



HONG KONG MONETARY AUTHORITY

香港金融管理局

Resolution Office

處置機制辦公室

Our Ref: B9/213/6C-260327

27 March 2026

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Observations and Feedback on Liquidity and Funding in Resolution (LFIR) Implementation

I am writing to share key observations and feedback on the implementation of the Code of Practice chapter LFIR-1 “Resolution Planning – Liquidity and Funding in Resolution”. These are drawn from two exercises conducted by the HKMA Resolution Office in 2025 with Authorized Institutions (AIs) prioritised for resolution planning:

- (i) a test of AIs’ abilities to develop fast-moving liquidity-driven resolution scenario analysis and report key LFIR-related information; and
- (ii) a targeted survey on AIs’ borrowing capacity and preparatory work to access central bank facilities in a crisis or resolution scenario.

We appreciate the efforts of the participating AIs in both exercises. Overall, AIs have demonstrated varying levels of maturity in their ability to measure, monitor and report liquidity and funding needs, as well as available liquid assets in resolution. AIs also reported good progress in enhancing operational readiness for accessing central bank facilities.

Further work is required — particularly by AIs at an earlier stage of development — in the following areas:

- Projection horizon: To extend liquidity projections beyond initial resolution stabilisation period to over longer time horizons;
- Deposit run-off assumptions: To better reflect modern run dynamics and observed deposit behaviour following entry into resolution, drawing from recent overseas experience;
- Financial impacts modelling: To estimate contingent items and resolution-related costs (e.g. elevated margin requirements for trading and settlement, staff retention costs, and restructuring costs), as well as potential benefits of liquidity options involving less liquid assets;
- Data granularity and readiness: To enable timely production of LFIR projections and collateral information at the required level of detail;

- Reporting and visualisation: To summarise and present key LFIR information effectively to support decision-making; and
- Collateral reporting and mobilisation: To further enhance operational readiness considering the legal and operational requirements.

Details of the observations and feedback are set out in the **Annex**.

The HKMA will continue to engage prioritised AIs bilaterally as part of the resolution planning programme, and will undertake additional testing as AIs continue to advance their LFIR capabilities. Other AIs are encouraged to consider these findings to strengthen their preparedness for funding and liquidity in a crisis or resolution scenario as appropriate.

Should you have any questions, please contact Mr Gordon Wong (gkcwong@hkma.gov.hk) of the HKMA Resolution Office.

Yours faithfully,

Arthur Yeung
Head (Resolution Office)

Encl