Regulatory Alert

Regulatory Insights for Financial Services

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Resolution Submissions: FDIC Proposal

KPMG Regulatory Insights

"Substantial Revision": *Proposal would modify the current IDI Rule in many respects, narrowing its scope, compliance, and risk based on key modifications including:*

- ***Increased Threshold:*** *Raises the applicable threshold for resolution submissions from $50 billion to $100 billion in total assets – effectively reducing the number of CIDIs from 48 to 32.*
- ***Three-Year Cycle:*** *Moves all CIDIs to a three-year filing cycle and eliminating the requirement for interim supplemental filings.*
- ***Compliance Focus:*** *Eliminates the FDIC credibility determination and associated enforcement authorities in favor of a shift to reviews for compliance with the applicable requirements in all material respects, limiting direct engagement with CIDI staff.*

The Federal Deposit Insurance Corporation (FDIC) has issued a rule proposal to amend its regulations governing resolution submissions by insured depository institutions (IDIs) with at least $50 billion in total assets (covered IDIs or CIDIs). The proposal would introduce several key changes to the existing IDI Rule requirements, including in areas related to:

- Scope of applicability
- Resolution submission process
- Content requirements

The proposal would implement a transition period such that initial submissions under the final rule would be due no earlier than 270 days after the final rule's effective date. The FDIC invites comments on the proposed changes by August 31, 2026. In anticipation of a final rulemaking, the FDIC has exempted all IDIs subject to the current IDI Rule from filing requirements in October 2026 and in 2027.

In a separate though related action, the FDIC issued a rule proposal to amend its regulations governing assessment thresholds and rate schedules. The proposal contains a provision that would introduce a "resolution readiness adjustment" (RRA) into the large bank assessments framework that would enable large banks to reduce assessments by opting in to one or both of two components. These components would be available to banks that 1) can demonstrate an ability to quickly populate a virtual data room (VDR); and/or 2) elect to provide the FDIC with temporary access to data from certain service providers and/or internal systems. The FDIC states that banks that successfully opt in to the RRA are expected to cost the FDIC less upon failure, thus justifying a downward adjustment to premiums.

1. Scope of Applicability

The proposed rule aims to modify which IDIs are subject to resolution submission by:

- **Increasing the asset threshold:** The FDIC proposes to increase the asset threshold for an IDI to be considered a CIDI from $50 billion to $100 billion in total assets.
- **Indexing the asset threshold:** The proposed $100 billion threshold would be automatically adjusted for inflation every three calendar years, based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

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2. Resolution Submission Process

To streamline the resolution submission process, the FDIC proposes changes such as:

- Eliminating the distinction between group A CIDIs (CIDIs with $100 billion of more in total assets - full resolution plan filers) and group B CIDIs (CIDIs with $50 billion of more in total assets but less than $100 billion - informational submission filers).
- Shifting all CIDIs to a three-year submission cycle. (As such, the filing frequency for CIDIs that are affiliated with U.S. GSIBs would be changed from once every two years to once every three years).
- Eliminating the current IDI Rule requirement for submission of interim supplements in each year a CIDI does not file a full resolution submission. Material changes relevant to a resolution submission would be captured through a "notice of extraordinary event" process.
- Requiring CIDIs to provide their initial resolution submissions on or before a date specified in writing by the FDIC. For CIDIs on the effective date of the final rule, this date would be no earlier than 270 days after the effective date of the final rule; for IDIs that become CIDIs after the effective date of the final rule, the date would occur no earlier than 270 days after the date on which the IDI became a CIDI.
- Eliminating the requirement for resolution submissions to be approved by the CIDI's board of directors.
- Removing the FDIC's credibility determinations and the approach to feedback (i.e., identifying "material weaknesses" or "significant findings," as described in the IDI Rule).

3. Content Requirements

The proposal aims to standardize submission content for all CIDIs by eliminating or revising certain requirements and focusing on core operational information. Specifically, the proposed rule would eliminate:

- The public section of the resolution submission.
- "More than half" of the current rule's "content requirements" for resolution submissions.
- The distinction between group A CIDIs and group B CIDIs.
- The current rule requirement for a CIDI to provide a report on its key depositors.

As part of the standardization, the proposal would add new aspects to certain content requirements to enhance the FDIC's ability to plan and execute a resolution. Under the proposal, the FDIC would require resolution submissions to include:

- Information that allows for better understanding of the CIDI's organization (e.g., an organizational chart and information about non-controlling interests in limited liability companies, partnerships, and joint ventures or similar arrangements).
- A mapping of the CIDI's information technology architecture, and information on processing cut-off times for deposit and loan operations.
- Certain deposit information important for resolution execution, such as a list of deposit products; sweep account information; and any controls to restrict funds movement to or from accounts in foreign branches.
- Certain information on qualified financial contracts (QFCs) to understand the risks managed using QFCs.
- Descriptions of any novel or emerging digital services offered to customers through online, mobile, or other digital channels, including digital wallets.

Note: The FDIC states the proposed rule would retain content requirements for operational information from the current rule that helps to inform the FDIC's development of a range of options that could be used in the event of a CIDI's material distress and failure, including a rapid sale, liquidation, or the establishment of a bridge depository institution, as appropriate for the institution and the circumstances at the time.

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