This module should be read in conjunction with the Introduction and with the Glossary, which contains an explanation of abbreviations and other terms used in this Manual. If reading on-line, click on blue underlined headings to activate hyperlinks to the relevant module.

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Purpose

To provide an overview of the HKMA's approach to resolution planning, and to detail the scope and content of the core information to be submitted by AIs in the initial stage of resolution planning.

Classification

A statutory guideline issued by the HKMA under the Banking Ordinance, §7(3).[1]

Previous guidelines superseded

This is a new guideline.

Application

To all AIs.

Structure

    1.   Introduction

        1.1   Background

        1.2   Legal basis

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[1] In due course once the Financial Institutions (Resolution) Bill (FI(R)B) comes into force, resolution planning will become an activity conducted by the relevant resolution authority appointed under that ordinance and the contents of the module are expected to become part of the Code of Practice or other guidance to be issued under the FI(R)B. Prior to that time given that resolution planning is focussed on minimising the impact of an AI reaching the point of non-viability and thereby promoting the stability of the banking system in Hong Kong, the undertaking of resolution planning is regarded as falling within the principal function of the MA under §7 of the Banking Ordinance "to promote the general stability and effective working of the banking system" and hence this guideline is being issued initially under §7(3) of the Banking Ordinance.

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1. Introduction

1.1 Background

1.1.1 As a result of lessons learned in the global financial crisis of 2007–2009, the Financial Stability Board ("FSB") issued a new international standard setting out the Key Attributes of Effective Resolution Regimes for Financial Institutions ("Key Attributes"). Advance planning is an important aspect identified in the Key Attributes as a pre-condition for the effective resolution of a financial institution ("FI"), where ultimately the implementation of the FI's own recovery plan proves unsuccessful. The HKMA fully recognises that planning and preparation well in advance of any potential failure are pre-requisites for orderly resolution.

1.1.2 Key Attribute 11 specifically requires that recovery and resolution plans should be put in place, at a minimum, for any FIs that <u>could</u> be systemically significant or critical if they fail. As a step towards implementing Key Attribute 11 for the banking sector in Hong Kong, the HKMA issued Supervisory Policy Manual ("SPM") module, RE-1 on recovery planning, in order to provide guidance to AIs on the key elements of effective recovery planning and set out the HKMA's approach to, and expectations in, reviewing AIs' recovery plans.

1.1.3 Resolution planning is a natural extension of recovery planning. Should the deployment of recovery options by an AI ultimately prove unsuccessful, the relevant authorities must consider options to secure its orderly resolution (whether by way of application of specific resolution tools or by winding-up where appropriate). Resolution planning is intended to allow the HKMA to assess in advance how a failing AI might be dealt with in such circumstances, in order to preserve financial stability (including the continuity of critical financial functions). This module describes the HKMA's current approach to resolution planning and focuses primarily on the initial stage of the process namely the information which AIs will

need to provide in the first instance, in order to facilitate such planning.

1.1.4 Paragraph 1.8 of I-Annex 4 of the Key Attributes notes that:

"The resolution plan should facilitate the effective use of the resolution authority's powers with the aim of making feasible the resolution of any firm without severe systemic disruption and without exposing taxpayers to loss while protecting systemically important functions. It should serve as a guide to the authorities for achieving an orderly resolution, in the event that recovery measures are not feasible or have proven ineffective."

1.1.5 The approach described in this module has been informed by the HKMA's active participation in relevant FSB working groups as well as in a number of cross-border Crisis Management Groups ("CMGs") for global systemically important banks ("G-SIBs"). As international practices and local policy developments evolve, the HKMA's approach to resolution planning may be updated as necessary.

1.1.6 This module should be read in conjunction with other SPMs, including RE-1.

1.2 Legal basis

1.2.1 The objectives underpinning resolution planning are consistent with the statutory functions of the MA under the Banking Ordinance. §7(1) of the Banking Ordinance provides that –

"The principal function of the Monetary Authority under this Ordinance shall be to promote the general stability and effective working of the banking system."

1.2.2 To the extent that resolution planning will better allow failing AIs to be resolved in a manner that protects financial stability in Hong Kong, the development of resolution plans

for AIs should promote the stability and effective working of the banking system.

1.2.3 Obviously an in-depth understanding of an AI's group structure and the components of its business is a cornerstone of resolution planning. In this regard, the MA's information gathering powers under §63(2) of the Banking Ordinance provide that –

"The Monetary Authority may require an authorized institution to submit (including periodically submit) such further information, … as he may reasonably require for the exercise of his functions under this Ordinance and such information shall be submitted within such period (or, where such information is required periodically, within such periods) and in such manner as the Monetary Authority may require."

1.2.4 Furthermore, §63(2A) of the Banking Ordinance states–

"The Monetary Authority may require-

(a) any holding company of an authorized institution;

(b) any subsidiary of any such holding company; or

(c) any subsidiary of an authorized institution,

to submit such information-

(i) in any case, as he may reasonably require for the exercise of his functions under this Ordinance;

(ii) in the case of paragraph (a) or (b), that the Monetary Authority considers is necessary to be submitted in the interest of depositors or potential depositors of the authorized institution concerned; and

(iii) within such period and in such manner as the Monetary Authority may require."

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1.2.5 Accordingly, the information required for the purposes of resolution planning can be sought from AIs under §63(2) and §63(2A) of the Banking Ordinance.

2. Approach to resolution planning

2.1 Overview

2.1.1 Both to manage the volume of information and to tailor, to the extent practicable, the scope of information to be provided by individual AIs, the HKMA intends to categorise information for resolution planning purposes into "core" and "supplemental" sets.

2.1.2 Generally, this approach will involve the initial submission of a set of core information by an AI with a view to enabling the HKMA to determine a preferred resolution strategy (or strategies[2]). This would also include analysis as to what an AI considers to be the critical financial functions (see paragraph 3.2.10) which it undertakes or provides. For certain AIs, core information may be followed by the submission of the more detailed "supplemental" information necessary to further develop the preferred resolution strategy (or strategies) or to devise an operational plan to put the selected strategy into effect if deemed appropriate by the HKMA.

2.1.3 This module describes the core information (and analysis) to be provided by an AI. The HKMA will first seek to determine a preferred resolution strategy for the AI by gaining the necessary understanding of the AI's corporate (legal and operational) structure, its core business lines, and those of its affiliates that are relevant to the resolution

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[2] It should be noted that the preferred resolution strategy will inevitably only be "presumptive", and there may be circumstances where resolution in practice differs from a planned strategy. Hence it is possible that the HKMA may, in some cases, deem it appropriate to plan for fall-back options alongside the main strategy and request additional information accordingly.

of the AI, as well as the financial, legal and operational interdependencies among them. This will be accompanied by the identification of the functions performed by the AI to assess which of them should be deemed critical, in the context of Hong Kong's banking sector and broader financial market.

2.1.4 The HKMA would expect to engage with an AI after receiving the core information and discuss with the AI an indicative preferred strategy (or strategies), before requesting the AI to submit further supplementary information based on that strategy. In submitting their core information AIs may elect to express their views on what they consider to be an appropriate resolution strategy for themselves and their group and provide supporting justifications for the HKMA's consideration. This will not, however, be "binding" on the HKMA and the HKMA may ultimately determine that an alternative strategy is preferred.   It is expected that further requirements on resolution planning as well as schedules or stylised examples illustrating the various types of supplemental information that may be required will be set out either as annexes to this module at a later date or in the Code of Practice or other guidance to be issued under the FI(R)B. As the objective of supplemental information is primarily to provide the HKMA with sufficient information to "operationalise" the preferred strategy for any given AI, a large part of such information can be expected to be strategy-dependent.   However, in rare individual cases where a single preferred resolution strategy cannot initially be identified, the HKMA may consider it appropriate to request an AI to submit information relating to more than one strategy, in order to assess feasibility across a number of options. The AI may also be asked to undertake some specific analysis to ascertain the feasibility of a preferred strategy, or identify potential barriers to the preferred strategy.

2.1.5 Once resolution planning for an AI has reached a sufficiently advanced stage, the HKMA would expect to conduct a resolvability assessment for which the AI may be

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required to provide specific information. As recognised in Key Attribute 11.3[3], resolution (and recovery) planning should themselves be informed by resolvability assessments, hence resolvability assessments may be commenced before resolution planning has been fully completed.[4] Resolvability assessments should help to identify potential impediments to resolution and thereby define actions needed to further refine and operationalise the preferred resolution strategy. Resolvability assessment will be tailored by reference to the characteristics of a given AI, taking into account factors such as the AI's size and complexity and the extent of the critical financial functions it undertakes or provides. Some AIs assessed by the MA not to pose substantial risks to financial stability upon non-viability (due perhaps to their smaller size, simplicity of operations or absence of performance of critical financial functions) may be exempted from resolvability assessment.

2.1.6 For the purpose of resolution planning, it is possible that information may be sought which is similar to that already collected in other regulatory reporting submissions. However, existing reporting returns do not typically request information from a resolution planning perspective, and therefore the information in the format currently collected may not be entirely suitable for this purpose. Importantly, the HKMA considers it crucial to have information for resolution planning purposes provided in a single submission and on the same basis, both in terms of timing and consolidation.

2.1.7 The HKMA anticipates that the gathering and assessment of information and analyses, and the development of strategies and plans, will be an iterative process involving

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[3] Key attribute 11.3 states: The RRP (recovery and resolution plan) should be informed by resolvability assessments (see Key Attribute 10) and take account of the specific circumstances of the firm and reflect its nature, complexity, interconnectedness, level of substitutability and size.

[4] The HKMA's approach to resolvability assessment will be set out separately in the Code of Practice or other guidance to be issued under the FI(R)B.

close engagement between an AI and the HKMA throughout. This module is intended to provide guidance to AIs on the overall resolution planning process proposed by the HKMA in order to illustrate the information requests that will typically apply to most AIs. However, in practice it may be that the information required for individual AIs may differ, in order to tackle any identified idiosyncracies or potential obstacles to resolution in the case of a given AI, or to reflect progress already made by the AI on local resolution planning, for example.

2.2 Application

General

2.2.1 Similar to the phased approach adopted for implementation of recovery planning under RE-1, the HKMA will request core information from AIs in phases, starting with those AIs considered to have the most significant potential impact on financial stability in Hong Kong. The pace and order of phase-in are therefore expected to be similar to that adopted under RE-1. AIs will be expected to submit core information and analysis within six months following notification by the HKMA. Submissions should be made in the format to be specified by the HKMA.

2.2.2 For those banks (and banking groups) designated as G-SIBs by the FSB, implementation of group-level resolution planning is being pursued according to an internationally agreed timeline. As a major host authority with the vast majority of G-SIBs having banking operations in Hong Kong, the HKMA is fully supportive of this initiative, and therefore may require an AI that is a part of a G-SIB to submit information outside of the phase-in timetable or going beyond the content described in this module, with a view to facilitating group-level resolution planning led by the overseas home resolution authority of the relevant G-SIB. Similarly, the HKMA may require an AI that is part of

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an overseas headquartered FI other than a G-SIB to submit information outside of the timetable or content described in this module for the purposes of facilitating its group-level resolution planning.

2.2.3 Whilst it is conceivable that the least complex AIs could[5] pose some systemic risk under stressed conditions where market and public confidence is low, it would generally be expected that individual restricted licence banks ("RLBs") and deposit taking companies ("DTCs") would not, per se, pose systemic risks to the financial market in their own right relative to other AIs, and therefore the likelihood of having to apply stabilization options or exercise other resolution powers in respect of individual RLBs and DTCs would be lower. Furthermore, experience in other jurisdictions indicates that less complex FIs should be inherently more readily resolvable as compared to more complex AIs, given that their structure and the nature of their operations tend to be simpler.

2.2.4 The HKMA is therefore minded only to begin undertaking resolution planning for less complex AIs once substantial progress has been made in relation to resolution planning for the more systemically significant and critical AIs. When implementing resolution planning for the population of less complex AIs, consideration will be given to simplified requirements (possibly in the form of standardised resolution information packs).

AIs with overseas presence

2.2.5 Generally, for an AI with significant overseas presence[6], there will be a clear need for cross-border cooperation between relevant authorities on resolution planning. Key Attributes 11.8 and 11.9 state that:

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[5] For this reason it has been proposed that all AIs should be within the scope of the local resolution regime once the FI(R)B has been enacted.

[6] This applies to AIs that are either incorporated overseas or subsidiaries of overseas parents, or locally incorporated AIs with branches or subsidiaries overseas.

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"At least for G-SIFIs (global systemically important financial institutions), the home resolution authority should lead the development of the group resolution plan in coordination with all members of the firm's CMG. Host authorities that are involved in the CMG or are the authorities of jurisdictions where the firm has a systemic presence should be given access to RRPs (recovery and resolution plans) and the information and measures that would have an impact on their jurisdiction."

"Host resolution authorities may maintain their own resolution plans for the firm's operations in their jurisdictions cooperating with the home authority to ensure that the plan is as consistent as possible with the group plan."

2.2.6 Local resolution planning for AIs that are either incorporated overseas or subsidiaries of overseas parents serves a number of purposes for the HKMA. Firstly, the core information and analysis collected from such AIs will aid the HKMA in its consideration of the suitability of any group resolution strategy or plan proposed by the overseas home authority and, in particular, the degree to which depositors, creditors and financial stability in Hong Kong will be protected. In cases where the HKMA has determined that it is in a position to support the group resolution plan proposed by the relevant overseas authority, the information submitted by AIs will assist the HKMA in implementing measures to support and/or give recognition to the cross-border resolution. In this regard, the FSB issued a set of "Principles for Cross-border Effectiveness of Resolution Actions"[7], which describes both statutory and contractual mechanisms that jurisdictions should consider for inclusion into their legal frameworks to give cross-border effect to resolution actions in accordance with the Key Attributes. The HKMA

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[7] "Principles for cross-border effectiveness of resolution actions", FSB, November 2015: http://www.financialstabilityboard.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf

will keep in view the international implementation of the FSB principles and will consider further how best to apply the standards locally in resolution planning for AIs with overseas presence.

2.2.7 The HKMA may also consider it necessary or appropriate in some cases to undertake additional resolution planning around a "fall-back" option, even in the case that the preferred strategy may be to support the group resolution plan.

2.2.8 Where the HKMA is acting as a home resolution authority, the core information and analysis collected regarding a locally incorporated AI's overseas branches or subsidiaries (as well as that collected for local Hong Kong operations of the AI) will be important in resolution planning, including the development and refinement of a group resolution plan.

3. Core information and analysis to be provided for the purposes of the resolution planning to be conducted by the HKMA

3.1 Overview

3.1.1 There are four main constituent parts to the core information which will be required for resolution planning, namely:

➢ Relevant entities and organisational structure;

➢ Core business lines and operating model;

➢ Identification of dependencies between these entities and business lines;

➢ Identification of critical financial functions.

AIs with initial views on the appropriate resolution strategy are invited to explain these and to elaborate on potential

barriers to the strategy identified as well as plans on how to address them.

3.2 Identification of critical financial functions

3.2.1 The concept of critical financial functions recognises that activities or operations carried on, or services provided, by the banking sector are relied upon by individuals and businesses for the conduct of their day to day activities and thereby underpin and support the functioning of the overall economy. Each individual AI may perform a number of these functions; and in some cases an AI may do so on a scale and in a manner that could be considered critical for the stability of the banking sector and for the economy more broadly. This would be the case, for instance, where the distress of the AI and any disruption in the operation and the provision of the function would have material consequences for customers because there is no readily available substitute provider including because of the characteristics of the function or the critical mass of the scale on which the function was provided.

3.2.2 The purpose of the core information submission described in this subsection is to provide a basis for the HKMA to evaluate the criticality of the functions provided to the local financial system by an AI. This in turn will enable the HKMA to determine whether any of those functions should be considered as "critical financial functions" for resolution planning purposes, in view of the objective to protect the stability and effective working of the banking system. The determination of critical financial functions for a given AI will serve as a key input to inform the development of the appropriate resolution strategy for that AI.

3.2.3 Critical financial functions for the purposes of this module are:

Activities or operations carried on, or services provided, by an FI on which third parties rely and where such activities, operations or services, if discontinued, would likely:

(i) lead to the disruption of services that are essential for the functioning of the real economy and for financial stability;

(ii) undermine the general confidence of participants in the financial market in Hong Kong; or

(iii) give rise to contagion within the financial system of Hong Kong,

for any reason including the size, interconnectedness, complexity or cross-border activities of, or the market share held by, the FI or the group of companies[8] of which the FI is a member.

Examples include payments, custody, certain lending and deposit-taking activities in the commercial or retail sector, clearing and settling, certain segments of wholesale markets, market-making in certain securities and highly concentrated specialist lending sectors.

The above definition is derived from the definition of critical functions developed by the FSB in its Guidance on Identification of Critical Functions and Critical Shared Services. [9]

3.2.4 It should be noted that functions that are important internally to an AI's group, but which otherwise do not play a significant role in the domestic financial system, will be unlikely to be considered as critical financial functions by

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[8] "Group of companies" means a holding company and its subsidiaries, irrespective of where any of them is incorporated.

[9] Recovery and Resolution Planning for Systemically Important Financial Institutions: Guidance on Identification of Critical Functions and Critical Shared Services, FSB, July 2013, http://www.financialstabilityboard.org/wp-content/uploads/r_130716a.pdf

the HKMA. Those functions may be more appropriately captured under core business lines or interdependencies.

3.2.5 As a starting point for evaluating the criticality of an AI's functions, a non-exhaustive list of functions that could potentially be deemed critical, along with the core information to be submitted by the AI in relation to each of those functions, is set out in the Annex of this module. In respect of each potential critical financial function, an AI should provide information on an entity basis by jurisdiction, covering the activities of each of its overseas branches and subsidiaries as well as map each function to its respective core business line. While the identification of critical financial functions focuses primarily on Hong Kong, locally incorporated AIs may, in order to facilitate the resolution planning for the AI group as a whole, also be required to provide information in relation to the functions performed by their overseas branches and subsidiaries.

3.2.6 It should be emphasised, however, that the performance or provision of any of the functions listed in the Annex by a given AI does not, per se, automatically imply that such performance or provision is of critical importance to the banking sector and the real economy more broadly. The HKMA will consider, taking into account the information provided by the AI, a number of criteria for determining what are critical financial functions in the context of the domestic financial system, including:

(i) Concentration – whether the AI has a critical mass in terms of market share of certain functions, such that there may be consequent implications in terms of substitutability and interconnectedness.

(ii) Substitutability – the availability of, and the ease with which, the provision of the function could be replaced by other substitute players in the market.

(iii) Interconnectedness – the extent to which a certain function may be interconnected or co-mingled with

other functions or shared services such that the disruption of that function would likely cause contagion to the wider financial system.

(iv)   Impact – how a sudden discontinuation of a function could impact markets, including customers, other market participants, and infrastructure.

3.2.7   Drawing upon the FSB's critical functions framework, the HKMA will collect information on an AI's functions under five broad categories, namely:

➢   Deposit-taking & Savings;

➢   Lending & Loan Servicing;

➢   Capital Markets & Investment;

➢   Wholesale Funding Markets; and

➢   Payments, clearing, custody & settlement.

3.2.8   These five categories should initially capture the majority of potential critical financial functions performed or provided by AIs in Hong Kong. Nevertheless, AIs are encouraged to add into their core information submission any other functions not listed in the Annex (e.g., any functions specific to the Hong Kong financial system such as index calculation, tripartite repo system operation, and Exchange Fund Bills and Notes market making) should they consider that their provision or performance of such functions may be critical to the stability of the local financial system and economy more broadly.

3.2.9   Relevant information based on the criteria to be considered by the HKMA (including those set forth in paragraph 3.2.6 (i) to (iv)) should be provided so that the HKMA is able to understand the nature, and gauge the criticality, of such function.

3.2.10 An AI should indicate in its submission functions it considers critical, and provide the underlying analysis and

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rationale employed in assessing and determining those of its activities which it deems critical financial functions.

3.3 Relevant entities and organisational structure

3.3.1 To facilitate resolution planning, the HKMA will request an AI to identify any "group companies"[10] of the AI that may be relevant to the resolution of the AI ("relevant entity") and to describe the corporate (legal and operational) structure of the group that includes such relevant entities ("relevant group").

3.3.2 At a minimum, any of the following entities (including legal entities and branches) should be deemed a relevant entity:

(i) Any holding company of the AI if such company and its subsidiaries are primarily engaged in the provision of, or in supporting the provision of, financial services or the conduct of financial activity ("financial services holding company");

(ii) Any group company of the AI that may be considered to perform, either independently or together with any other group companies, a critical financial function for the financial system of Hong Kong;

(iii) Any group company of the AI that provides material services or support to the AI or to any Hong Kong incorporated financial services holding company of the AI;

(iv) Any subsidiary or any branch of the AI;

(v) Any group company of the AI that is licensed, authorized, approved, designated, approved or

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[10] "Group company" means, in relation to an AI, a body corporate (including branches) that is a member of the same group of companies as the AI.

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otherwise supervised or regulated by the Securities and Futures Commission or the Insurance Authority.

3.3.3 In addition to the above, an AI may identify any other entity as a relevant entity if it considers such entity to be pertinent for resolution planning, including, for example, any group company that plays an important role within the group by performing functions that directly or indirectly affect the AI or other group companies on which the AI relies.

3.3.4 An AI should also identify in its submission those relevant entities which it considers material to the relevant group, and provide the analysis as to why it assesses these entities as material.

3.3.5 An AI should provide a detailed description of the corporate (legal and operational) structure of the relevant group, including:

(i) A hierarchical list of all relevant entities that identifies the direct holder and the percentage of voting and non-voting equity of each entity;

(ii) The location, jurisdiction of incorporation, licensing status, and key management associated with each relevant entity;

(iii) An unconsolidated P&L and balance sheet for the top tier parent company within the relevant group and a consolidating schedule for all relevant entities that are subject to consolidation and are considered as material;

(iv) A description of the components of the liabilities of each relevant entity that are material to the relevant group, specifically identifying the types and amounts of the short-term and long-term liabilities, secured and unsecured liabilities, and subordinated liabilities;

(v)   An explanation of the funding, liquidity and capital needs of, and resources available to, each material entity, in the ordinary course of business and in the event of material financial distress at, or failure of, the material entity; and

(vi)   A description of any off-balance sheet exposures material to the relevant group (including guarantees and contractual obligations) of each relevant entity.

3.4   Core business lines and operating models

3.4.1   The HKMA recognises that FIs typically operate their services and organise their functions along business lines, rather than by reference to legal entities. While entity-level information will be essential to planning for resolution, in order to better understand the business model of the FI, the HKMA will also request information relating to the core business lines of the relevant group.

3.4.2   An AI should give an overview of the business model of the relevant group, identify the business lines which are core to the relevant group's operations, accounting for revenue, profitability and franchise value ("core business lines") and explain their activities, whether or not such activities are conducted in Hong Kong.

3.4.3   For each core business line, an AI should specifically provide the following information with a focus on the jurisdictions where the AI and its branches and subsidiaries operate:

(i)   A description of the business line and an explanation of its operations, as well as relevant P&L and balance sheet;

(ii)   The jurisdictions in which the business line operates and a breakdown of revenue, operating expenses and client base by jurisdiction;

(iii) A description and an estimation of the business line's franchise value and the processes employed for such estimation;

(iv) An explanation of the governance structure between the head office and the business line and other core business lines;

(v) An overview of the risk management practice for the business line;

(vi) A mapping of the business line to the relevant entities;

(vii) A description of any other factor which makes the business line core to the relevant group.

3.5 Identification of dependencies

Internal dependencies

3.5.1 To the extent not elsewhere provided in the core information to be submitted, an AI should identify material interdependencies between the core business lines and between legal entities, including any material interdependencies between the AI and the group's overseas legal entities that, if disrupted, would materially affect the funding or operations of the AI. Such interdependencies could be operational, financial or legal in nature.

3.5.2 Operational interdependencies could include the following:

(i) Shared personnel, facilities, or systems among group companies (including information technology platforms, management information systems, risk management systems, and accounting and recordkeeping systems);

(ii)   Intra-group reliance on access to financial market infrastructures ("FMIs") (e.g., membership held by one relevant entity upon which another relevant entity relies for access or for the provision of certain services).

3.5.3 Financial interdependencies could include the following:

(i)   Capital, funding, or liquidity arrangements;

(ii)   Cross-guarantees, cross-collateral arrangements, cross-default provisions, and intra-group and cross-product netting arrangements;

(iii)   Risk transfers and booking arrangements.

3.5.4 Legal/structural interdependencies could include the following:

(i)   Intra-group reliance on licences to conduct certain regulated activities (e.g., licence held by one relevant entity upon which another relevant entity relies for the conduct of certain regulated activities).

External dependencies

3.5.5 In addition to interdependencies among relevant entities, an AI should identify key dependencies on external providers that, upon the external provider's failure or malfunction or upon the external provider abruptly exercising any contractual termination rights, would present a material impediment to the performance of any functions of the AI that could be deemed to be critical to maintaining financial stability in Hong Kong.

3.5.6 Such dependencies could be financial, operational or legal/structural in nature, including access to FMIs and the examples of interdependencies provided above.

3.5.7 For each such external provider identified, the following information should be provided:

(i)   Jurisdiction of incorporation;

(ii)   Description of the material commercial terms, including any provisions for escalation of fees; and

(iii)   Description of any contractual termination and acceleration provisions.

4. Supervisory assessment of core information and analysis

4.1 General

4.1.1 This section sets out the HKMA's approach to, and expectations in, reviewing an AI's core information submission.

4.2 Assessment approach

4.2.1 The HKMA's review of information provided by AIs for the purposes of resolution planning will be an iterative process. Review of core information will inform the additional information, if any, that may be requested as supplemental information.

4.2.2 The HKMA may develop resolution strategies and operational plans for potentially systemically significant and critical AIs and may also undertake an initial assessment of resolvability concurrently.

4.2.3 When submitting information, AIs should present it in a concise manner.

4.3 Information sharing with other regulators

4.3.1 Close cooperation between home and key host resolution authorities is of crucial importance to enhancing

preparedness for resolution. In turn cooperation will require the ability to exchange relevant information with other authorities involved in the resolution planning process. Key Attribute 12.1(i) states that:

"Jurisdictions should ensure that no legal, regulatory or policy impediments exist that hinder the appropriate exchange of information, including firm-specific information, between supervisory authorities, central banks, resolution authorities, finance ministries and the public authorities responsible for guarantee schemes. In particular, the sharing of all information relevant for recovery and resolution planning and for resolution should be possible in normal times and during a crisis at a domestic and a cross-border level."

4.3.2 Taking into account the relevant legal requirements and safeguards[11], it is likely that the HKMA will need to share information provided by AIs for the purposes of resolution planning with other local authorities and/or overseas regulators.

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[11] Whether under the Banking Ordinance or in due course the FI(R)B once it comes into force.

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Annex: Information template for potential critical financial functions

Information has to be reported separately on each relevant entity.

Function category	Products and services	Requested information
A. Deposits	1. Retail deposits to split types of deposits further by: − current, savings or time (by maturity) − HKD and other currencies	a. Total deposit liabilities b. Number of accounts c. Number of customers d. Number of accounts with balances above Deposit Protection Scheme (DPS) coverage limit e. Number of accounts with balances not more than DPS coverage limit f. Number of customers with balances above DPS coverage limit g. Number of customers with balances not more than DPS coverage limit h. Total deposit liabilities ineligible for DPS protection i. Total deposit liabilities eligible for DPS protection (capped at coverage limit per depositor) j. Market share estimate
	2. Corporate deposits to split types of deposits further by: − current, savings or time (by maturity) − HKD and other currencies	a. Total deposit liabilities b. Number of accounts c. Number of customers d. Number of accounts with balances above DPS coverage limit e. Number of accounts with balances not more than DPS coverage limit f. Number of customers with balances above DPS coverage limit g. Number of customers with balances not more than DPS coverage limit h. Total deposit liabilities ineligible for DPS protection i. Total deposit liabilities eligible for DPS protection (capped at coverage limit per depositor) j. Market share estimate

Function category	**Products and services**	**Requested information**
B. Lending and Loan Servicing	1. Retail secured to split further by type, maturity (short term[12] / long term[13] / revolving) and currency	a. Total assets b. Total committed facilities c. Number of accounts d. Number of customers e. Market share estimate
	2. Retail unsecured personal to split further by type, maturity (short term[12] / long term[13] / revolving) and currency	a. Total assets b. Total committed facilities c. Number of accounts d. Number of customers e. Market share estimate
	3. Corporate secured to split further by type, maturity (short term / long term / revolving) and currency	a. Total assets b. Total committed facilities c. Number of accounts d. Number of customers e. Market share estimate
	4. Corporate unsecured to split further by type, maturity (short term / long term / revolving) and currency	a. Total assets b. Total committed facilities c. Number of accounts d. Number of customers e. Market share estimate
	5. Trade Finance to split further by type (e.g. documentary credit/collection, guarantees, import/export loans, factoring)	a. Total assets b. Number of customers c. Number of accounts d. Market share estimate
	6. Others (types of loans that may not fit well to the descriptions above, e.g. infrastructure lending)	a. Total assets b. Total committed facilities c. Number of accounts d. Number of customers e. Market share estimate

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[12] Short term retail lending refers to lending with a maturity of up to one year.

[13] Long term retail lending refers to lending with a maturity of more than one year.

Function category	Products and services	Requested information
C. Payments, clearing, custody and settlement	1. Cash services − (ATMs, branch network, note issuance, transfer/remittance services, electronic payment services)	a. Transaction volume and value (to specify form, e.g. daily/monthly, flow, average, domestic vs cross-border, etc.) b. Users or members of these systems or services c. Market share estimate
	2. Small value retail payment systems − (Credit card schemes, debit card schemes, large merchant acquirers, payment gateways and mobile payment infrastructure)	a. Transaction volume and value, broken down by type and currency (to specify form, e.g. daily/monthly, flow, average, domestic vs cross-border, etc.) b. Users or members of these systems or services c. Market share estimate
	3. Wholesale payment services − (Clearing House Automated Transfer System, "CHATS") − (Provision of FMI to other FIs)	a. Transaction volume and value, broken down by type (institution, customer, FX) and currency (to specify form, e.g. daily/monthly, flow, average, domestic vs cross-border, etc.) b. Users or members of these systems or services c. CHATS settlement institution status d. Liquidity arrangement and other conditions for the AI to perform the settlement institution function (if applicable), including credit facilities, such as intra-day repo, offered to the participating members by the AI as the settlement institution of the payment system for enhancing the intraday liquidity management of the system e. Market share estimate
	4. Settlement services − (Central Moneymarkets Unit ("CMU") and Central Clearing and Settlement System ("CCASS"))	a. Transaction volume and value, broken down by types of securities and currency b. Users or members of these systems or services c. Market share estimate
	5. Custody services	a. Client assets and money held b. Market share estimate
	6. Other related services including third-party operational services (such as credit card systems, cheque processing, collateral management, FMI access for third parties, treasury and cash management services)	a. Description of service b. Number of clients c. Market share estimate

Function category	Products and services	Requested information
D. Wholesale funding markets	1. Securities financing, including: − Repos (by type: bilateral/tripartite, currency) − Reverse repos (by type: bilateral/tripartite, currency)	a. Transaction volume and value b. Outstanding balances c. Market share estimate
	2. Wholesale lending and borrowing (by type: secured/unsecured, product, counterparty, currency)	a. Transaction volume and value b. Outstanding balances c. Market share estimate
	3. Securities lending (by type: direct / third party / agent)	a. Transaction volume and value b. Outstanding balances c. Market share estimate
E. Capital markets & Investments	1. Debt securities markets (including primary and secondary markets and split by product and by currency)	a. Transaction volume and value of debt securities (by platform) b. Transaction volume and value of funds (by platform) c. Outstanding balances d. Market share estimate
	2. Other securities markets (including primary and secondary markets and split by product)	a. Transaction volume and value b. Outstanding balances c. Market share estimate
	3. Derivatives (by type: equities, sovereign credit, non-sovereign credit products, rates, foreign exchange, commodities; and by clearing method: exchange-traded / OTC cleared through CCPs / OTC cleared bilaterally)	a. Total notional outstanding b. Gross market value c. Total number of counterparties d. Market share estimate
	4. Asset Management	a. Number of clients b. Assets under management c. Market share estimate
	5. Insurance	a. Number of policies b. Premium revenue c. Market share estimate