

Resolution planning

Global expertise, local insights



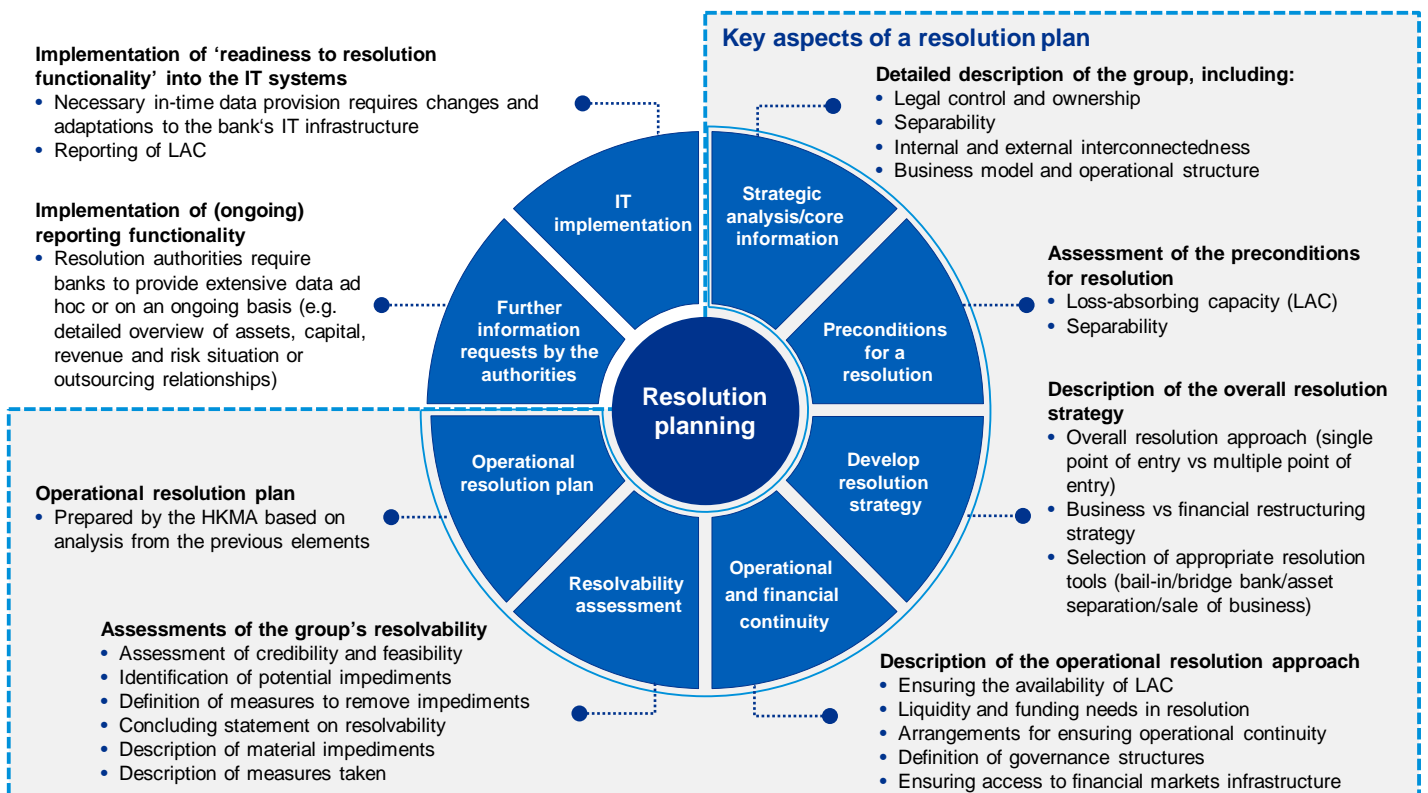
The Great Financial Crisis clearly identified that recovery and resolution planning needed to be a high priority for both banks and regulators. Initially, the focus was on recovery planning, but it is now shifting to resolution. Hong Kong introduced the *Financial Institutions (Resolution) Ordinance (FIRO)* in 2016, with the goal of establishing a regime for the orderly resolution of financial institutions (FIs), thereby avoiding or mitigating risks otherwise posed by their non-viability to the stability of the Hong Kong financial system.

The Hong Kong Monetary Authority (HKMA) will require the preparation of a resolution plan for all banks significant to the economy and will not be limited to the D-SIBs in Hong Kong. In its consultation *Draft FIRO Code of Practice chapter on Resolution Planning – LAC Requirements issued for industry consultation* issued on 19 October 2018, the HKMA indicated that this requirement would apply to banks that exceed a certain asset threshold. While resolution planning will be led by the regulator, the FI will be expected to contribute to the process and will have the opportunity to suggest a preferred resolution strategy.

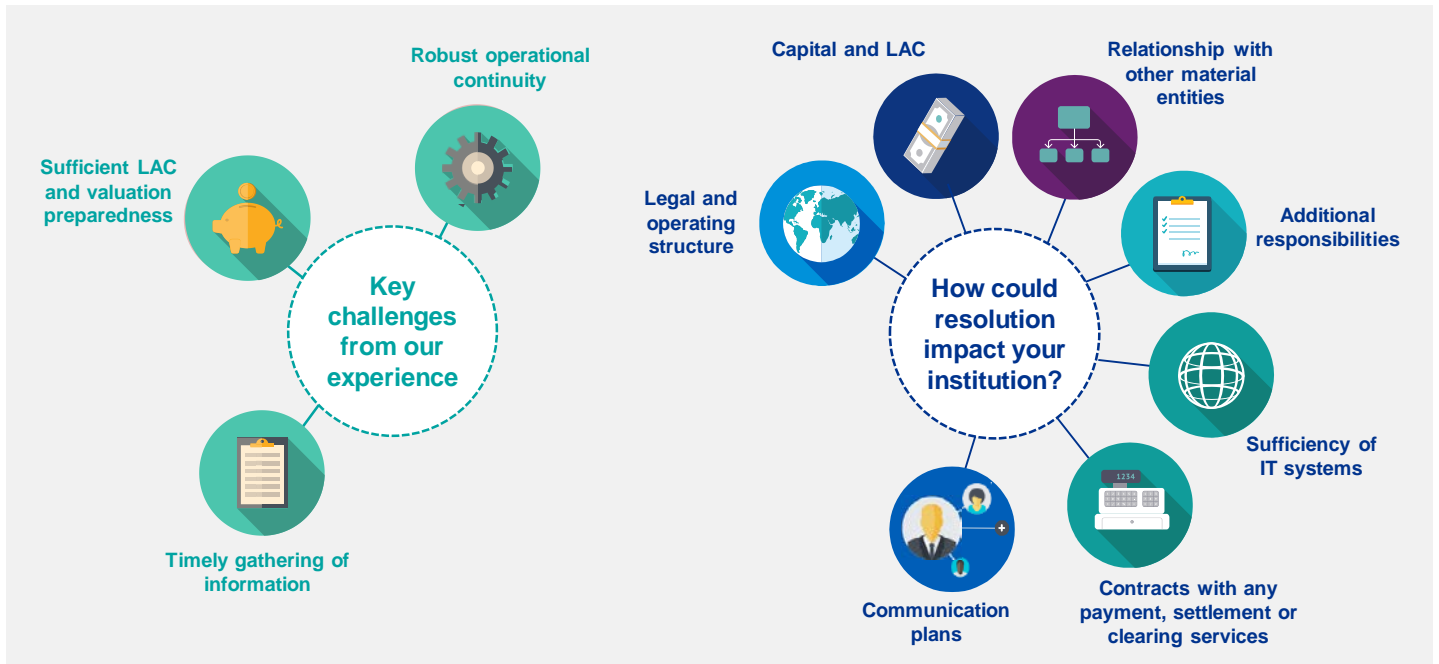
Resolution planning will play a key role in an FI's risk management framework and pose new challenges – and opportunities. It is essential for banks to understand clearly how to navigate the regulatory requirements and what to focus on to meet each of these specific challenges.

Elements of resolution planning

Regulators expect that banks will be fully engaged in the resolution planning process over a number of years. While the regulator in Hong Kong will be responsible for preparing the operational resolution plan, banks will be expected to contribute detailed information on all areas of their business to help the regulators determine the most appropriate resolution strategy. The key steps are outlined below:



How could resolution planning impact your bank?



How can KPMG support you?

KPMG globally and locally has assisted a number of institutions with their recovery and resolution planning, and maintains regular dialogue with regulators. Our practice leaders in Hong Kong are key persons in the communications with the HKMA, and are key drivers of regulatory changes in Hong Kong and globally (e.g. RRP, Basel II, Basel III, HKFRS, etc.).

	<p>Review the FI's core information against the resolution requirements of the HKMA</p>		<p>Provide our regulatory insight to propose/recommend changes</p>
	<p>Provide recommendations to close the gaps identified based on the review</p>		<p>Support the FI in providing an initial view of their preferred resolution strategy by performing a high-level review of the FI</p>
	<p>Provide a document request list and conduct relevant interviews</p>		<p>Provide benchmarking support regarding the recovery and resolution planning implementation</p>
	<p>Assist in developing training programmes for the staff</p>		

Contact us



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