

Section 4: Resolvability

No	Question	Answer
1.	What is the extent of work required for the feasibility assessment, including guidance for a smaller and less complex member bank?	<p>Feasibility assessment is conducted by a member bank to identify and address institution-specific impediments that may hamper the effective implementation of the resolution plan of a member bank during resolution.</p> <p>These impediments may be operational, financial or legal in nature. The extent of feasibility assessment required varies for each member bank, based on the principle of proportionality.</p> <p>Further details on the feasibility assessment and resolvability expectations will be issued by PIDM accordingly in due course.</p>
2.	<p>What are the examples of potential impediments that may arise from a resolvability assessment and possible remediation action plans?</p> <p>What is the timeframe expected of a member bank to generate information to support valuation during a resolution and liquidity and funding in resolution?</p> <p>How about putting in place “robust contractual arrangement” to support a transfer strategy? – whether the requirement to maintain robust contractual arrangement applies to a member bank’s existing or a new contract?</p>	<p>Under the resolvability assessment, potential impediments may be identified through the perspectives of operational continuity, management information system, liquidity and funding requirements. For example, a member bank’s information technology infrastructure should be capable to generate timely and accurate information to support an informed and timely valuation by PIDM during a transfer in resolution.</p> <p>From the liquidity and funding perspectives, a member bank should demonstrate capability to estimate funding requirements during a resolution, including identifying available collateral for emergency funding on a timely basis.</p> <p>Examples of robust contractual arrangement to support an effective transfer are the inclusion of</p>

		<p>"resolution-proof" provisions in a member bank's contract which should:</p> <p>(a) prevent automatic termination, modification or suspension of the contract in the event of the member bank's entry into resolution or the exercise of resolution powers by the resolution authority;</p> <p>(b) allow a service provider to support an orderly transition within a reasonable timeframe and cost; and</p> <p>(c) allow services and liabilities of a service provider to be transferred, novated or assigned.</p> <p>A robust contractual arrangement would be required to be maintained for all material contracts (existing or new) of the member bank that may impact operational continuity during resolution.</p> <p>Further details on the feasibility assessment and resolvability expectations will be issued by PIDM accordingly in due course.</p>
3.	<p>Should feasibility assessment need to be undertaken for all identified recovery options as part of the RSP process?</p> <p>Whether the feasibility assessment performed on the recovery options involving Islamic subsidiary's assets under a recovery plan can be applied to meet the feasibility assessment requirement under RSP?</p>	<p>The feasibility assessment under RSP is intended as a follow through and to complement the feasibility assessment carried out on the member bank's recovery options.</p> <p>Where relevant, some aspects of the feasibility assessment and capability building under RSP may be a further extension of the member bank's feasibility assessment on its recovery options involving a sale or transfer such as disposal of branch/subsidiary or portfolios of assets.</p>

		For RSP and feasibility assessment for the Islamic member bank's PRS, the Islamic member bank may leverage on the feasibility assessment carried out on the relevant recovery options under the recovery planning process. PIDM will work closely and guide the Islamic member bank on the feasibility assessment process under RSP.
4.	What is PIDM's expectation regarding potential structural changes to a member bank arising from RSP, and whether the requirement to effect structural changes would fall under PIDM's purview?	PIDM will engage the member bank and consult BNM on matters relating to industry-wide impediments. The requirement for a member bank to undertake structural changes should not be ruled out, if following consultation with BNM, certain structural changes may be necessary to improve resolvability.
5.	How is credibility assessment conducted? Will PIDM be sharing the outcome of credibility assessment and what are the expected role of the member bank to address impediments?	<p>A credibility assessment is a horizontal assessment intended to identify and address industry-wide impediments that may affect the effective implementation of resolution.</p> <p>PIDM will work with BNM and any other relevant authorities to address industry-wide impediments, if any. PIDM may share the broad outcome of credibility assessment with the member banks, as relevant, as there may be industry-wide impediments that require remediation actions from the member banks.</p>
6.	What is the frequency of resolvability assessment and the timeframe for completion? Should the assessment be subject to an assessment cycle, say, once every two (2) years?	Resolvability assessment should not be viewed as a "tick-box" activity. Rather, it is a progressive process to be undertaken in phases over several years. PIDM has noted that in some jurisdictions, resolvability assessment has taken more than ten (10) years to achieve maturity. The timeframe would depend on the extent of the resolution impediments to be addressed and the effectiveness of a member bank to

remediate the impediments. Therefore, the timeframe for the completion of resolvability assessment would vary from one member bank to another, taking into account the size, business profile, complexity and resources of the member bank.

Once the member bank has substantially addressed its key impediments to resolution and developed the necessary capabilities, the frequency and intensity of resolvability assessment is expected to reduce accordingly.

Resolvability assessment is expected to be less extensive for a smaller and less complex member bank, as compared to a large and complex member bank.