<sup>75</sup> OIG Report, [Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation](#) (February 2024).

## Finding 5

### The FDIC Should Enhance Its Evaluation and Monitoring of Large Regional Bank Readiness

The FDIC established and monitored both Agency and divisional goals for large regional bank resolution readiness and assessed its response to the Spring 2023 failures. However, the FDIC could improve its evaluation and monitoring practices, including formal tracking of corrective actions, regular testing of internal controls, and continued assessment of overall readiness. Both the CRRF and the GAO Internal Control Standards emphasize the importance of evaluation and monitoring to assess and improve the quality of performance over time. CISR has faced challenges staffing and monitoring its internal control and review efforts, which increases the risk that it will not promptly identify or address significant gaps.



#### Enhancing Evaluations of Large Regional Bank Resolution Readiness

##### *After-Action Reviews*

To mature readiness capabilities, the CRRF emphasizes the importance of conducting after-action assessments following exercises and real-world bank failure incidents, stating that “[a]fter action improvement planning increases transparency and enables leadership to identify and address capabilities needing improvement.” Consistent with the CRRF, the FDIC 2023 Annual Performance Plan made the identification of lessons learned from the Spring 2023 failures a priority area of focus. Accordingly, both CISR and DRR conducted after-action reviews to identify lessons learned from the FDIC response to those failures. These reviews identified opportunities to improve external and internal communication, the understanding of roles and responsibilities among divisions and among staff, and planning for staff resources. For example, the reviews found the FDIC should, among other things:

- Develop communication protocols for internal and external information requests to and from third parties, including congressional and media requests, to minimize duplication of efforts;
- Continue coordination through the RRCC to fully define the preferred distribution of roles and responsibilities among CISR and DRR staff, limiting confusion in future resolutions; and

- Ensure the FDIC assigns adequate staff resources to bridge bank activities to facilitate timely and efficient operations and information exchange.

The CRRF also highlights the importance of prioritizing action items for improving operations, assigning ownership, and establishing estimated completion dates. Specifically, it states, “[d]uring after action sessions, action items will be gathered and classified by significance to prioritize resolution. As action items are documented, action item owners should be assigned to lead the effort to close out the action item by a predetermined completion date.”

The FDIC established a 2024 Performance Goal to “[i]ncorporate lessons learned from the three large regional bank failures in early 2023 into resolution planning for LCFI.” One of the targets under this goal is to “[i]mplement better defined roles and responsibilities for CISR and DRR on a large bank failure.” CISR and DRR officials have met periodically through the RRCC to update divisional roles and responsibilities in response to the Spring 2023 failures and have been memorializing decisions through revisions to the CISR-DRR Coordination Memos. A CISR official stated that CISR is also addressing the preliminary findings of its lessons learned effort through the CISR goals and objectives for 2024. At the time of our evaluation, CISR had not yet completed its after-action review.

While the FDIC performed two after-action reviews to identify lessons learned, the FDIC has not demonstrated formal tracking to ensure implementation of key corrective actions for significant recommendations from those reviews. Specifically, the FDIC had not formally prioritized the recommendations; assigned them to specific points of contact; and linked them to specific goals, objectives, or other corrective actions. We note that the CRRF provides a template that FDIC personnel can use to consistently document after-action results, identify personnel responsible for addressing recommendations, and track the resolution of related recommendations.

Without a consistent mechanism to track and monitor the status of significant recommendations from exercises or real-world events, key action items to improve resolution readiness may go unimplemented within necessary timeframes and impact the FDIC’s readiness for future large regional bank resolution events.

### *Internal Control Reviews*

GAO Internal Control Standards state that management should use separate evaluations periodically, based on an assessment of risk, to monitor the design and operating effectiveness of the internal control system at a specific time or of a specific function or process. GAO Internal Control Standards also state that management should evaluate and document internal control issues and determine appropriate corrective actions for internal control deficiencies on a

timely basis. Management should assign responsibility and delegate authority to remediate the internal control deficiency.

CISR had not conducted any internal reviews in 2022 or 2023 of its large regional bank resolution planning and readiness. Internal reviews are a means of identifying, reporting on, and monitoring areas for improvement in large regional bank resolution planning activities. CISR's Internal Control and Review Manual (March 2022) describes the process for conducting internal reviews to evaluate the efficiency and effectiveness of CISR operations.

A senior CISR official stated that OCFI, and its successor CISR, had not initially prioritized operational staff resources for conducting internal reviews. As of July 2024, CISR officials were developing a directive and a staffing plan for implementing an internal review process. The FDIC proposal to establish CISR as a division in June 2019 acknowledged that to be successful, CISR would need day-one operational staffing sufficient to meet the needs of a significantly increased workforce and organizational complexity.

Absent regular, risk-based reviews of large regional bank resolution planning activities, the FDIC has reduced assurance that it will identify and address gaps or control weaknesses related to these activities and improve its resolution readiness.

### **Enhancing Monitoring of Large Regional Bank Resolution Readiness**

GAO Internal Control Standards state that management should use separate evaluations to monitor the design and operating effectiveness of the internal control system at a specific time or of a specific function or process. Separate evaluations may take the form of self-assessments, which include cross-operating unit or cross-functional evaluations.

The FDIC had established processes to monitor and report performance on division and agency-level goals and objectives related to large regional bank resolution readiness activities. However, the FDIC designed these goals and objectives to monitor only the progress of specific resolution planning activities while overall readiness remained unmonitored. For example, the CISR divisional goals for 2022 included objectives to complete the RRF process guides and hold exercises to test and validate the RRF process guides. This method of monitoring did not provide a complete perspective on the FDIC's overall readiness to conduct one or more large bank resolutions, and the FDIC had not conducted an overall assessment of its readiness prior to the Spring 2023 failures.

Subsequent to the Spring 2023 failures, CISR established an Execution Readiness Status Assessment (ERSA) process in June 2023 as a methodology for formally assessing the FDIC's resolution readiness. CISR intends for the ERSA process to help identify and guide annual priorities related to readiness to execute a large regional bank resolution. For example, a CISR

official stated that they plan to use this process to help identify and prioritize the most critical Open Items in the RRFD guidance for CISR management. The ERSA will be conducted by staff and executives from the CISR RRB, in consultation with representatives from other applicable CISR branches and FDIC divisions. CISR has targeted 2024 for completion of the first iteration of its ERSA process for regional banks, which should facilitate the identification and remediation of significant challenges and gaps.

### Recommendation 9:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, identify from after-action review documents the recommendations that are the most critical for large regional bank resolutions and prioritize them with formal tracking and monitoring.

### Recommendation 10:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution**, establish a plan for ensuring that CISR regularly conducts internal reviews of its large regional bank resolution planning activities, as appropriate based on risk.

### Recommendation 11:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution**, implement the Execution Readiness Status Assessment process for large regional bank resolution readiness.

## FDIC COMMENTS AND OIG EVALUATION

On December 2, 2024, the FDIC Director, Division of Complex Institution Supervision and Resolution and the Acting Director, Division of Resolutions and Receiverships, provided a written response to a draft of this report, which is presented in its entirety in [Appendix 3](#).

In its response, the FDIC acknowledged that readiness to conduct a large regional bank resolution is critical to the FDIC mission, and therefore, the FDIC places a high priority on, and has devoted considerable resources to, this important responsibility. The FDIC also stated that it continues to be committed to further strengthening the FDIC framework for the orderly resolution of large regional banks and acknowledged the opportunities to improve its readiness from the observations in this report. The FDIC concurred with the report's recommendations,



## FDIC Readiness to Resolve Large Regional Banks

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and planned corrective actions were sufficient to address the intent of the recommendations. The FDIC plans to complete all corrective actions by June 30, 2026.

We consider all 11 recommendations to be resolved. The recommendations in this report will remain open until we confirm that corrective actions have been completed and the actions are responsive. A summary of the FDIC's corrective actions is contained in [Appendix 4](#).



# APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY

## Objective

We are conducting a series of evaluations to assess the adequacy of the FDIC's resolution readiness and response efforts for the failures of Silicon Valley Bank, Signature Bank of New York, and First Republic Bank, including the extent to which the FDIC adhered to established policies and procedures for key resolution functions. The objective of this evaluation was to assess the FDIC's readiness to resolve large regional bank failures under the Federal Deposit Insurance Act, prior to the failures of SVB, Signature, and First Republic.

We performed our work from March 2024 through October 2024. We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* (December 2020).

## Scope and Methodology

Our evaluation focused on the FDIC's readiness to resolve the three large regional bank failures that occurred in March and May 2023. We considered FDIC resolution planning activities generally occurring prior to the failures, primarily during the January 2022 to February 2023 timeframe. We also considered FDIC activities subsequent to the failures that identified lessons learned and implemented improvements, up to June 2024. We used the FDIC's Crisis Readiness Response Framework (CRRF) as overarching criteria, as we found a clear connection between the readiness activities established in the CRRF and the FDIC's ability to effectively plan for, respond to, and resolve large regional banks in the event of their failure. This connection was further illustrated by the March 2023 failures of SVB and Signature, for which the FDIC recommended a systemic risk exception to avoid or mitigate serious adverse financial effects, such as a wave of bank failures.

To evaluate the FDIC's resolution readiness, we performed the following procedures:

- Interviewed FDIC officials from CISR and DRR to identify relevant resolution policies and procedures, and to understand relevant resolution roles and responsibilities and the allocation of those roles and responsibilities between the two divisions.
- Reviewed FDIC policies, procedures, and guidance applicable to resolving large regional banks, including:
  - The Regional Resolution Framework Document and related functional area process guides;
  - Interdivisional Coordination Memos between CISR and DRR; and
  - DRR Policies and Procedures for IDI resolution.

- Reviewed applicable federal law and regulations related to resolving insured depository institutions:
  - Federal Deposit Insurance Act, 12 U.S.C. Chapter 16.
  - FDIC Rules and Regulations, 12 Code of Federal Regulations Section 360.10.
- Reviewed the FDIC's Risk Profile and Risk Inventory to identify Agency risks relevant to the objective.
- Reviewed IDI and FDIC resolution planning documents created for SVB, Signature, and First Republic.
- Reviewed the results of FDIC and other Agency reviews or assessments of FDIC resolution activities in response to the Spring 2023 failures:
  - CISR and DRR after-action review documents;
  - U.S. Government Accountability Office Report, *Preliminary Review of Agency Actions Related to March 2023 Bank Failures*, GAO-23-106736;
  - December 2023 Systemic Resolution Advisory Committee meeting transcript and presentation slides;
  - FDIC Board Member speeches; and
  - Congressional testimony.
- Reviewed other relevant FDIC and Federal criteria:
  - FDIC Directive 1500.7, *Crisis Readiness and Response Program* (July 2021);
  - FDIC *Crisis Readiness and Response Framework* (July 2021); and
  - U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G) (September 2014).

### APPENDIX 2: HISTORY OF CHANGES TO THE 360.10 RESOLUTION PLAN REQUIREMENT

In January 2012, the FDIC issued a final rule that required large IDIs to submit contingency plans for resolution (referred to in this report as “360.10 resolution plans”) and the FDIC to review those plans to facilitate resolution of those IDIs.<sup>76</sup> Since then, the FDIC has revised these requirements. In 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018<sup>77</sup> raised the threshold for submitting resolution plans under Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>78</sup> from \$50 billion to \$250 billion. As reported by the GAO:<sup>79</sup>

- In November 2018, the FDIC announced that the Agency planned to revise the Section 360.10 rule and that the next round of resolution plans submitted pursuant to the rule would not be required until the rulemaking process was complete.
- In April 2019, the FDIC Board approved an advance notice of proposed rulemaking to solicit comments on potential modifications to Section 360.10, such as tiered plan requirements and submission frequency adjustments. The FDIC Board also extended the plan submission deadline until completion of the rulemaking process.
- In January 2021, the FDIC lifted the moratorium on 360.10 resolution plan submissions and resumed resolution plan reporting requirements for IDIs with \$100 billion or more in assets.
- On June 25, 2021, the FDIC announced a modified approach, extending the submission frequency to a 3-year cycle.

In July 2024, the FDIC issued a final rule amending Section 360.10 of its rules and regulations. Key changes include:

- Classifying large IDIs into two groups: Group A and Group B. Group A will include large IDIs with assets equal to or above \$100 billion and Group B will include large IDIs with assets equal to \$50 billion or more but below \$100 billion. Group A will be required to submit 360.10 resolution plans every 3 years while Group B will only be required to submit informational filings every 3 years. Both Group A and B IDIs will be required to

<sup>76</sup> See, 77 Fed. Reg. 3075 (January 23, 2012); 12 C.F.R. § 360.10. This rule requires IDIs with \$50 billion or more in total assets to prepare a plan documenting how the IDI can be resolved under the FDI Act. The plans were intended to estimate potential loss severity and to enable the FDIC to perform its resolution functions most efficiently.

<sup>77</sup> Pub. L. No. 115-174 (May 24, 2018).

<sup>78</sup> 12 U.S.C. § 5365(d).

<sup>79</sup> GAO Report, [BANK REGULATION Preliminary Review of Agency Actions Related to March 2023 Bank Failures](#) (GAO-23-106736) (April 2023).



## FDIC Readiness to Resolve Large Regional Banks

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submit their 360.10 resolution plans or informational filings every 2 years if they are an affiliate of a Global Systemically Important Bank.

- Requiring large IDIs to demonstrate capabilities to market themselves and their assets, furnish timely key reports identified in the 360.10 resolution plan or informational filing, and promptly establish and populate a virtual data room with information necessary for interested parties to submit well-informed bids.
- Enhancing the definition of key personnel to include staff and contractors of large IDIs.

The amended rule went into effect on October 1, 2024. Most large IDIs will begin filing their 360.10 resolution plans or informational filings in 2025 under the new requirements.

## APPENDIX 3: FDIC COMMENTS



### MEMO

**TO:** Terry L. Gibson  
Assistant Inspector General for Audits, Evaluations, and Cyber

**FROM:** Arthur J. Murton      Arthur J. Murton      Digitally signed by Arthur J. Murton  
Director      Date: 2024.12.02 18:11:49 -05'00'

Division of Complex Institution Supervision and Resolution (CISR)

Audra Cast      AUDRA CAST      Digitally signed by AUDRA CAST  
Acting Director      Date: 2024.12.02 16:18:03 -06'00'

Division of Resolutions and Receiverships

**CC:** Jenny Traille  
Senior Deputy Director, CISR

Ryan Tetrick  
Deputy Director, Resolution Readiness Branch, CISR

Krista Hughes  
Deputy Director, Operations Branch, CISR

Shawn Khani  
Senior Deputy Director, DRR

**DATE:** December 2, 2024

**RE:** Management Response to the Draft Evaluation Report Entitled, *The FDIC's Readiness to Resolve Large Regional Banks* (2023-008)

Thank you for the opportunity to review and comment on the subject draft evaluation report (Readiness to Resolve Large Regional Banks) issued by the Office of Inspector General (OIG) on November 8, 2024. The report details the evaluation conducted of the Federal Deposit Insurance Corporation's (FDIC) readiness to resolve large regional banks under the FDI Act, prior to the failures of Silicon Valley Bank, Signature Bank, and First Republic Bank. The FDIC's readiness to conduct a large regional bank resolution is critical to our mission, and as such we place a high priority on this important responsibility and have devoted considerable resources and attention in order to position the FDIC to do so effectively. We continue to be committed



to further strengthening our framework for the orderly resolution of large regional banks.

The three bank failures in scope of this review represent the second, third, and fourth largest in U.S. history, occurring with unprecedented speed, and concurrent with the failure of one foreign Global Systemically Important Bank and material stresses in the wider banking system. Despite the suddenness of the events and the resulting uncertainty, the existing resolution framework, processes, collaboration, and resources enabled the FDIC to act swiftly, adapt to changing circumstances, and deliver an effective response. The FDIC also recognizes that, despite the effectiveness of the resolutions, there are opportunities to improve its readiness by building on lessons learned from these events and the observations included in this report.

In addition, the FDIC will continue to prioritize work to address the particular challenges posed by the resolution of large regional banks. The FDIC formed the Division of Complex Institution Supervision and Resolution (CISR) in 2019 to unite certain aspects of the FDIC's supervisory and resolution readiness responsibilities for large and complex financial institutions (LCFIs) in a single division, which worked with other divisions to build a range of capabilities that were effectively deployed in the spring of 2023, including those for establishing and operating bridge banks, delivering crisis communications, managing funding and liquidity, and coordinating resolutions with foreign jurisdictions. To further this body of work, the FDIC enhanced its resolution planning requirements for large banks under Part 360.10, and has identified key projects which are responsive to lessons learned from these bank failures.

The draft report contains 11 recommendations designed to: strengthen agency-wide resource planning and response capabilities; complete or revise resolution guidance, plans, and agreements to address significant gaps; increase interdivisional coordination over planning and exercises; ensure regular training of key resolution staff; identify, prioritize, and track significant after-action review recommendations; conduct regular internal reviews of resolution planning activities; and implement a process to periodically assess resolution readiness. FDIC management concurs with the recommendations and the FDIC has already initiated actions to address several of the report's recommendations. A summary of management's planned corrective action and estimated completion dates follows.



**Recommendation 1:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships, the Deputy to the Chairperson and Chief Operating Officer, and the Deputy to the Chairperson and Chief Financial Officer**, establish and implement an agency-wide resource committee to monitor and report on corporate resource needs, including existing recruiting strategies, staffing levels, and information technology resources in order to strengthen resource planning and response capabilities for large regional bank resolutions.

**Management Decision:** Concur

**Corrective Action:** The FDIC is committed to strengthening its resource planning and response capabilities, and will establish and implement an agency-wide resource committee to monitor, report, and support these efforts.

**Estimated Completion Date:** March 31, 2025

**Recommendation 2:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution** complete or update, as applicable, the Regional Resolution Framework Document and related process guides to address significant process gaps.

**Management Decision:** Concur

**Corrective Action:** The FDIC updated the Regional Resolution Framework Document and Process Guides as of 09/30/2024. Updates include incorporating lessons learned from the spring 2023 large bank failures and engaging with interdivisional stakeholders to solicit input.

**Estimated Completion Date:** March 31, 2025



### Recommendation 3:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, establish a practice of regular interdivisional participation in the development and review of the Regional Resolution Framework procedural documents, as appropriate.

**Management Decision:** Concur

**Corrective Action:** The FDIC will incorporate interdivisional review of the Regional Resolution Framework procedural documents continuing with the 2025 annual update process.

**Estimated Completion Date:** December 31, 2025

### Recommendation 4:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution** update all FDIC prepared institution-specific resolution plans to the new Resolvability Assessment and Strategic Plan format.

**Management Decision:** Concur

**Corrective Action:** The FDIC will conform all FDIC-prepared institution-specific resolution plans to Resolvability Assessment and Strategic Plans (RASPs) for covered IDIs and covered companies.

**Estimated Completion Date:** March 31, 2025

### Recommendation 5:

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, provide for regular



interdivisional participation in the review of IDI-prepared 360.10 resolution plans and FDIC-prepared institution-specific resolution plans.

**Management Decision:** Concur

**Corrective Action:** The FDIC will continue to provide for regular interdivisional participation in the review of IDI-prepared 360.10 resolution plans and will also share the FDIC-prepared Resolvability Assessments and Strategic Plans (RASPs) with appropriate divisional partners.

**Estimated Completion Date:** March 31, 2025

**Recommendation 6:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, develop and implement a resolution readiness training program for key personnel responsible for executing the Regional Resolution Framework and related procedures. The training program should address awareness, plan-specific, role-based, and functional training.

**Management Decision:** Concur

**Corrective Action:** We will develop and implement a resolution readiness training program for key personnel.

**Estimated Completion date:** June 30, 2026

**Recommendation 7:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, establish and implement a process of periodic interdivisional exercises of large regional bank resolution activities, to test the ongoing effectiveness of agency-wide response and coordination.



**Management Decision:** Concur

**Corrective Action:** We will establish and implement a process of periodic interdivisional discussions involving CISR, DOA and DRR, exercises, and simulations to test agency-wide coordination.

**Estimated Completion Date:** June 30, 2026

**Recommendation 8:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, complete efforts to revise or create Coordination Memos to address all key large regional bank resolution functions where more than one FDIC division shares significant resolution responsibilities.

**Management Decision:** Concur

**Corrective Action:** Through the Resolution Readiness Coordination Committee, CISR and DRR have established a process for updating Coordination Memos across all key resolution functions where more than one FDIC division shares significant resolution responsibilities, including those for large regional banks. The divisions are currently incorporating lessons learned from the spring 2023 large regional bank resolutions, and in doing so will address all key large regional bank resolution functions where more than one FDIC division shares significant resolution responsibilities.

**Estimated Completion Date:** December 31, 2024

**Recommendation 9:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution, in coordination with the Acting Director, Division of Resolutions and Receiverships**, identify from after-action review documents the recommendations that are the most critical for large regional bank resolutions and prioritize them with formal tracking and monitoring.

**Management Decision:** Concur



**Corrective Action:** The FDIC will identify after-action review recommendations that are most critical for large regional bank resolutions and prioritize them as part of our regular strategic planning and objective setting.

**Estimated Completion Date:** December 31, 2025

**Recommendation 10:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution**, establish a plan for ensuring that CISR regularly conducts internal reviews of its large regional bank resolution planning activities, as appropriate based on risk.

**Management Decision:** Concur

**Corrective Action:**

CISR submitted a reorganization and staffing proposal in September 2024 to support the Division's need to establish a fulsome and robust internal review program. We will begin implementing internal reviews of large regional bank resolution planning activities in 2025, depending on available resources and as appropriate based on risk.

**Estimated Completion Date:** September 30, 2025

**Recommendation 11:**

We recommend the **Deputy to the Chairperson for Financial Stability and Director, Division of Complex Institution Supervision and Resolution**, implement the Execution Readiness Status Assessment process for large regional bank resolution readiness.

**Management Decision:** Concur

**Corrective Action:** CISR has implemented the Execution Readiness Status Assessment for



## FDIC Readiness to Resolve Large Regional Banks

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large regional bank resolution readiness.

**Estimated Completion Date:** March 31, 2025





### APPENDIX 4: SUMMARY OF THE FDIC'S CORRECTIVE ACTIONS

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved: <sup>a</sup> Yes or No	Open or Closed <sup>b</sup>
1	The FDIC is committed to strengthening its resource planning and response capabilities and will establish and implement an agency-wide resource committee to monitor, report, and support these efforts.	March 31, 2025	\$0	Yes	Open
2	The FDIC updated the Regional Resolution Framework Document and Process Guides as of September 30, 2024. Updates include incorporating lessons learned from the spring 2023 large bank failures and engaging with interdivisional stakeholders to solicit input.	March 31, 2025	\$0	Yes	Open
3	The FDIC will incorporate interdivisional review of the Regional Resolution Framework procedural documents continuing with the 2025 annual update process.	December 31, 2025	\$0	Yes	Open
4	The FDIC will conform all FDIC-prepared institution-specific resolution plans to RASPs for covered IDIs and covered companies.	March 31, 2025	\$0	Yes	Open
5	The FDIC will continue to provide for regular interdivisional participation in the review of IDI-prepared 360.10 resolution plans and will also share the FDIC-prepared RASPs with appropriate divisional partners.	March 31, 2025	\$0	Yes	Open
6	The FDIC will develop and implement a resolution readiness training program for key personnel.	June 30, 2026	\$0	Yes	Open



## FDIC Readiness to Resolve Large Regional Banks

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved: <sup>a</sup> Yes or No	Open or Closed <sup>b</sup>
7	The FDIC will establish and implement a process of periodic interdivisional discussions involving CISR, DOA, and DRR; exercises; and simulations to test agency-wide coordination.	June 30, 2026	\$0	Yes	Open
8	Through the Resolution Readiness Coordination Committee, CISR and DRR have established a process for updating Coordination Memos across all key resolution functions. The divisions are incorporating lessons learned from the recent large regional bank resolutions, and will address all key large regional bank resolution functions where multiple divisions share significant resolution responsibilities.	December 31, 2024	\$0	Yes	Open
9	The FDIC will identify after-action review recommendations that are most critical for large regional bank resolutions and prioritize them as part of its regular strategic planning and objective setting.	December 31, 2025	\$0	Yes	Open
10	CISR submitted a reorganization and staffing proposal in September 2024 to support the Division's need to establish a robust internal review program. CISR will begin implementing internal reviews of large regional bank resolution planning activities in 2025, depending on available resources and as appropriate based on risk.	September 30, 2025	\$0	Yes	Open
11	CISR has implemented the Execution Readiness Status Assessment for large regional bank resolution readiness.	March 31, 2025	\$0	Yes	Open

<sup>a</sup> Recommendations are resolved when —

1. Management concurs with the recommendation, and the OIG agrees the planned corrective action is consistent with the recommendation.



## FDIC Readiness to Resolve Large Regional Banks

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2. Management does not concur or partially concurs with the recommendation, but the OIG agrees that the proposed corrective action meets the intent of the recommendation.
3. For recommendations that include monetary benefits, management agrees to the full amount of OIG monetary benefits or provides an alternative amount and the OIG agrees with that amount.

<sup>b</sup> Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.



## FDIC Readiness to Resolve Large Regional Banks

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### Federal Deposit Insurance Corporation **Office of Inspector General**

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