HONG KONG MONETARY AUTHORITY 香港金融管理局		
Resolution Regime – Code of Practice		
CI-1	**Core Information for Resolution Planning ~~– Core Information Requirements~~**	V.2 – Consultation ~~07.07.2017~~

Purpose

~~This Code of Practice ("Code") is issued by the Monetary Authority ("MA") as a resolution authority in relation to the banking sector entities[1] pursuant to s~~Section 196 of the Financial Institutions (Resolution) Ordinance (Cap. 628) ("FIRO") empowers the Monetary Authority ("MA") as the resolution authority in relation to banking sector entities to issue a code of practice ("Code of Practice") about any matter relating to the functions given to the MA by the FIRO.

This publication is a c~~C~~hapter of the Code of Practice. It sets out: ~~is issued pursuant to section 196(1), (2)(a)(i) and (3) of the FIRO and provides guidance to authorized institutions[2] ("AIs") on –~~

(a) the manner in which the MA exercises certain aspects of the MA's functions in relation to resolution planning and information gathering;

(b) the operation of sections 12, 13 and 14 of the FIRO; and

(c) the MA's expectations on authorized institutions ("AIs") in relation to the scope and content of the core information to be submitted ~~by AIs~~ pursuant to section 158 of the FIRO in the initial stage of resolution planning.

This chapter of the Code of Practice should be read in conjunction with chapter RA-2, "The HKMA's Approach to Resolution Planning" ("RA-2")[3].

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[1] ~~Under the FIRO, the MA is the resolution authority for a "banking sector entity". A banking sector entity means: (a) an AI incorporated in Hong Kong; (b) an AI incorporated outside Hong Kong; (c) a settlement institution, as defined by section 2 of the Payment Systems and Stored value Facilities Ordinance (Cap. 584), of a designated clearing and settlement system that is not otherwise an AI (excluding a settlement institution that is wholly owned and operated by the Government); (d) a system operator, as defined by section 2 of the Payment Systems and Stored value Facilities Ordinance (Cap. 584), of a designated clearing and settlement system (excluding a system operator that is wholly owned and operated by the Government); (e) a designated within scope financial institution of which the MA is designated under section 6(1)(a)(ii) of the FIRO as a resolution authority (section 2(1) of the FIRO).~~

[2] ~~Resolution planning for other banking sector entities (as defined in the FIRO) will of necessity, given their different businesses and operations, have to be tailored to the aim of preserving continuity of their critical functions and hence is intended to be dealt with in a separate chapter to this Code.~~

[3] https://brdr.hkma.gov.hk/eng/doc-ldg/docId/getPdf/20170707-3-EN/20170707-3-EN.pdf

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Unless otherwise defined, terms used in this chapter have the same meaning as defined in the FIRO. In case of any conflict between this chapter and the FIRO, the FIRO prevails.

Application

To all AIs.

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1. Introduction

1.1 Resolution planning is recognised as an essential pre-requisite for the orderly resolution of financial institutions. It enables the authorities to assess well in advance of a financial institution actually failing, how the institution might be dealt with in such circumstances, including how resolution powers might be applied where the conditions for resolution are met or whether "normal" winding-up procedures might be relied upon. Section 13 of the FIRO provides that the MA may~~, in the capacity of resolution authority or lead resolution authority,~~ from time to time devise resolution strategies for securing an orderly resolution of an AI (or a holding company of the AI) and develop resolution plans to support such strategies.

1.2 In order to make resolution strategies and plans operational, any significant impediments to orderly resolution identified should be removed. Section 12 of the FIRO provides that the MA may~~, in the capacity of resolution authority or lead resolution authority,~~ from time to time conduct a resolvability assessment for an AI (or a holding company of the AI), to determine whether there are any impediments to its orderly resolution and, if so, the extent of those impediments.

1.3 The MA will seek to work with an AI to identify actions for the AI to ensure any significant impediments are removed. As a backstop provision, section 14 of the FIRO provides that if the MA~~, in the capacity of resolution authority or lead resolution authority,~~ is of the opinion that significant impediments exist to the orderly resolution of an AI or a holding company of the AI in accordance with a resolution plan mentioned in section 13 of FIRO, the MA may exercise power to direct an AI or a holding company of the AI to take any measures to remove or mitigate the effect of those impediments within a period specified by the MA.

1.4 Section 158 of the FIRO empowers the MA to require, amongst others,

an AI (or group company of the AI[4]) to provide information which the MA reasonably requires in connection with the performance of the MA's functions under the FIRO. This includes the functions of resolvability assessment and resolution planning under sections 12 and 13 of the FIRO respectively. In this regard, Section 155(1) of the FIRO specifies that such powers are exercisable whether or not the AI has ceased, or is likely to cease, to be viable and whether or not resolution of the AI has been initiated. Furthermore, section 159 of the FIRO makes it an offence for an AI (or a group company of the AI) to fail to comply with a requirement of the MA for the provision of information, records or documents under section 158 of the FIRO without reasonable excuse.

1.5 In developing this chapter, the MA has drawn on the Financial Stability Board ("FSB")'s *Recovery and Resolution Planning for Systemically Important Financial Institutions: Guidance on Identification of Critical Functions and Critical Shared Services*[5]. The rest of this chapter provides guidance on the MA's approach to gathering information for resolution planning (section 2), the requirements for core information submission by AIs (section 3), and the MA's approach to implementation (section 4).

2. Approach to gathering information for resolution planning

~~**2.1 Overview**~~

2.1 ~~2.1.1~~ The MA conducts resolution planning via bilateral resolution planning programmes with individual AIs and the process begins with information gathering from the AI[6]. In order both to manage the volume of information and to tailor, to the extent practicable, the scope of

[4] Please refer to section 2 of the FIRO for the definition of "g~~G~~roup company" ~~in this context means, in relation to an AI, a body corporate that is a member of the same group of companies as the AI. A "body corporate" includes a company and a company incorporated outside Hong Kong~~.

[5] http://www.financialstabilityboard.org/wp-content/uploads/r_130716a.pdf

[6] See paragraph 2.1 of RA-2.

information to be provided by individual AIs, the MA ~~intends to~~ categorises information for resolution planning purposes into "core" and "supplementary" information.

~~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 MA to determine a preferred resolution strategy.[7] This core set will include information on the financial functions (see section 3.5) which the AI undertakes or provides. For certain AIs, core information may be followed by the submission of more detailed "supplementary" information necessary to further develop the preferred resolution strategy, inform the MA's resolvability assessments and ultimately identify actions for the AI to take to remove any identified impediments to resolvability.~~

Core information

~~2.1~~2.2 ~~2.1.3~~ Generally, an AI will be required to make an initial submission of a set of core information with a view to informing the determination of a preferred resolution strategy by the MA.[8] The core information should ~~The MA will use the core information provided by an AI to~~ identify the financial functions (see section 3.5) performed by the AI and include self-assessments of their ~~which of them should be considered~~ criticality (see Annex 1). The information will also enable the MA to gain the necessary in-depth understanding of the AI's corporate group structure and the other material entities (see paragraph 3.2.5) within it, their key financial indicators, core business lines and ~~the~~ key legal, financial and operational dependencies ~~intragroup~~.

~~[7] The preferred resolution strategy will inevitably only be "presumptive", given that there may be circumstances where resolution in practice is forced to deviate from a planned strategy. The MA will only be able to make a definitive determination of which resolution powers to use in the event of an AI's failure and in light of the particular causes of the failure and prevailing market conditions.~~

[8] The preferred resolution strategy will inevitably only be "presumptive", given that there may be circumstances where resolution in practice is forced to deviate from a planned strategy. The MA will only be able to make a definitive determination of which resolution powers to use in the event of an AI's failure and in light of the particular causes of the failure and prevailing market conditions.

2.3 ~~2.1.4~~ The MA would expect to discuss a preferred resolution strategy with the AI after receiving and analysing the core information and before requesting the AI to submit further supplementary information based on that strategy. In submitting core information an AI may elect to express its views on what it considers to be an appropriate resolution strategy for itself or its holding company and provide supporting justifications which the MA will consider. This will not, however, be "binding" on the MA and the MA may ultimately determine that an alternative strategy is preferred.

2.4 ~~2.1.5~~ In limited circumstances, the MA may also consider it necessary or appropriate to undertake additional resolution planning beyond the preferred resolution strategy to assess "fall-back" options, given the potential need to address varying circumstances, including the overall state of the financial system, at the time of a resolution.

Supplementary information

2.5 For certain AIs, core information may be followed by the submission of more detailed "supplementary" information necessary to further develop the preferred resolution strategy, inform the MA's resolvability assessments and ~~ultimately~~ identify actions for the AI to take to remove any identified impediments to resolvability. To support this process, the HKMA has issued standards with which relevant AIs must comply to effectively remove these impediments.

2.6 ~~2.1.6 Any s~~Supplementary information required to be provided by an AI will be focused primarily on enabling the MA to make the preferred resolution strategy for the AI operational. Hence a significant part of the supplementary information can be expected to be AI-specific and resolution strategy-dependent. For example, where a resolution strategy involves statutory ~~a~~ bail-in ~~of liabilities~~or contractual loss transfer, supplementary information regarding the location of liabilities eligible for bail-in within the AI's group, their position in the creditor hierarchy and

the form of their subordination are among some of the information likely to be required in order to make such strategy operational.

~~2.1.7 In the context and course of providing information for resolution planning purposes under the FIRO, an AI may be asked to include some specific analysis on the feasibility of aspects of a preferred strategy, or to identify potential impediments to the preferred strategy.~~

~~Resolvability assessments~~

~~2.1.8 Once the MA has defined a preferred resolution strategy, resolvability assessments will support the MA in identifying potential impediments to orderly resolution and thereby define any actions needed to further refine and operationalise the preferred strategy. Resolvability assessments will be tailored by reference to the pre-conditions for orderly resolution under the preferred resolution strategy. For example, under a resolution strategy involving bail-in, sufficient loss-absorbing capacity will be an important pre-condition for orderly resolution. Therefore, the MA will examine an AI's loss-absorbing capacity and liability structure in detail as part of a resolvability assessment in cases where bail-informs part of the preferred resolution strategy for that AI.~~

~~2.1.9 In line with the MA's proportionate approach to recovery and resolution planning [9], resolvability assessments should also naturally lend themselves to a proportionate approach, so larger, more immediately identifiable systemic AIs would be subject to more comprehensive resolvability assessments, while it is expected that less complex AIs may undergo some form of simplified resolvability assessments, reflective of the complexity of their resolution plans.~~

2.7 ~~2.1.10~~ It is possible that information ~~may be~~ sought for the purpose of resolution planning may be~~, which is~~ similar to that already collected for

[9] See paragraph 2.2.1~~2.2.4~~.

~~in~~ other regulatory reporting ~~submissions~~purposes. 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. The MA considers it important to have information for resolution planning purposes provided in a single submission and on the same basis, both in terms of timing and consolidation.

2.8 ~~2.1.11~~ The MA anticipates that the use of information provided by an AI in the development of a resolution strategy and resolvability assessments will be an iterative process involving close engagement between the AI and the MA ~~throughout~~. Whilst this chapter ~~of the Code is intended to~~ provides guidance to AIs on ~~the resolution planning process adopted by the MA and hence illustrate~~ the information requests that will typically apply to most AIs, in practice it may be that the information required from an individual AI may differ, in order to address identified idiosyncrasies or obstacles to resolution in the case of that AI, or to reflect progress already made by the AI on local resolution planning, for example.

~~2.2 Application~~

~~General~~

~~2.2.1 The MA intends to request core information from AIs in phases, starting with those AIs which are considered to have more significant potential impact on financial stability in Hong Kong. The general expectation is that AIs will be required to submit core information within six months following receipt of a notice from the MA pursuant to section 158(1) of the FIRO. Submissions will be made in the format specified by the MA.~~

~~2.2.2 For those banks (and banking groups) designated as global systemically important banks (G-SIBs) by the Financial Stability Board (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 MA 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 chapter, with a view to facilitating group-level resolution planning. Similarly, the MA may require an AI that is part of an overseas headquartered financial institution other than a G-SIB, to submit information outside of the timetable or content described in this chapter for the purposes of facilitating its group-level resolution planning. Section 13 of the FIRO, in this regard, provides for the MA to adopt the whole or part of a global or regional group resolution plan to support a preferred resolution strategy.~~

~~2.2.3 Whilst it is conceivable that even the least complex AIs could[10] pose some systemic risk under stressed conditions when market and public confidence is low, it would generally be expected that the likelihood of having to apply stabilization options or exercise other resolution powers in respect of these AIs should be comparatively lower. Furthermore, experience in other jurisdictions indicates that less complex AIs require less ex-ante preparation for authorities to be able to apply resolution powers in the event of failure (as compared to more complex AIs), given that their structure and the nature of their operations both tend to be simpler.~~

~~2.2.4 The MA is therefore minded only to begin resolution planning for less complex AIs once substantial progress has been made in relation to the more systemically significant and critical AIs. Resolution planning, like recovery planning, naturally lends itself to a proportionate approach given that smaller, simpler structures generally tend to require less time and effort both to understand and address. Accordingly, when undertaking resolution planning for the population of less complex AIs,~~

[10] For this reason all AIs are within the scope of the resolution regime under the FIRO.

~~the requirements will be applied proportionately (possibly in the form of a simplified standard information pack to be maintained for use in the event of failure).~~

~~*AIs with overseas presence*~~

~~2.2.5 Generally, for an AI with overseas presence[11], there will be a clear need for cross-border cooperation among relevant authorities on resolution planning.[12] The MA's general preference will be to adopt a coordinated cross-border resolution plan that has been devised on a group-wide basis with relevant home and host resolution authorities.~~

~~2.2.6 Where the MA is acting as a host resolution authority of banking sector entities within a cross-border group, local resolution planning for AIs serves a number of purposes for the MA. In particular, the core information collected from such AIs will aid the MA in considering the suitability of any group resolution plan proposed by the home resolution authority and, in particular, whether such plan is consistent with the resolution objectives under the FIRO. In cases where the MA has determined that it is in a position to adopt the group resolution plan proposed by the relevant authority, the information submitted by AIs will assist the MA in designing measures to support and/or recognize any resolution action taken by the home authority in the case of a cross-border resolution.[13]~~

[11] This applies to (i) AIs that are either incorporated overseas or subsidiaries of overseas parents, or (ii) locally incorporated AIs with branches or subsidiaries overseas.

[12] Paragraph 11.8 of the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions states that: "At least for G-SIFIs [Globally 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 [crisis management group]. 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". http://www.fsb.org/wp-content/uploads/r_141015.pdf

~~[13] The FSB issued a set of "Principles for Cross-border Effectiveness of Resolution Actions" in November 2015, which describes both statutory and contractual mechanisms that jurisdictions should consider for inclusion into their legal frameworks to give effect to cross-border resolution actions in accordance with~~

~~2.2.7 Where the MA is acting as a home resolution authority, the core information collected regarding a locally incorporated AI's overseas branches or subsidiaries (as well as that collected for the local Hong Kong operations of the AI) will be important in resolution planning, including the development of a group resolution plan with the aim of ensuring continuity in critical financial functions carried out by the AI itself and its overseas branches and subsidiaries in resolution as the case may be.~~

3. Core information requirements

3.1 Overview

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

(i) Relevant entities and material entities;
(ii) Core business lines and operating model;
(iii) Dependencies;
(iv) Financial functions.

3.1.2 AIs should present the core information ~~required by the MA~~ in a concise manner. A recommended submission structure is set out in Annex 2. To ensure that information submitted is up to date, AIs should, as far as possible, submit information based upon the accounting reference date of their latest annual report.

3.1.3 ~~When submitting core information, w~~Where it is more appropriate, or there are practical difficulties in providing a quantitative estimate of reasonable accuracy, an AI may submit a narrative description in relation to certain types of information. This may apply to some of the information

~~the Key Attributes. In this regard, Part 13 of the FIRO provides for the MA to recognize and/or take supportive measures with respect to non-Hong Kong resolution actions. http://www.fsb.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf~~

relating to funding, liquidity and capital needs (see paragraph 3.2.6(v)), client base (see paragraph 3.3.3(ii)), and franchise value (see paragraph 3.3.3(iii)).

3.1.4 Resolution planning is an ongoing process; therefore, an AI's core information submission should leverage its resolvability capabilities developed and align with all relevant analyses. For example, reported operational dependencies should reflect the essential services and critical financial market infrastructure ("FMI") services identified during the implementation of the policy standards on operational continuity and continuity of access to FMI services in resolution.

Governance~~Development, review and approval of information submission~~

~~3.1.4~~3.1.5 Responsibilities for the collection, development, review and approval of the core information and any supplementary information ~~to be submitted by an AI~~ should be clearly assigned within the AI. In particular, the AI should officially designate a member of its Hong Kong executive management team with responsibility for the approval of the information submitted and subsequent coordination with the MA in relation to resolution planning for the AI. An AI should provide a high-level description of the arrangements for the collection, development, review and approval of information submitted to the MA for resolution planning purposes.

~~3.1.5~~3.1.6 To ensure that local specificities are taken into account in a satisfactory manner, local executive management should always have a key role in coordinating and engaging with the MA in respect of resolution planning for an AI. This is also expected to be the case for non-locally incorporated AIs, where the internal responsibility for preparing core information and any supplementary information may be taken up jointly with group-level management as appropriate.

3.1.7 As an AI's resolution planning advances, the AI's submission should evolve to provide an overview of its broader governance framework and internal coordination mechanisms for ongoing resolution planning activities. The AI should outline how the board of directors and senior management maintain oversight of resolvability objectives, how internal coordination is managed across different business lines and legal entities, and the mechanisms in place to ensure assurance and testing of resolution capabilities.

~~3.1.6~~ An AI should keep its core information up~~-~~ to~~-~~ date, ~~which includes~~ ensuring that ~~it is updated to reflect~~ any changes to the business operations or group structure of the AI or its material entities (as defined in paragraph 3.2.5) are reflected. ~~Furthermore, it is expected that the MA will require the AI to re-submit the core information periodically, but at least every two years. Pursuant to section 158 of the FIRO, the frequency of re-submission will be specified in a notice to the AI.~~

~~3.1.7~~3.1.8 ~~Given that, as noted in paragraph 3.1.6, re-submissions would likely be required if there are significant changes to the business operation or group structure of the AI or its material entities, the MA would expect the~~ AIs should ~~to~~ proactively notify the MA of any such significant changes~~,~~ and ~~to~~ discuss ~~with the MA~~ a timeline for ~~re-~~submitting the updated core information. The MA generally expects AIs to submit their core information at least every two years. For AIs actively addressing impediments to their preferred resolution strategy and enhancing their resolvability on an ongoing basis, the expected submission cycle is every three years (see paragraph 3.6.2 for further requirements for these AIs).

3.1.9 If there are significant deficiencies in an AI's submission, the MA may require the AI to resubmit the whole or any part of the information ~~required~~.

3.2 Relevant entities and material entities

3.2.1 To facilitate resolution planning, the MA will require an AI to identify any group companies of the AI that may be relevant to the resolution of the AI ("relevant entities").

3.2.2 At a minimum, any of the following together should be deemed relevant entities:

(i) Any holding company of the AI;

(ii) Any downstream subsidiary, or any branch, of the AI;

(iii) Any group company of the AI that performs, either independently or together with any other group companies, financial functions in Hong Kong;

(iv) Any group company of the AI on which material entities (see paragraph 3.2.5) have key legal, financial or operational dependencies; and

(v) Any group company of the AI that is licensed, authorized, approved, designated or otherwise supervised or regulated by the Securities and Futures Commission or the Insurance Authority.

3.2.3 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.

3.2.4 An AI should describe in its submission the activities of each relevant entity and explain how such relevant entities fit into the wider organisational structure of the AI's group, supported by an overview diagram with relevant information ~~on~~ such as ownership structure, asset size and jurisdiction of incorporation.

3.2.5 An AI should also identify in its submission those relevant entities that it considers material to the revenue, profitability, operations or effective working of its Hong Kong operations ("material entity") and describe the activities of each material entity in more detail. An outline of the criteria

an AI employs to determine the materiality of these entities should be provided. At a minimum, material entities should include:

(i) The AI itself;

(ii) Any holding company of the AI which is incorporated in Hong Kong; and

(iii) Any downstream subsidiary or any branch ~~(both in Hong Kong and overseas)~~ of the AI which represents a significant portion of an AI's total balance sheet or business activities.

3.2.6 An AI should provide detailed information on the corporate structure of, as well as key financial information relating to, each of the material entities, including:

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

(ii) The principal place of business, jurisdiction of incorporation, licensing status, governance structure (e.g. reporting lines of senior executives and decision-making structures), number of employees, and key management associated with each material entity;

(iii) Both consolidated and unconsolidated P&L and balance sheet of the AI and its holding company, and a consolidating schedule for all material entities that are subject to consolidation;

(iv) A description of the components of the liabilities of each material entity, specifically identifying the types and amounts of short-term and long-term liabilities, secured and unsecured liabilities, and senior 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 significant to each material entity, including guarantees and contractual obligations.

3.3 Core business lines and operating model

3.3.1 The MA recognises that AIs typically operate their services and organise their functions along business lines, rather than by reference to legal entities. While the above entity-level information will be essential to planning for resolution, in order to better understand the business model of the AI, the MA will also request information relating to the core business lines of the material entities.

3.3.2 An AI should give an overview ~~in its submission~~ of the business model of its material entities, identify the business lines which are core to the material entities' 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.

3.3.3 For each core business line, an AI should specifically provide the following information with a focus on the jurisdictions where the material entities operate:

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

(ii) A mapping of the business line to the material entities and a breakdown of revenue, operating expenses and client base by jurisdiction;

(iii) An indication of the business line's franchise value, for example a description of the core business line's networks, international linkages or access to markets which are critical for the overall franchise of the group;

(iv) A description of the digital services and electronic platforms offered to customers, the significance of these services and platforms to the AI's operations or customer relationships, and their impact on franchise value and depositor behaviour;

~~(iv)~~(v) An explanation of the governance structure of the business line; and

~~(v)~~(vi) A description of any other factors which make the business line core to the material entities.

3.4 Dependencies

3.4.1 To facilitate the MA's identification of a preferred resolution strategy and the development of an operational resolution plan, the MA needs to establish a general understanding of the key legal, financial and operational dependencies of material entities on group companies ("internal dependencies"), including the cross-border dependencies of an AI.

3.4.2 It is also important to understand the key dependencies of material entities on external service providers ("external dependencies") because such dependencies, if disrupted, could materially affect the ability to maintain continuity in the provision of any critical financial functions by the material entities in a resolution.

3.4.3 Key dependencies (internal and external) refer to support or services, the sudden and disorderly failure of which would present a serious impediment to the performance of critical financial functions by the material entities.

3.4.4 As context for the dependencies described in paragraphs 3.4.6 to 3.4.11 below an AI should provide an overview of the key dependencies of material entities, explain the criteria and assessment used to identify these key dependencies, and describe the governing contractual arrangements.

3.4.5 While the core information requirements focus on the identification of key dependencies at entity level, AIs may be required to provide further information on the dependencies at financial function or business line level if the MA considers this necessary in order to facilitate planning for

the maintenance of critical financial functions in resolution or post-stabilisation restructuring.

Internal dependencies

3.4.6 An AI should briefly describe, with supporting quantitative information where appropriate, the nature of key internal dependencies of material entities that, if disrupted, would materially affect the funding or operations of the AI. Such dependencies could be operational, financial or legal in nature.

3.4.7 Operational dependencies could include the following:

(i) Shared personnel, facilities, or systems among group companies (including digital services and electronic platforms to customers, other IT ~~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 entity upon which another entity relies for access or for the provision of certain services).

3.4.8 Financial dependencies could include the following:

(i) Capital, LAC, 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.

3.4.9 Legal/structural dependencies could include intra-group reliance on intangible assets ~~licences to conduct certain regulated activities~~ (e.g. licence, IP, trademark, brands, domain names held by one entity upon which another entity relies for the conduct of certain regulated activities).

External dependencies

3.4.10 An AI's external dependencies could be financial, operational or legal/structural in nature, including access to FMIs (direct/indirect), payments or IT services.

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

(i) The relevant entity that contracts with the provider;
(ii) The jurisdiction of incorporation of the provider;
(iii) Description of the material commercial contract terms, including any provisions for escalation of fees; and
(iv) Description of any contractual termination and acceleration provisions.

3.5 Financial functions

~~*Overview*~~

3.5.1 The objective of seeking core information in relation to financial functions is to identify which of the material entities' financial functions may be critical to the financial system in Hong Kong. The information will help the MA to develop a resolution strategy which is designed to ensure continuity in critical financial functions in Hong Kong.

3.5.2 Annex 1 provides a non-exhaustive list of the potential financial functions of an AI. In respect of each financial function it (or its group) conducts or undertakes, an AI should provide information on an entity basis, covering the activities of the AI and any other material entities in Hong Kong. In particular, each function should be mapped to its respective material entities~~y~~ and core business lines.

3.5.3 While the identification of critical financial functions focuses primarily on Hong Kong, an AI may, in order to facilitate the resolution planning for the AI and any of its "downstream" subsidiaries and branches, also be required to provide information in relation to the functions performed by the AI's material entities that are based ~~overseas~~outside Hong Kong.

3.5.4 It should be emphasised that the performance or provision of any of the functions listed in Annex 1 by a given AI does not of itself imply that such performance or provision is of critical importance to the Hong Kong banking system or the economy more broadly.

Critical financial functions

3.5.5 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 and effective working of the banking system and indeed 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 given the unique characteristics of the function or the critical mass of the scale upon which the function is provided.

3.5.6 Critical financial functions are activities or operations carried on, or services provided, by a material entity 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 to the economy of Hong Kong;

(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, substitutability, complexity or cross-border activities of, or the market share held by, the material entity.

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 FIRO, with reference to the definition of critical functions developed by the FSB ~~in its Guidance on Identification of Critical Functions and Critical Shared Services~~.[14]

3.5.7 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 the MA. Those functions may be more appropriately captured under core business lines or dependencies.

3.5.8 Drawing upon the FSB's critical functions framework, the MA will collect core information on an AI's financial functions under five broad categories as specified in Annex 1, namely:

(i) Deposits;
(ii) Lending ~~&~~and Loan Servicing;
(iii) Payments, Clearing, Custody ~~&~~and Settlement;
(iv) Wholesale Funding Markets; and
(v) Capital Markets ~~&~~and Investments.

3.5.9 These five categories should initially capture the majority of financial functions performed or provided by AIs in Hong Kong. Nevertheless, AIs

[14] ~~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~~

are encouraged to add into their core information submission any other financial functions not listed in Annex 1 (e.g. any functions specific to the Hong Kong financial system such as index calculation, tripartite repo system operation, and market making for Exchange Fund Bills and Notes) should they consider that their provision or performance of such functions may be deemed as critical financial functions.

3.5.10 The MA will use, taking into account the information provided by the AI, a number of criteria when considering the criticality of financial functions performed by the AI 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.

3.5.11 AIs may express their views on the criticality of their financial functions with reasoned justifications for the MA's consideration.

3.6 Resolution strategy and readiness

3.6.1 AIs with initial views on an appropriate resolution strategy may explain their thinking and ~~to~~ elaborate on potential impediments to the strategy they have identified as well as how such impediments might be removed.

3.6.2 As an AI's resolution planning advances, its core information submission should go beyond conceptual views on the resolution strategy and aim to demonstrate ongoing resolution readiness. For an AI actively addressing impediments to its preferred resolution strategy and enhancing its resolvability on an ongoing basis, it should provide a high-level summary of the following information, based on capabilities available at the time of submission:

(i) Strategy Execution Mechanics – How the preferred resolution strategy operates end-to-end, outlining the specific triggers, decision-making process, and key actions to be taken across the stabilisation and post-stabilisation restructuring phases;

(ii) Capacity Integration – How the financial resources and operational capabilities built up as part of resolution planning work to support the effective execution of the preferred resolution strategy in an integrated manner; and

(iii) Testing and Assurance – How practical resolution readiness is validated and enhanced via regular testing frameworks, simulation exercises, dry-runs, and reviews.

4. The MA's approach to implementation~~Use of core information~~

4.1 The MA intends to request core information from AIs in ~~phases~~line with the phased approach to resolution planning, starting with those AIs which are considered to have more significant potential impact on financial stability in Hong Kong.[15] The general expectation is that AIs will be required to submit core information within six months following receipt of a notice from the MA pursuant to section 158(1) of the FIRO. Submissions will be made in the format specified by the MA.

[15] See paragraph 3.3 of RA-2.

4.2 For an AI that is part of a cross-border group headquartered outside Hong Kong or with downstream presence outside Hong Kong, there will be a clear need for cross-border cooperation among relevant authorities on resolution planning. The MA's general preference will be to work with the relevant non-Hong Kong resolution authorities and adopt a coordinated cross-border resolution plan that has been devised on a group-wide basis with relevant home and host resolution authorities.

4.3 Where the MA is ~~acting as a~~ the home resolution authority, the core information collected regarding non-Hong Kong branches or subsidiaries of the ~~a~~ locally incorporated AI~~'s overseas branches or subsidiaries~~ (as well as that collected for the local ~~Hong Kong~~ operations of the AI) will be important in resolution planning, including the development of a group resolution plan with the aim of ensuring continuity in resolution of the critical financial functions carried out by the AI itself and its non-Hong Kong ~~overseas~~ branches and subsidiaries ~~in resolution as the case may be~~.

4.4 Where the MA is ~~acting as~~ a host resolution authority ~~of banking sector entities within a cross-border group~~, local resolution planning for AIs serves a number of purposes for the MA. In particular, the core information collected from such AIs will aid the MA in considering the suitability of any group resolution plan proposed by the home resolution authority, including ~~and, in particular,~~ whether such plan is consistent with the resolution objectives under the FIRO. In cases where the MA has determined that it is in a position to adopt the group resolution plan proposed by the relevant authority, the information submitted by AIs will assist the MA in assessing resolvability and designing measures to

support and/or recognize any resolution action taken by the home authority in the case of a cross-border resolution.[16]~~[17]~~

~~4.1 General~~

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

~~4.2 Approach~~

~~4.2.1 The core information provided by an AI will inform the MA's determination of the preferred resolution strategy for the AI. The MA expects this determination would be undertaken well before an AI encounters difficulties. The MA's choice of resolution strategy will be informed by a number of factors, including the complexity of the AI's balance sheet, the scale of any trading business and the extent of its foreign operations.~~

~~4.2.2 Once a preferred resolution strategy has been set for an AI, the MA will begin a resolvability assessment (which as noted in paragraph 2.1.9 above will be conducted in a proportionate manner) to assess the feasibility and credibility of implementing that strategy in the event of future failure. This may require supplementary information to be provided by the AI. This assessment will help to identify any impediments that might prevent the MA from carrying out the resolution strategy successfully, should that prove necessary. The MA will work with AIs to ensure any such impediments are removed.~~

[16] Part 13 of the FIRO provides for the MA to recognize and/or take supportive measures with respect to non-Hong Kong resolution actions.

[17] ~~The FSB issued a set of "Principles for Cross-border Effectiveness of Resolution Actions" in November 2015, which describes both statutory and contractual mechanisms that jurisdictions should consider for inclusion into their legal frameworks to give effect to cross-border resolution actions in accordance with the Key Attributes. In this regard, Part 13 of the FIRO provides for the MA to recognize and/or take supportive measures with respect to non-Hong Kong resolution actions. http://www.fsb.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf~~

~~4.2.3 This resolution planning process, before an AI actually encounters difficulties or stress, is important to the MA in facilitating and making practically feasible the application of resolution powers in a manner that is orderly and consistent with the resolution objectives under the FIRO in the event of an AI's failure. In turn this should help to ensure the appropriate degree of continuity to the AI's critical financial functions, increase the likelihood that any disruption will be contained, and thereby promote financial stability and maintain confidence in the Hong Kong financial system.~~

~~4.2.4 If there are significant deficiencies in an AI's submission, the MA may require the AI to resubmit the whole or any part of the information required.~~

~~4.3 Information sharing with other regulators~~

~~4.3.1~~ Close cooperation between home and ~~key~~ host resolution authorities for cross-border AIs is of crucial importance to enhancing preparedness for coordinating resolution planning and crisis management. In turn cooperation will require the ability to exchange relevant information with non-Hong Kong ~~overseas~~ authorities involved in the resolution planning process. ~~18~~

~~18 Key Attribute 12.1(i) in the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions 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".~~

4.5 ~~4.3.2~~ Under the FIRO, subject to the relevant constraints and safeguards[19], the MA as RA may disclose information to a ~~"~~non-Hong Kong resolution authority~~"~~.[20]

4.6 ~~4.3.3~~ Domestically, there is also a clear need for cooperation and exchange of information with the other resolution authorities in Hong Kong, especially for those AIs with cross-sectoral operations. To this end, subject to the relevant constraints and safeguards, the FIRO provides for the disclosure of information by a resolution authority to another resolution authority in Hong Kong.[21]

~~4.4.4 The MA may therefore share information provided by AIs for the purposes of furthering the resolution objectives with other Hong Kong resolution authorities and/or overseas resolution authorities in accordance with the relevant provisions in the FIRO.~~

[19] See section 175 of the FIRO.

[20] ~~Under~~ See section 2 of the FIRO~~, a~~ "non-Hong Kong resolution authority" ~~means an entity in a non-Hong Kong jurisdiction that performs in that jurisdiction functions broadly corresponding to those performed by a resolution authority in Hong Kong~~.

[21] See section 173(3)(h) of the FIRO.

Annex 1: Information template for financial functions

~~Information should be reported separately on an entity basis, covering the activities of the AI and its material entities.~~

An AI may, where necessary, employ reasonable assumptions to estimate an approximate market share (where such information is sought). The use of such assumptions and how an estimate is reached should be explained in the submission.

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. Number of accounts and the corresponding number of customers with stable retail deposits and stable small business funding k. Market share estimate ~~*where DPS applies to the AI~~
	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. Number of accounts and the corresponding number of customers with operational deposits k. 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[22] / long term[23] / 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 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
	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

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

[23] 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/annual, flow, average, domestic vs cross-border, etc.)[24] b. Users or members of these systems or services c. Number of ATMs and branches d. Market share estimate
	2. Small value retail payment systems – ~~(~~Credit card schemes, debit card schemes, large merchant acquirers, payment gateways and mobile payment infrastructure (e.g. FPS)	a. Transaction volume and value, broken down by type and currency (to specify form, e.g. daily/monthly/annual, 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~~)~~ – Correspondent banking	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 collateral management, FMI access for third parties, treasury and cash management services, back office for retail banking)	a. Description of service b. Number of clients c. Market share estimate

[24] In respect of C1 to C4, AIs are expected to provide, if available, transaction volume and value on an (a) average daily; (b) monthly; and (c) annual basis.

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 ~~&~~and 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

Annex 2: Recommended structure of core information submission[25]

~~If an AI intend to deviate from this recommended structure, it is encouraged to discuss the proposed format with the MA before devoting significant resources to developing the submission.~~

Number	Heading	Detail required
1.	**Overview**	
1.1	Governance	• Set out the assignment of responsibilities within the AI for the collection, development, review and approval of the core information and any supplementary information ~~to be submitted~~. • Designate a member of the AI's Hong Kong executive management team with responsibility for the approval of the information submitted and subsequent coordination with the MA in relation to resolution planning of the AI. • Provide a high-level description of the arrangements for the collection, development, review and approval of information submitted to the MA for resolution planning purposes. • Provide an overview of the broader governance framework and internal coordination mechanisms for ongoing resolution planning activities (if any), outline how the board of directors and senior management maintain oversight of resolvability objectives, how internal coordination is managed across different business lines and legal entities, and the mechanisms in place to ensure assurance and testing of resolution capabilities.
1.2	Summary of core information	• Describe the basis and key assumptions in relation to the information submitted (e.g. the reference date upon which the information is based). • Provide a summary of information on relevant entities and material entities under section 2. • Provide a summary of information on core business lines and operating model under section 3. • Provide a summary of information on key dependencies of material entities under section 4. • Provide a summary of information on financial functions performed by the material entities under section 5.
2.	**Relevant entities and material entities**	
2.1	Relevant entities	• Identify any "group companies" of the AI that may be relevant to the resolution of the AI ("relevant entities"). • Describe the activities of each relevant entity and explain how such relevant entities fit into the wider organisational structure of the AI's group, supported by an overview diagram with information such as ~~on~~ ownership structure, asset size and jurisdiction of incorporation.
2.2	Material entities	• Identify the relevant entities that the AI considers material to the revenue, profitability, operations or effective working of its ~~group~~ Hong Kong operations ("material entity"), and outline the criteria it employs to determine the materiality of these entities. • Describe the activities of each material entity in more detail.

[25] If an AI intends to deviate from this recommended structure, it is encouraged to discuss the proposed format with the MA before devoting significant resources to developing the submission.

Number	Heading	Detail required
2.3	Corporate structure	• Provide a hierarchical list of all material entities that identifies the direct holder of, and the percentage of, voting and non-voting equity held in each entity. • Describe the principal place of business, jurisdiction of incorporation, licensing status, governance structure (e.g. reporting lines of senior executives and decision~~-~~-making structures), number of employees, and key management associated with each material entity.
2.4	P&L and balance sheet	Provide both consolidated and unconsolidated P&L and balance sheet of the AI and its holding company, and a consolidating schedule for all material entities that are subject to consolidation.
2.5	Liabilities profile	Describe the components of the liabilities of each material entity, specifically identifying the types and amounts of short-term and long-term liabilities, secured and unsecured liabilities, and senior and subordinated liabilities.
2.6	Funding, liquidity and capital needs	Explain 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.
2.7	Off-balance sheet exposures	Describe any off-balance sheet exposures significant to each material entity, including guarantees and contractual obligations.
3	**Core business lines and operating model**	
3.1	~~Overview of b~~Business model	• Provide an overview of the business model of the material entities. • Identify the business lines which are core to the material entities' operations, accounting for revenue, profitability and franchise value. • Explain the activities of such business lines, whether or not such activities are conducted in Hong Kong.
3.2	Core business lines	For each core business line, provide the following information with a focus on the jurisdictions where the material entities operate: (i) A description of the business line and an explanation of its operations, as well as key financial information including P&L and balance sheet; (ii) A mapping of the business line to the material entities and a breakdown of revenue, operating expenses and client base by jurisdiction; (iii) An indication of the business line's franchise value, for example a description of the core business line's networks, international linkages or access to markets which are critical for the overall franchise of the group; (iv) A description of the digital services and electronic platforms offered to customers, and the significance of these services and platforms to the AI's operations or customer relationships, and their impact on franchise value and depositor behaviour; ~~(iv)~~(v) An explanation of the governance structure of the business line; and ~~(v)~~(vi) A description of any other factors which make the business line core to the material entities.
4	**Dependencies**	
4.1	Overview of dependencies	• Provide an overview of the key legal, financial and operational dependencies of material entities on group companies ("internal dependencies") and external services providers ("external dependencies"), including the cross-border dependencies of an AI. • Explain the criteria and assessment used to identify the key dependencies. • Describe the governing contractual arrangements. ~~• Provide further information on the dependencies at financial function or business line level if requested.~~

Number	Heading	Detail required
4.2	Operational dependencies	Describe, with supporting quantitative information where appropriate, the nature of key internal operational dependencies of material entities that, if disrupted, would materially affect the funding or operations of the AI. Operational dependencies could include: (i) Shared personnel; (ii) Shared facilities; (iii) Shared systems (including digital services and electronic platforms to customers, other IT ~~information technology~~ platforms, management information systems, risk management systems, and accounting and recordkeeping systems); (iv) Intra-group reliance on access to FMIs (e.g. membership held by one entity upon which another entity relies for access or for the provision of certain services).
4.3	Financial dependencies	Describe, with supporting quantitative information where appropriate, the nature of key internal financial dependencies of material entities that, if disrupted, would materially affect the funding or operations of the AI. Financial dependencies could include: (i) Capital, LAC, 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.
4.4	Legal/structural dependencies	Describe, with supporting quantitative information where appropriate, the nature of key internal legal/structural dependencies of material entities that, if disrupted, would materially affect the funding or operations of the AI. Legal/structural dependencies could include intra-group reliance on intangible assets ~~licences to conduct certain regulated activities~~ (e.g. licence, IP, trademark, brands, domain names held by one entity upon which another entity relies for the conduct of certain regulated activities).
4.5	External dependencies	• Identify key dependencies on external service providers. Such dependencies could be financial, operational or legal/structural in nature, including access to FMIs (direct/indirect), payments or IT services. • For each external provider identified, the following information should be provided: (i) The relevant entity that contracts with the provider; (ii) The jurisdiction of incorporation of the external service provider; (iii) Description of the material commercial contract terms, including any provisions for escalation of fees; and (iv) Description of any contractual termination and acceleration provisions.
5	**Financial functions**	
5.1	Financial functions	• Using the template for financial functions in Annex 1, in respect of each financial function an AI (or its group) conducts or undertakes, an AI should provide information on an entity basis, covering the activities of the AI and any other material entities in Hong Kong. AIs are encouraged to add into their core information submission any other financial functions not listed in Annex 1 (e.g. any functions specific to the Hong Kong financial system such as index calculation, tripartite repo system operation, and market making for Exchange Fund Bills and Notes) 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. • Map each function to its respective material entity and core business line. • Express views on the criticality of the financial functions with reasoned justifications. • Provide information in relation to the functions performed by the AI's material entities that are based ~~overseas~~ outside Hong Kong if requested.
6	**Resolution strategy and readiness**	

Number	Heading	Detail required
6.1	Resolution strategy	• (Optional) Express the AI's initial views on what it considers to be an appropriate resolution strategy for the AI and its group and provide reasoned justifications for the MA's consideration. • Provide a high-level summary of strategy execution mechanics, capacity integration, as well as testing and assurance, based on capabilities at the time of submission.
6.2	Potential impediments	(Optional) Elaborate on potential impediments to the resolution strategy identified by the AI as well as how such impediments might be removed.