HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B1/21C
B9/124C

20 June 2014

The Chief Executive
All authorized institutions

Dear Sir / Madam,

New Supervisory Policy Manual ("SPM")
Module RE-1: Recovery Planning

I am writing to inform you that, following consultation with the two industry Associations, the Monetary Authority ("MA") is today issuing the above-mentioned SPM module as statutory guidance, by notice in the Gazette, under section 7(3) of the Banking Ordinance.

Recovery (as well as resolution) planning for financial institutions has recently been the subject of considerable international focus. The Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions ("Key Attributes"), issued in November 2011, include standards relating to the development of recovery and resolution plans for, at a minimum, financial institutions that could be systemically significant or critical if they were to fail. In particular, Key Attribute 11 covers recovery and resolution planning, involving action by both financial institutions and regulatory authorities.

RE-1 provides guidance to AIs on the key elements of effective recovery planning, and sets out the HKMA's approach to, and expectations in, reviewing AIs' recovery plans. The key sections of the SPM:

- require all AIs to undertake some degree of recovery planning but the extent of AIs' recovery plans will be proportionate to the nature, scale and complexity of their operations;
- explain the need for the involvement of the Board and senior management in developing, reviewing, approving and maintaining an AI's recovery plan;
- outline key requirements on the menu of recovery options which should be

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included in an AI's recovery plan (including some key aspects that need to be considered in relation to business disposal options);
- set out aspects to be considered in identifying triggers for escalation of concerns and activation of the recovery plan;
- provide guidance on how the impact of a recovery action should be assessed;
- provide minimum requirements for stress scenarios; and
- outline minimum requirements for a communication plan should the recovery plan need to be activated.

Guidance on resolution planning will be developed in the form of a new separate module for the SPM in due course.

The HKMA will adopt a phased approach to the implementation of recovery planning for AIs, with priority given to those AIs that are assessed to be more systemically significant or critical in Hong Kong. Those AIs identified by the HKMA for inclusion in the "first wave" of AIs to generate recovery plans for review by the HKMA will be notified shortly and will be expected to submit a recovery plan within six months of that notification. Other AIs will be informed of the subsequent "waves" to which they have been ascribed and the timetable for submitting their recovery plans in due course.

On-line access to the SPM module RE-1 is available to AIs under the icon for "Supervisory Policy Manual" on the HKMA's public (http://www.hkma.gov.hk) and private (http://www.stet.iclnet.hk/stet/index.htm) websites.

Should you have any questions relating to the module, please contact Mr Martin Sprenger (msprenger@hkma.gov.hk).

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

cc: The Chairman, Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Mr Jackie Liu)