



December 15, 2022

Mr. Ulrich Körner  
Chief Executive Officer  
Credit Suisse Group AG  
Paradeplatz 8  
8001 Zurich  
Switzerland

Mr. Timothy Lyons  
Chief Executive Officer  
Credit Suisse Holdings (USA), Inc.  
11 Madison Avenue  
New York, New York 10010

Dear Messrs. Körner and Lyons:

On or before December 17, 2021, the Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) received the targeted resolution plan submission (2021 Targeted Plan) of Credit Suisse Group AG (Credit Suisse or the Covered Company), as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended (Dodd-Frank Act), 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 and 12 CFR Part 381, as amended (Resolution Plan Rule).

The Agencies have reviewed the 2021 Targeted Plan, taking into consideration section 165(d) of the Dodd-Frank Act; the Resolution Plan Rule; the feedback letter that the Agencies provided to the Covered Company on December 9, 2020 (2020 Letter), regarding the Covered Company's resolution plan submission of September 29, 2020 (2020 Plan); the

feedback letter that the Agencies provided to the Covered Company on December 20, 2018 (2018 Letter), regarding the Covered Company’s 2018 resolution plan submission (2018 Plan); the joint “*Guidance for Resolution Plan Submissions of Certain Foreign-Based Covered Companies*” (2020 Guidance);<sup>1</sup> the targeted information request letter that the Agencies provided to the Covered Company on December 9, 2020 (Targeted Information Request Letter),<sup>2</sup> regarding the required content of the 2021 Targeted Plan; and certain other information available to the Agencies.

The Agencies have jointly determined pursuant to section 165(d) of the Dodd-Frank Act and section \_\_.8(b) of the Resolution Plan Rule that the 2021 Targeted Plan is not credible or would not facilitate an orderly resolution of the company under Title 11 of the United States Code (U.S. Bankruptcy Code).<sup>3</sup> Section II of this letter identifies the aspects of the 2021 Targeted Plan that the Agencies jointly determined to be deficient. The Agencies have also noted areas where further progress will help improve the preparation of the Covered Company for a rapid and orderly resolution of its U.S. subsidiaries and operations, as discussed in section II below.

As discussed below, the Covered Company must provide a submission that addresses the first deficiency jointly identified by the Agencies and otherwise satisfies the requirements of section \_\_.8(c) of the Resolution Plan Rule with respect to the first deficiency by May 31, 2023 (Governance Revised Plan Submission). The Covered Company must also provide a separate submission that addresses the second deficiency jointly identified by the

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<sup>1</sup> 85 Fed. Reg. 83557 (Dec. 22, 2020).

<sup>2</sup> The Agencies also note that, as required by the Resolution Plan Rule, the Covered Company included in its 2021 Targeted Plan information about material changes. 12 CFR §§ 243.6(b)(3), 381.6(b)(3). The Covered Company also included in its 2021 Targeted Plan information responding to the Targeted Information Request Letter regarding the Covered Company’s actions in response to events surrounding the coronavirus-related stress in 2020.

<sup>3</sup> 12 U.S.C. § 5365(d)(4).

Agencies and otherwise satisfies the requirements of section \_\_.8(c) of the Resolution Plan Rule with respect to the second deficiency by July 1, 2024 (Liquidity Revised Plan Submission).

Each of the Governance and Liquidity Revised Plan Submissions must include a separate public section that explains the actions the firm has taken to address the applicable jointly identified deficiency. In the event that the Governance and Liquidity Revised Plan Submissions do not adequately remedy the applicable deficiencies identified by the Agencies in this letter, the Agencies may jointly determine pursuant to section \_\_.9 of the Resolution Plan Rule that the Covered Company or any of its subsidiaries shall be subject to more stringent capital, leverage, or liquidity requirements, or restrictions on their growth, activities, or operations.

Under the Resolution Plan Rule, the Covered Company is required to submit a full resolution plan on or before July 1, 2024 (2024 Full Plan). As discussed below, the Agencies expect the review of the 2024 Full Plan to include validation and testing of the firm's resolution capabilities.

## **I. Background**

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with \$250 billion or more in total consolidated assets, certain bank holding companies with total consolidated assets of between \$100 billion and \$250 billion, and each designated nonbank financial company report to the Agencies the plan of such company for its rapid and orderly resolution in the event of material financial distress or failure.<sup>4</sup> A firm, such as the

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<sup>4</sup> In addition, section 401(f) of the Economic Growth, Regulatory Relief, and Consumer Protection Act provides that any bank holding company, regardless of asset size, that is identified as a global systemically important bank holding company under 12 CFR § 217.402 shall be considered a bank holding company with \$250 billion or more in total consolidated assets with respect to the application of standards or requirements under section 165 of the Dodd-Frank Act. 12 U.S.C. § 5365 note.

Covered Company, that is a triennial full filer under the Resolution Plan Rule is required to file a resolution plan every three years, alternating between full and targeted resolution plans.<sup>5</sup>

Pursuant to the Resolution Plan Rule, the 2021 Targeted Plan was required to include the core elements;<sup>6</sup> the Covered Company's response to the targeted information request (as set forth in the Targeted Information Request Letter); a description of each material change experienced by the Covered Company since its previously submitted resolution plan (or affirmation that no such material change has occurred) and the changes the Covered Company has made to its resolution plan in response; a description of changes to the Covered Company's previously submitted resolution plan resulting from changes in law or regulation, or from guidance or feedback from the Agencies;<sup>7</sup> and a public section.<sup>8</sup>

Under section 165(d) of the Dodd-Frank Act, the Agencies may jointly determine, based on their review, that a firm's resolution plan is not credible or would not facilitate an orderly resolution of the company under the U.S. Bankruptcy Code.<sup>9</sup> For a firm such as the Covered Company that is incorporated or organized in a jurisdiction other than the United States, rapid and orderly resolution means a reorganization or liquidation of the subsidiaries and operations of the Covered Company that are domiciled in the United States under the U.S. Bankruptcy Code that can be accomplished within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of the Covered Company would have

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<sup>5</sup> 12 CFR §§ 243.4(b), 381.4(b).

<sup>6</sup> "Core elements" means the information required to be included in a full resolution plan pursuant to section \_\_.5(c); (d)(1)(i), (iii), and (iv); (e)(1)(ii), (2), (3), and (5); (f)(1)(v); and (g) of the Resolution Plan Rule, regarding capital, liquidity, and the Covered Company's plan for executing any recapitalization contemplated in its resolution plan, including updated quantitative financial information and analyses important to the execution of the Covered Company's resolution strategy. 12 CFR §§ 243.2, 381.2; *see also* Resolution Plans Required, 84 Fed. Reg. 59194, 59208 n.35 (Nov. 1, 2019).

<sup>7</sup> 12 CFR §§ 243.6(b), 381.6(b).

<sup>8</sup> 12 CFR §§ 243.11(c), 381.11(c).

<sup>9</sup> 12 U.S.C. § 5365(d)(4).

serious adverse effects on financial stability in the United States.<sup>10</sup> Under the Resolution Plan Rule, the Agencies can jointly identify shortcomings or deficiencies in a covered company's resolution plan.<sup>11</sup> The Resolution Plan Rule also provides processes by which shortcomings or deficiencies jointly identified by the Agencies in a resolution plan may be remedied.

### **U.S. Resolution Planning & Home Country Expectations**

The Covered Company's preferred group resolution strategy is a single point of entry (SPOE) strategy in which all of its material operations, including its U.S. operations, would receive necessary support from the foreign parent and would not be required to enter resolution. While the preferred outcome for a failing foreign-based covered company is a successful home country resolution, the Resolution Plan Rule requires the Covered Company to address a situation where its U.S. subsidiaries and operations enter bankruptcy in the United States.

To maximize preparedness for a range of outcomes, the Covered Company's broader resolvability work should consider both the objectives of the firm's group-wide SPOE resolution strategy and the Resolution Plan Rule. It is important that future resolvability efforts by the Covered Company, including those related to the testing and enhancement of resolution capital and liquidity capabilities, be as complementary as practicable to the group-wide resolution strategy. While the Agencies encourage the Covered Company to develop capabilities that also help to improve global resolvability, the Agencies will conduct their review of the Covered Company's 2024 Full Plan in accordance with section 165(d) of the Dodd-Frank Act and the Resolution Plan Rule.

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<sup>10</sup> 12 CFR §§ 243.2, 381.2.

<sup>11</sup> 12 CFR §§ 243.8(b), (e), 381.8(b), (e).

## **II. Results of the Agencies' Review of the 2021 Targeted Plan**

The Agencies identified two deficiencies in the 2021 Targeted Plan.

### **Resolution Planning Governance Deficiency**

The Agencies jointly identified a deficiency regarding Credit Suisse's resolution planning governance that resulted in an insufficient 2021 Targeted Plan. The Agencies were unable to assess the feasibility of Credit Suisse's resolution plan, including whether it would facilitate an orderly resolution under the U.S. Bankruptcy Code, because the plan lacked necessary information and adequate detail.

The 2021 Targeted Plan stated that the board of directors of Credit Suisse Holdings (USA), Inc. (CSH USA) approved the Plan after thorough review by stakeholders and senior management. The 2021 Targeted Plan also noted that many business, support, and control functions were involved in the development and vetting of the Plan prior to its submission. The weaknesses and other issues noted below indicate a lack of appropriate internal review and coordination with respect to the 2021 Targeted Plan prior to its submission. The lack of effective resolution planning governance, in turn, raises concerns regarding the firm's commitment to developing and maintaining the capabilities needed to effectively implement its resolution strategy.

The 2021 Targeted Plan contained insufficient information regarding the core elements of capital, liquidity, and the Covered Company's plan for executing recapitalizations as required by the Resolution Plan Rule. The most significant omission was the failure to adequately describe the liquidity and capital capabilities that are necessary to execute the firm's U.S. resolution strategy. Capabilities gaps in these areas could impair the Covered Company's ability to implement successfully its U.S. SPOE resolution strategy by, for example, delaying recognition

of financial distress that indicates whether CSH USA should file for bankruptcy, underestimating resolution capital and liquidity needs, and otherwise impairing timely decision-making and action taking.

Another significant weakness is related to a shortcoming finding made by the Agencies regarding the 2018 Plan concerning Credit Suisse’s model and process for estimating the liquidity needed to fund its U.S. material entities during a resolution (2018 Liquidity Shortcoming). The 2018 Liquidity Shortcoming finding noted that the firm did not demonstrate a Resolution Liquidity Execution Need (RLEN) framework that was sufficiently tested, controlled, and repeatable. In addition, the 2018 Liquidity Shortcoming finding described specific cash-flow forecast weaknesses. Based on information provided in the 2020 Plan, the Agencies concluded that Credit Suisse had adequately addressed the 2018 Liquidity Shortcoming. Subsequent work by the firm’s internal audit function in 2021, however, indicated that weaknesses had not been fully addressed. Supervisory analyses in 2022 produced similar conclusions.

Furthermore, the Resolution Plan Rule requires covered companies to describe changes to the firm’s resolution plan resulting from any guidance or feedback from the Agencies.<sup>12</sup> The Covered Company adopted aspects of the joint “Guidance for 2018 § 165(d) Annual Resolution Plan Submissions By Foreign-based Covered Companies that Submitted Resolution Plans in July 2015” in its 2018 Plan, and the 2021 Targeted Plan contains components of the 2020 Guidance. However, the 2021 Targeted Plan did not adequately describe whether and how the Covered Company modified the 2021 Targeted Plan from past submissions as a result of the 2020 Guidance. For example, the 2020 Guidance included revised information on payments,

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<sup>12</sup> 12 CFR §§ 243.6(b)(4)(ii), 381.6(b)(4)(ii).

clearing, and settlement (PCS) and derivatives. The 2021 Targeted Plan lacked a description of key client identification methodology as part of the framework for continuity of PCS services. The submission also lacked a description of the method to assess the impact on clients and counterparties of U.S. entities that conduct U.S. derivatives and trading activities in the period leading up to and during the execution of the Covered Company's U.S. resolution strategy. These examples are further indication that parts of the 2021 Targeted Plan did not receive appropriate review and oversight.

The 2021 Targeted Plan's poor quality and lack of content as well as outstanding concerns related to cash-flow forecasting referenced above call into question the sufficiency of the firm's governance for its U.S. resolution planning process and raise questions about the feasibility of Credit Suisse's U.S. resolution plan.

Accordingly, Credit Suisse must develop and submit to the Agencies by February 28, 2023, a detailed project plan to strengthen oversight of its U.S. resolution planning and processes (governance project plan). The governance project plan must set forth the specific processes the firm intends to implement regarding the preparation of resolution plan submissions, including mechanisms for independently verifying internal coordination and review, and active oversight by senior management. Among other things, the processes to be implemented must ensure that information provided by the Covered Company to the Agencies is sufficiently responsive to Resolution Plan Rule requirements and that assertions regarding shortcoming or deficiency remediation efforts are accurate and valid. The governance project plan must outline steps that will achieve a sustainable governance framework for future resolution plan submissions. The Agencies expect to review the governance project plan and may provide feedback.



The Governance Revised Plan Submission due by May 31, 2023, must, in addition to meeting the requirements of section \_\_.8(c) of the Resolution Plan Rule as concerns the resolution planning governance deficiency, contain a revised targeted resolution plan submission comprising the core elements, including a description of the liquidity and capital capabilities necessary to execute the firm's U.S. resolution strategy, and a description of any analysis and changes made in response to the 2020 Guidance. In their review of the Governance Revised Plan Submission, the Agencies will take into account the information provided and Credit Suisse's progress in addressing the resolution planning governance deficiency.

### **Liquidity Deficiency**

The Agencies also jointly identified a deficiency regarding the firm's cash-flow forecasting capabilities. The 2018 Letter described weaknesses related to Credit Suisse's cash-flow forecasts as part of the 2018 Liquidity Shortcoming. The 2018 Letter also specified a series of enhancement initiatives that the firm should complete. Based upon their review of the 2020 Plan, the Agencies concluded that Credit Suisse adequately addressed the 2018 Liquidity Shortcoming. This conclusion was communicated to the firm in the 2020 Letter.

The Agencies subsequently became aware, through the supervisory process, that the 2018 Liquidity Shortcoming was not adequately addressed. Specifically, Credit Suisse's internal audit process determined in 2021 that the cash flow forecasting target operating model has significant gaps in its design, development, and implementation. Supervisory analysis conducted in 2022 also identified significant weaknesses related to the lack of adequate cash-flow forecasting processes, indicating that significant aspects of the 2018 Liquidity Shortcoming remain unaddressed. Credit Suisse's inability to adequately address the 2018 Liquidity Shortcoming prior to submission of the 2020 Plan, or in the subsequent period of more than an

additional year, is a matter of serious concern. Coupled with the inadequate detail regarding the firm's liquidity capabilities, the Agencies have concluded that the unremediated cash flow forecasting issues present a weakness that could undermine the feasibility of the Covered Company's resolution plan. These weaknesses can undermine the reliability of cash flow forecasting capabilities as a crisis management tool and may preclude timely commencement or successful implementation of Credit Suisse's U.S. SPOE resolution strategy.

Accordingly, Credit Suisse must develop and submit to the Agencies by February 28, 2023, a detailed project plan to address the liquidity deficiency (liquidity project plan). The liquidity project plan also must include a detailed description of how each of the actions identified will improve the accuracy of the firm's cash flow forecasting capabilities and a detailed and reasonable timeline for completion. The Agencies expect to review the liquidity project plan and may provide feedback. Additionally, the Covered Company must include in the Governance Revised Plan Submission a report concerning progress on the liquidity project plan, including detailed discussion of any deadlines that have not been, or are not expected to be, met.

The Liquidity Revised Plan Submission due July 1, 2024, must meet all requirements of section \_\_.8(c) of the Resolution Plan Rule as concerns the liquidity deficiency. Among other things, as part of the discussion required by sections \_\_.8(c)(1) and (3) of the Resolution Plan Rule, the Liquidity Revised Plan Submission must address progress on the liquidity project plan and must include evidence of milestone completion. The Agencies will review the Liquidity Revised Plan Submission in conjunction with the 2024 Full Plan. The Agencies may at that time assess whether the liquidity deficiency has been adequately remedied or, if the liquidity project plan has not yet been completed but progress is jointly deemed

satisfactory, the Agencies may jointly determine a subsequent date for assessment of whether the liquidity deficiency has been adequately remedied.

As stated above, in the event that the Governance Revised Plan Submission does not adequately remedy the resolution planning governance deficiency or the Liquidity Revised Plan Submission does not adequately remedy the liquidity deficiency, the Agencies may jointly determine pursuant to section \_\_.9 of the Resolution Plan Rule that Credit Suisse or any of its subsidiaries shall be subject to more stringent capital, leverage, or liquidity requirements, or restrictions on their growth, activities, or operations.

### **Additional Feedback**

The Agencies expect that the Covered Company will continue to develop its resolution readiness and have noted areas where further progress will help improve the preparation of the Covered Company for a rapid and orderly resolution.

The Resolution Plan Rule requires each Covered Company's targeted resolution plan to include detailed descriptions of funding, liquidity and capital needs of, and resources available to, the Covered Company and its material entities.<sup>13</sup> Reliable financial information is essential to ensuring the identification of stress and consideration and execution of appropriate resolution-related actions, including timely resource requests and calibration of expected resource needs in runway and resolution. Credit Suisse's resolution strategy relies on an effective RLEN and Resolution Capital Execution Need (RCEN) framework to support the timely commencement of bankruptcy proceedings by CSH USA and the continuity of operations of material entities called for by the U.S. resolution strategy. It is important that the firm develop liquidity and capital

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<sup>13</sup> See 12 CFR §§ 243.6(b)(1), .5(c)(1)(iii), 381.6(b)(1), .5(c)(1)(iii).

resolution capabilities that are sufficiently robust to successfully execute the firm's U.S. resolution strategy.

### **Liquidity**

Sufficiently robust liquidity capabilities include the ability to prepare timely and accurate RLEN calculations. In particular, prior to the 2024 Full Plan, the Agencies expect Credit Suisse to enhance capabilities to have the flexibility to estimate RLEN (including daily cash flow forecasts, peak needs, and minimum operating liquidity) during an actual stress or resolution. An RLEN framework that can be calibrated to reflect actual stress conditions utilizing reliable and timely forecasts produced by the firm's data and reporting systems can inform a more reliable RLEN calculation. The Agencies also expect the Covered Company to conduct testing to ensure that these liquidity capabilities function as designed.

### **Capital**

Sufficiently robust capital capabilities help ensure resource requests can be made timely and calibrated to estimate the amount of resource needs in runway and resolution under actual stress conditions. Therefore, prior to the 2024 Full Plan, the Agencies expect Credit Suisse to enhance RCEN capabilities, such as (i) the ability to accelerate business-as-usual (BAU) processes to produce RCEN in stress, (ii) the use of actual and current data inputs that correspond as closely as possible to the as of date to support a timely and accurate calculation, and (iii) the incorporation of sensitivity analysis that demonstrates the relative impact of data lags and any mitigants. The Agencies also expect the Covered Company to conduct testing to ensure that these capabilities function as designed.

## **Future Testing by the Covered Company**

In reviewing the 2021 Targeted Plan, the Agencies noted that the Covered Company anticipates conducting no significant new projects or future enhancements related to U.S. resolution planning. Resolution planning is an iterative process, and therefore, internal testing and simulation exercises could help substantiate or demonstrate the firm's resolution capabilities, and the Agencies encourage Credit Suisse to undertake such efforts on an ongoing basis. Operational readiness testing of RLEN and RCEN production capabilities could be a component of a testing exercise to demonstrate the firm's ability to produce reliable and repeatable calculations. Governance-focused tabletop exercises could engage all stakeholders and test the adequacy of management information, escalation protocols, and management actions associated with a resolution scenario. Credit Suisse should consider how testing efforts could help strengthen the firm's resolution planning and consider documenting and incorporating lessons learned from any such exercises in its future resolution plans submissions. In particular, the Agencies encourage testing efforts for capabilities that complement global resolution planning efforts.

## **Future Agency Testing**

Among other things, testing of resolution capabilities by the Covered Company and by the Agencies can help inform the firm and its management, as well as the Agencies, about strengths and weaknesses in the Covered Company's resolution preparedness. Further, assessing the Covered Company's ability to execute its resolution plan is the next logical step as the firm's resolution planning efforts have matured. Accordingly, the Agencies anticipate conducting capabilities testing and validation work as they continue to assess the Covered Company's

resolvability. The Agencies expect to engage with the Covered Company and other firms during the period preceding submission of the 2024 Full Plan.

### **III. Conclusion**

The resolvability of firms will change as markets and firms' activities, risk profiles, and structures change. In addition to further actions to enhance its current resolvability, the Agencies expect the Covered Company to continue to address the resolution consequences of these changes and its day-to-day management decisions to fulfill its obligation to enable the rapid and orderly resolution of the Covered Company's U.S. subsidiaries and operations under the U.S. Bankruptcy Code.

If you have any questions about the information communicated in this letter, please contact the Agencies.

Sincerely,

*(Signed)*

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Ann E. Misback  
Secretary of the Board  
Board of Governors of the Federal Reserve  
System

Sincerely,

*(Signed)*

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Debra A. Decker  
Executive Secretary  
Federal Deposit Insurance Corporation