



BANK OF ENGLAND

News release

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22 January 2010

FDIC and Bank of England Announce Enhanced Cooperation in Resolving Troubled Cross-Border Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) and the Bank of England today announced their agreement to a memorandum of understanding (MOU) expanding their cooperation when they act as resolution authorities in resolving troubled deposit-taking financial institutions with activities in the United States and United Kingdom. The MOU was signed by FDIC Chairman Sheila Bair and Bank of England Governor Mervyn King.

The MOU represents a commitment by the FDIC and Bank of England to enhance their collaboration to promote greater coordination in the face of distress at banks that operate in the two countries and thus protect the wider public interest. It recognizes the importance of close and effective communication about the operations of financial institutions covered by the MOU and differing national laws, consultation on developing issues, cooperative contingency planning for firms covered by the MOU, and supporting the development of appropriate recovery (going concern) and resolution (gone concern) plans. In such areas, the MOU also underlines the need for the FDIC and the Bank to work closely together with other authorities in the United States and the United Kingdom.

Most importantly, the MOU represents a commitment to cooperate in the resolution of cross-border firms in compliance with the laws and regulations of the United States and the United Kingdom.

Bank of England Governor King and Chairman Bair agreed that this MOU is an important step towards improved coordination.

FDIC Chairman Bair said, "The recent financial crisis demonstrates that greater international coordination among resolution authorities as well as resolution processes capable of resolving the largest, most complex financial institutions are necessary to protect the public. This MOU is an invaluable step forward toward implementing the recommendations of the Basel Committee's Cross Border Resolution Group, which the FDIC co-chaired. It is also a further step in support of the continuing work of the Financial Stability Board's Crisis Management Working Group, chaired by Paul Tucker of the Bank of England."

Bank of England Governor King said, "A key legislative response in the United Kingdom to the recent financial crisis has been the adoption of a special resolution regime that enables failed UK banks to be resolved in the public interest. The Bank of England has in consequence become a resolution authority in the United Kingdom and, as such, it makes good sense to develop close relationships with other resolution authorities so that the toolkit and powers now available to us can be applied effectively to large and complex cross-border banks. The MOU should also help to enhance coordination with other regulatory authorities in the United States and United Kingdom."

Notes to Editors

1. Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 8,099 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars - insured financial institutions fund its operations.

2. The Bank of England has two core purposes: it exists to ensure monetary stability and to contribute to financial stability. In February 2009, the Banking Act 2009 was introduced which gave the Bank new responsibilities and powers in relation to financial stability. A key part of the Banking Act was the creation of a Special Resolution Regime (SRR) which gives the UK Tripartite authorities - the Treasury, Bank of England and Financial Services Authority (FSA) - a permanent framework providing tools for dealing with distressed banks and building societies. Further information about the UK Special Resolution Regime is available at http://www.bankofengland.co.uk/financialstability/role/risk_reduction/srr/index.htm.

Key Resources

Bank/FDIC Memorandum of Understanding

concerning consultation, cooperation and the exchange of information related to the resolution of insured depository institutions with cross-border operations in the United States and the United Kingdom

<http://www.bankofengland.co.uk/publications/Documents/other/financialstability/srrmou.pdf>