

# WORKING GROUP ON GLOBAL MARKETS

Hoover Institution, Stanford University

August 18, 2009 – 2 p.m.  
Resolution Project Planning Meeting  
George Shultz Conference Room

## PARTICIPANTS

Ken Scott (Chair of the Resolution Project), Andrew Crockett, Darrell Duffie, Richard Herring, Tom Jackson (by telephone), Bill Kroener, Stephen Langlois, George Schultz, Kimberly Summe (by telephone), and John Taylor.

## ISSUES DISCUSSED

The main purposes of this first meeting of the Resolution Project were (1) to define and discuss the overall scope of the project and (2) to begin exploring and documenting the current state of affairs.

- It was agreed that the project should focus on the issues of resolving large financial institutions either through Chapter 11, a new Chapter 11f, or a new resolution regime akin to FDIC. When a very large complex global financial firm gets into difficulty, what can or should be done? What is the role of government? You can assist a merger, you can put that firm into bankruptcy, you can bail it out, you can lend without limitation. At the moment there is a lot of trial and error going on.
- This project will explore and document how the process works now and how it should be reformed in the future under a supposedly clearer set of policies and rules. If a consensus emerges, the second set of questions will be what should we do with the consensus, how do we promote it?
- To address these questions the project includes people with different backgrounds and strengths: bankruptcy law, practical resolution experience, financial economics, and monetary economics.
- Participants then explored in detail the current state of affairs in resolving banks by the FDIC. Understanding this process is necessary for designing and evaluating possible expansions of this process to bank holding companies or non bank financial companies. It is also necessary for evaluating reforms of the bankruptcy process for bank holding companies or non-bank financial firms. Specific questions such as dealing with the bank holding company structure and handling derivatives were explored.