

Statement of Michael J. Hsu
Acting Comptroller of the Currency
Regarding Proposals Related to Board Approval of Midsize and Large Failed Bank Sales
FDIC Board Meeting
August 29, 2023

I support staff's proposal regarding conditions to certain receivership delegations of authority and procedures.

Enhancing Board engagement in situations involving failed midsize and large banks is important. It can lead to better outcomes and can bolster public trust in the FDIC and the banking system. But it must be calibrated to ensure sufficient procedural efficiency so that major matters can be handled effectively and in a timely manner.

Complexity and time are key factors. In cases when the underlying situation is highly complex or when the time for decision-making is limited, requiring a Board vote could potentially frustrate or impede the FDIC's practical ability to achieve a least cost resolution in an orderly manner. For instance, in the fog of large bank failures, the risk of a game of "telephone" as information is gathered and shared is elevated. Complexity and time pressures can further exacerbate that risk. Multiply that by five Board members, each seeking to do the right thing but with differing levels of familiarity with the failing bank and associated issues, and the likelihood that such a process creates counterproductive noise and confusion can rise materially.

Giving the Board the power and flexibility to decide whether a vote should be taken in connection with a failed bank with assets of \$50 billion or more, as this proposal does, helps mitigate that risk.

I also believe it is important to consider this issue of Board engagement in the broader context of large bank resilience and resolvability. Time, optionality, and certainty are highly valuable in failing bank situations. Greater capital and liquidity resources provide for more time and more options for orderly sales, all other things being equal. Stronger resolution capabilities ensure more reliable, more timely, and more actionable information.

In short, the recently proposed enhancements to large bank capital and today's proposed enhancements to resolvability complement the governance enhancements being discussed here. This is why I am supportive of all of those enhancements, including staff's proposal.