



Perbadanan Insurans Deposit Malaysia
Protecting Your Insurance And Deposits In Malaysia

NRS | NATIONAL RESOLUTION SYMPOSIUM 2023

18-19 October



PANEL SESSION 2:

Importance & Benefits of Recovery and Resolution Planning



Moderator

Datuk Johan Idris
KPMG in Malaysia



Panelist

Ms. Afiza Abdullah
Perbadanan Insurans
Deposit Malaysia



Panelist

Ms. Tang Wai Ching
CIMB Group



Panelist

Dr. Davide Crippa
Maybank Singapore



Panelist

Mr. Paul Stephenson
The Hong Kong and Shanghai
Banking Corporation Limited

Importance and Benefits of Recovery and Resolution Planning (“RRP”)

Afiza Abdullah

Executive Vice-President, Resolution
Perbadanan Insurans Deposit Malaysia

Is there really a need for recovery and resolution planning in Malaysia?

No financial institution failure in Malaysia, not G20 jurisdiction

Malaysian banking and insurance industries are well capitalized, supported by strong institutional shareholders

Though infrequent, failure can be highly disruptive and destructive

Financial crisis can leave deep and long lasting scars:

- **Country** - Contracted economic growth, higher debts and unemployment
- **Financial industry** – Lower profitability/higher losses, slower growth, closures
- **Businesses and individuals** – Bankruptcies, loss of income,



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Does resolution planning really work?

Resolution plans may not be used in actual failure

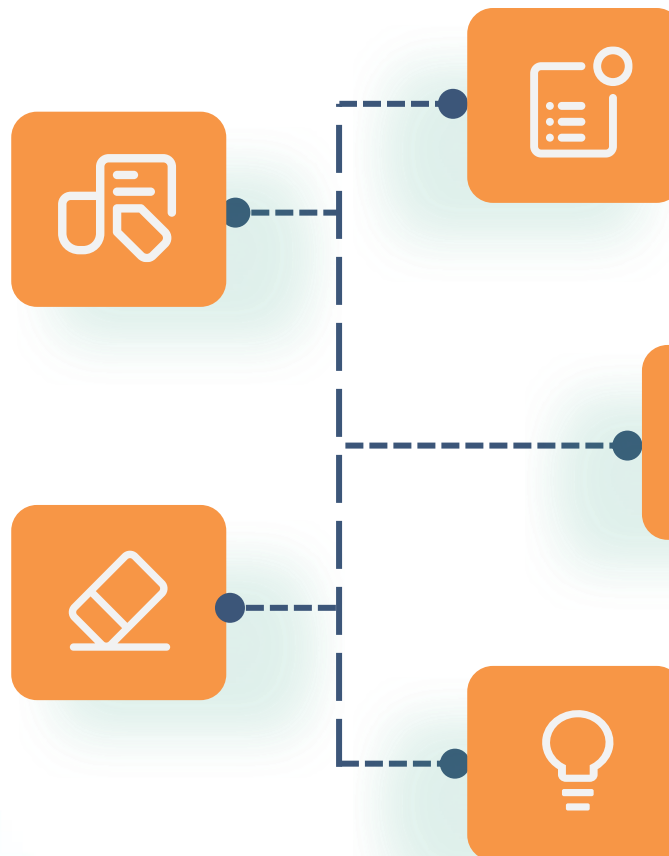
Takeover of Credit Suisse by UBS instead of its bail-in resolution plan; SVB's preferred resolution strategy in its resolution plan was a whole bank transfer to third party

"Proactive" vs "Reactive"

Resolution planning is about understanding the institutions, identifying and addressing risks to resolution in BAU

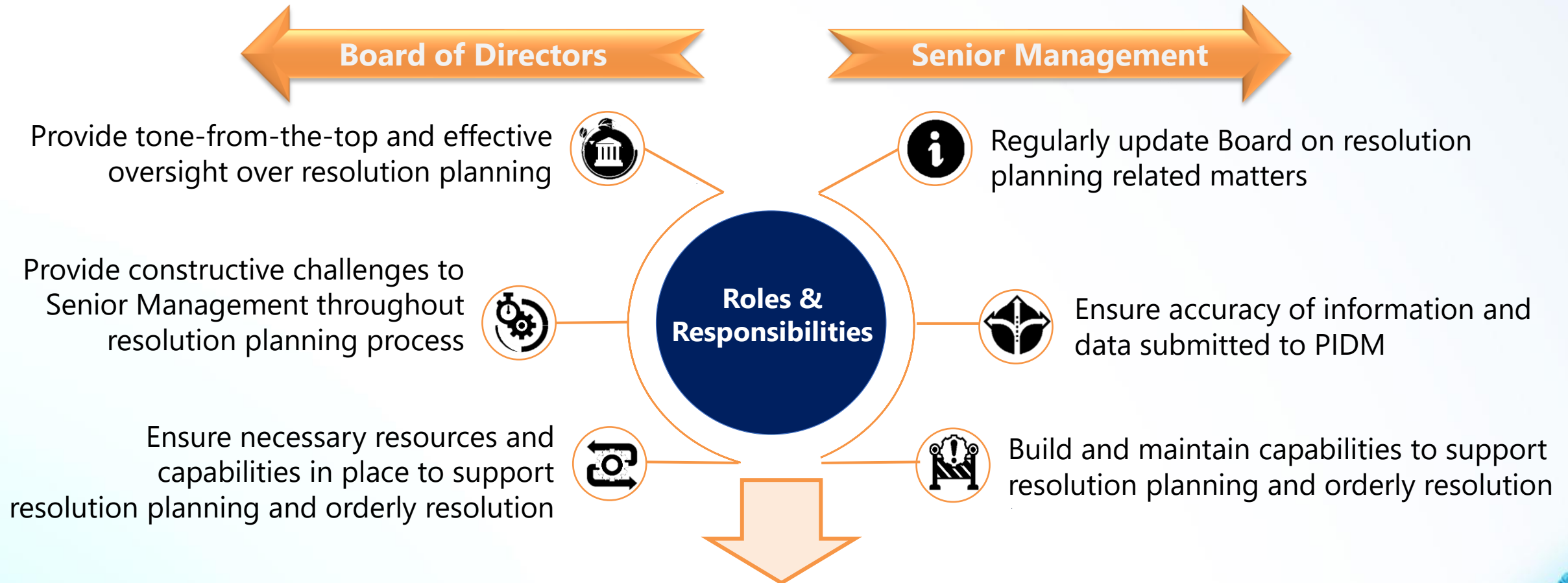
Providing optionalities in times of crisis

Knowledge, relationships and capabilities built in BAU as part of resolution planning provide for more practical and executable options when a crisis does hit



Can we afford the price of not being prepared?

Directors and Senior Management play important roles in resolution planning and resolution



Under FSA, BNM's Corporate Governance PD & BNM's **Responsibility Mapping** exposure draft in 2019
- individuals shall be held **jointly and severally accountable** for his/her responsibility area.

Thank you

Importance and Benefits of Recovery and Resolution Planning (“RRP”) - CIMB’s Journey -

Tang Wai Ching

Head of Group Capital Management
CIMB Group Holdings Berhad

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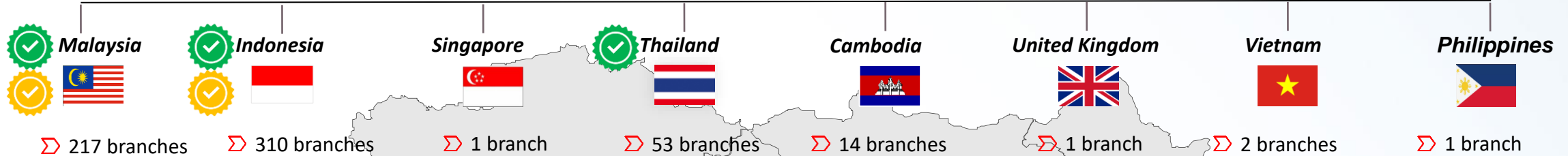
- 1 Introduction of CIMB Group
- 2 CIMB Group's journey in its development of Recovery and Resolution Plan
- 3 Key Challenges
- 4 Benefits and Critical Success Factors
- 5 Closing Remarks

Introduction of CIMB Group

FORWARD  Your Ambitions

CIMB's Regional Network

Leading Focused ASEAN Bank Presence



Corporate Bank Presence

China & Hong Kong

- 1 bank branch in Shanghai
- 1 branch in Hong Kong

Stockbroking Collaboration via CGS-CIMB

Korea

USA

Rep office

Myanmar

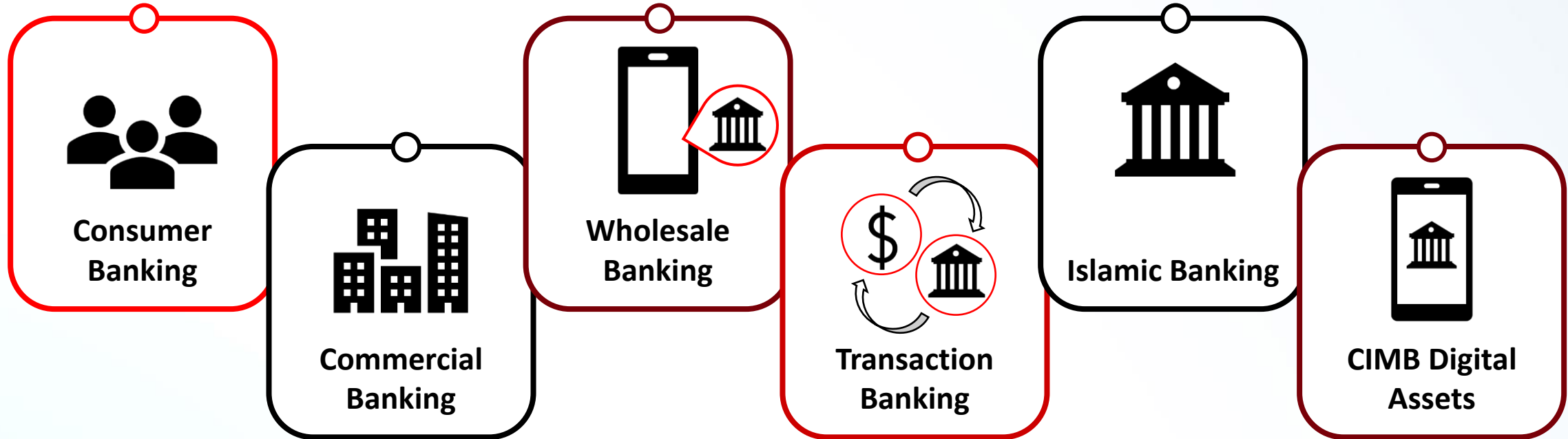
13 Countries
 601 branches
 Over 33,000 staff
 28 Different Nationalities
 Around 22 mil customers

Note : Data as of 27 September 2023

- Green checkmark: Subsidiaries with Recovery Planning in place under CIMBGH
- Yellow checkmark: Subsidiaries with Resolution Planning in place under CIMBGH



CIMB Group's Key Business Divisions



Regional Products and Services



CIMB Group's Journey in developing its Recovery and Resolution Plan

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Leveraging on Recovery Planning (RCP)

Covers the Group's operations locally and regionally including in Indonesia, Thailand and Singapore.



Covers the Group's DTM entities in Malaysia for Phase 1 (Pilot). Expected to mirror the scope of RCP going forward.



Due to the Group's substantial size and complexity – 84 entities, 81 business lines, 190 functions, 176 operational services were covered with over 200 BNM templates submitted.



Leverages on the submission of reporting templates for the identification of operational and financial interdependencies of a DTM.



Preparation of a RCP comprises the FI's strategic analysis, governance structure, scenario analysis, recovery indicators, and the potential recovery options and strategies which can be deployed.



Identify sections of DTM that can or cannot be separated in a resolution and develop a comprehensive and viable RSP through 3 stages.



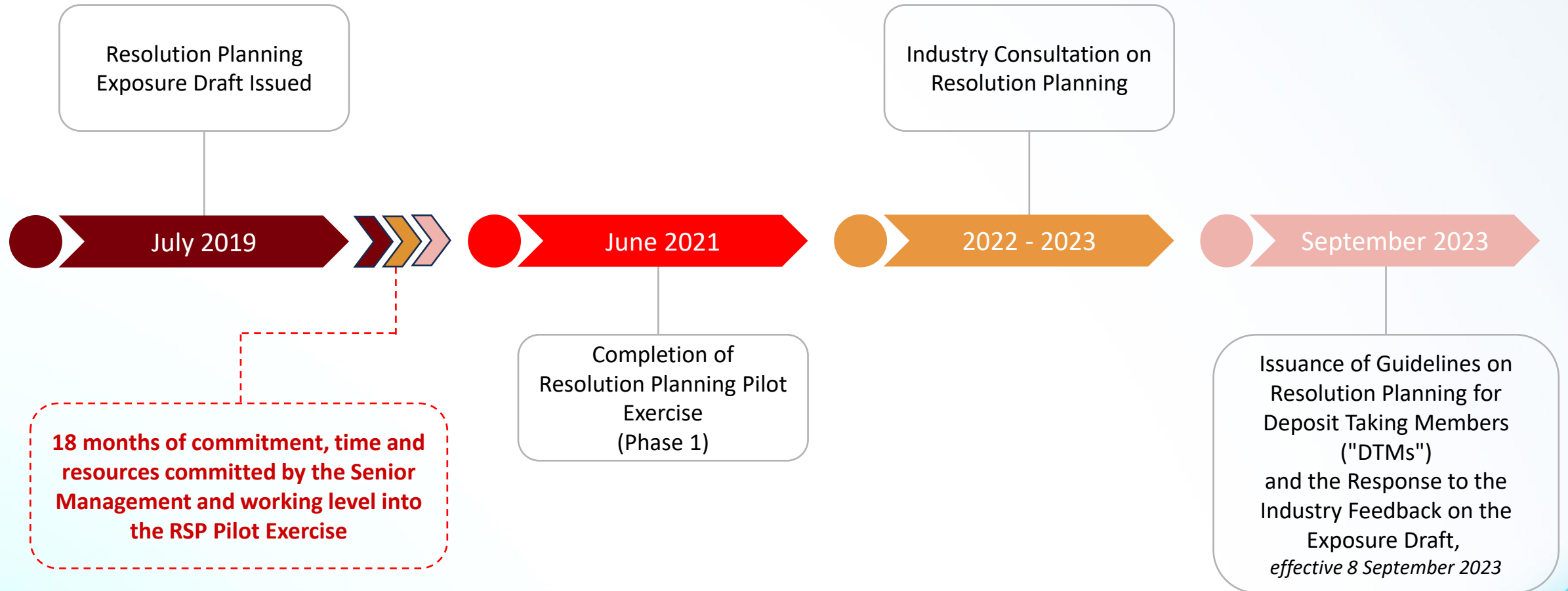
Recovery Planning

Resolution Planning

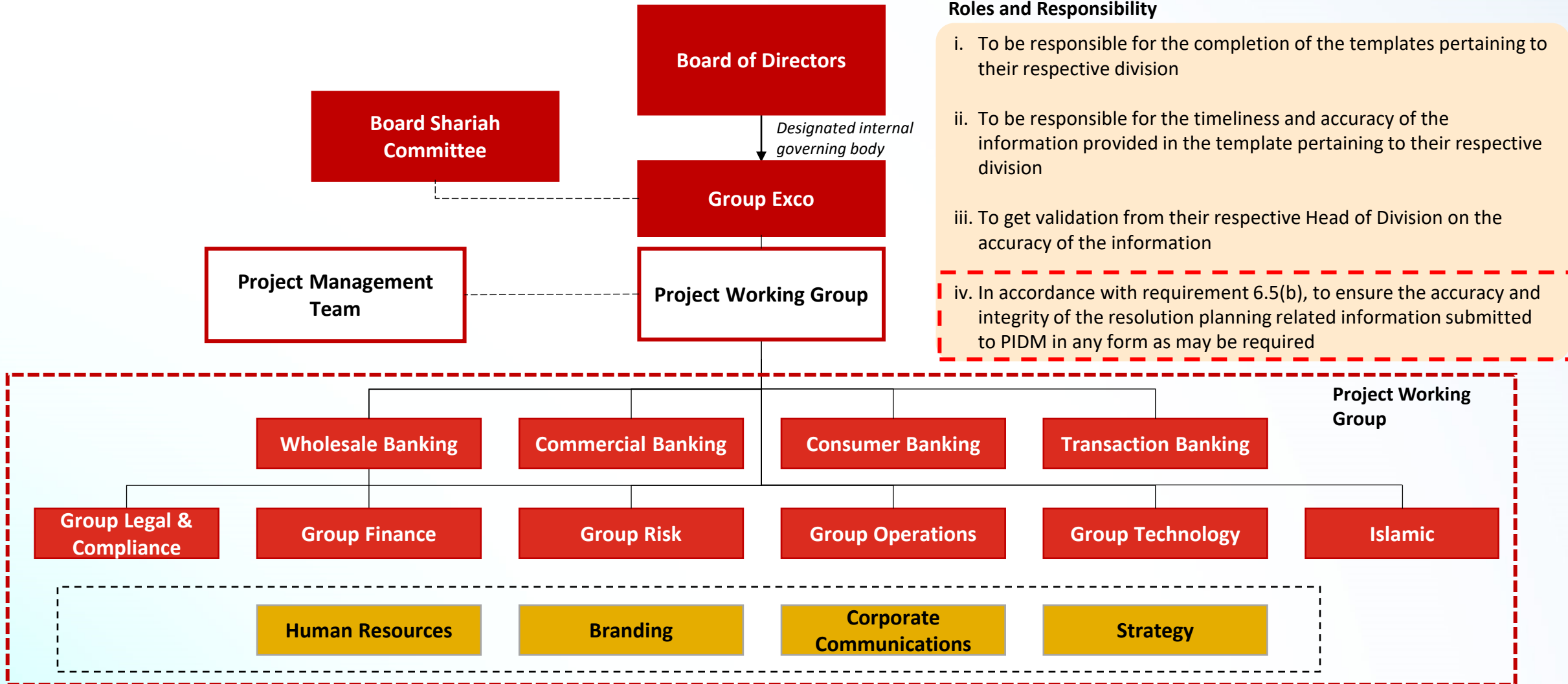
Summary

In essence, Resolution Planning exercise leverages on the extensive information developed and captured in Recovery Plan to execute the Preferred Recovery Strategies (PRS) in a way that is legally, financially and operationally feasible.

Our Journey with Resolution Planning



Governance Structure and Project Working Group



The information submitted to PIDM followed a standardised approach across CIMB underpinned by robust project management and governance

Internal workings of CIMB information gathering framework

Information Gathering

Information collected from source systems and interviews

Analysis and Assessment

Analysed and assessed before inputting into PIDM template based upon the queries raised by PIDM

Review

Entirety of PIDM submission reviewed to ensure consistency and alignment in content

Obtain Approval

Approval sought with BU/BE Heads as well as formally at GEXCO

Project Management and Governance




- Set-up governance and PICs across all BUs and BEs
- Institute weekly project working group meetings
- Establish working sessions and workshops, including reviews with PIDM
- Ensure governance is followed in the submission of information

Key Challenges




FORWARD  Your Ambitions

Challenges in Implementing Recovery and Resolution Planning

Challenges

-  Dedicated resources to work on an extensive project which cut across business and support and cross countries within the expected timeline
-  Assessment of core business lines, critical functions and critical services from RRP perspective
-  Integrating RRP tracking to existing risk and control monitoring framework and structure

Solutions

-  Support from the Top and Buy-in from key stakeholders throughout the process
-  Workshops were conducted to engage relevant stakeholders, address any question or concerns, not another “box ticking” exercise
-  Alignment to avoid duplication and confusion

Challenges in Implementing Recovery and Resolution Planning (con't)

Challenges



Communication and buy-in from all stakeholders throughout the extensive exercise



RRP regional alignment between CIMB Group's and its subsidiaries (i.e., CIMB Thai and CIMB Niaga)

Solutions



- "Tone from the top" and commitment from Senior Management as well as provide regular and consistent updates on the progress of the exercise



- Conduct gap analysis to address any discrepancies or gaps promptly and develop internal, localised Policies & Procedures (P&P) to adopt the stricter/ country-specific requirements where possible

Benefits and Critical Success Factors

FORWARD  Your Ambitions

Benefits of Recovery and Resolution Planning

Comprehensive knowledge of the Group

- Gain comprehensive knowledge of the Group's business and its criticality to the financial system
- Deeper understanding of the interconnectedness of the business and its support functions to better assess and manage risks
- Promote a sense of ownership and heightened responsibility among all stakeholders involved

Identification of potential impediments

- Thorough assessment of potential issues or obstacles that may arise
- Ability to address the impediments identified prior to the occurrence of stress events
- Ability to include the identified impediments into the Preparatory Measures to be taken at the appropriate time

Benefits of Recovery and Resolution Planning (con't)

Preparedness to respond to financial shocks

- A comprehensive Recovery Plan that is regularly refreshed that provides a quick reference of executable Recovery Options in times of need
- Group Crisis Management Committee with established governance that can be activated
- Communication Strategy

Resiliency towards stress scenarios

- Ensure continuity of Financial Institution's critical functions and preserve franchise value
- Execute Preferred Recovery Strategies or Options that are available within the identified timeframe via the established governance framework
- Adapt in the face of adversity while minimising the negative impact on stakeholders

Impact and Integration into BAU Business and Operations

Realignment of RCP frameworks of various jurisdiction

- Performed gap analysis comparing RCP frameworks under BNM, OJK and BOT, with overall outcome of no major differences noted and the RCPs across jurisdiction are largely aligned
- CIMB Thai/ CIMB Niaga (Indonesia) is required to seek dispensation where necessary for any exceptions/ differences in local RCP vs Group RCP

- Heightened monitoring responsibility of respective parties based on clearly defined roles and financial indicators
- Capital and Liquidity Recovery Indicators monitored on a monthly and daily basis respectively
- Disseminated across various department via email for feedback and monitoring

Enhancement in monitoring measures

Critical Success Factors

Senior Management Support

- Promotes stakeholder engagement.
- Resources are allocated well.
- Project more likely to be given a higher priority.

Ease of Consultation with Regulators

- Good two-way communication with BNM and PIDM.
- To ease understanding and interpretation of the requirements under the Guidelines.

Continuous Communication and Engagement with Stakeholders

- Stakeholders have a clear and shared understanding.
- Promotes inclusivity.
- Build and maintain trust with stakeholders.

Leverage on Our Experience in RCP

- Facilitates knowledge and best practice sharing across the Group.
- Improve understanding of subsidiaries' financial resilience.

Sense of Ownership from Involved Parties

- All BUs and BEs give their full support and commitment.
- Assigned templates/ report were submitted in a timely manner.
- Enables the appropriate department to take ownership of the respective sections within the RRP.

Closing Remarks



Preparedness

- With RRP in place, Banks would be well-prepared in the event of financial distress, both at the bank-wide or system-wide level.



Engagement

- A strong and well-structured governance plays a crucial role in ensuring proper development and maintenance of RRP.



Ownership

- All involved stakeholders are expected to give full commitment and demonstrate a sense of ownership throughout the extensive process of RRP.

Thank You

Importance and Benefits of Recovery and Resolution Planning (“RRP”) -Maybank Singapore’s Journey-

Dr. Davide Crippa

Chief Risk Officer

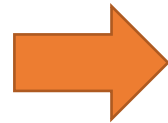
Maybank Singapore

Objectives of Recovery and Resolution Planning

Failure of FI

Destabilise the
Financial System
Create hardship in
the economy

→ Not ideal



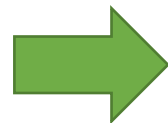
Reduce Risk of Failure – via Recovery Planning

- Systemically important FIs are required to formulate Recovery Plans that set out prompt actions in times of distress (pre-emptive)

Zero Failure

Inconsistent with
accountability
principles
Breeds moral
hazard

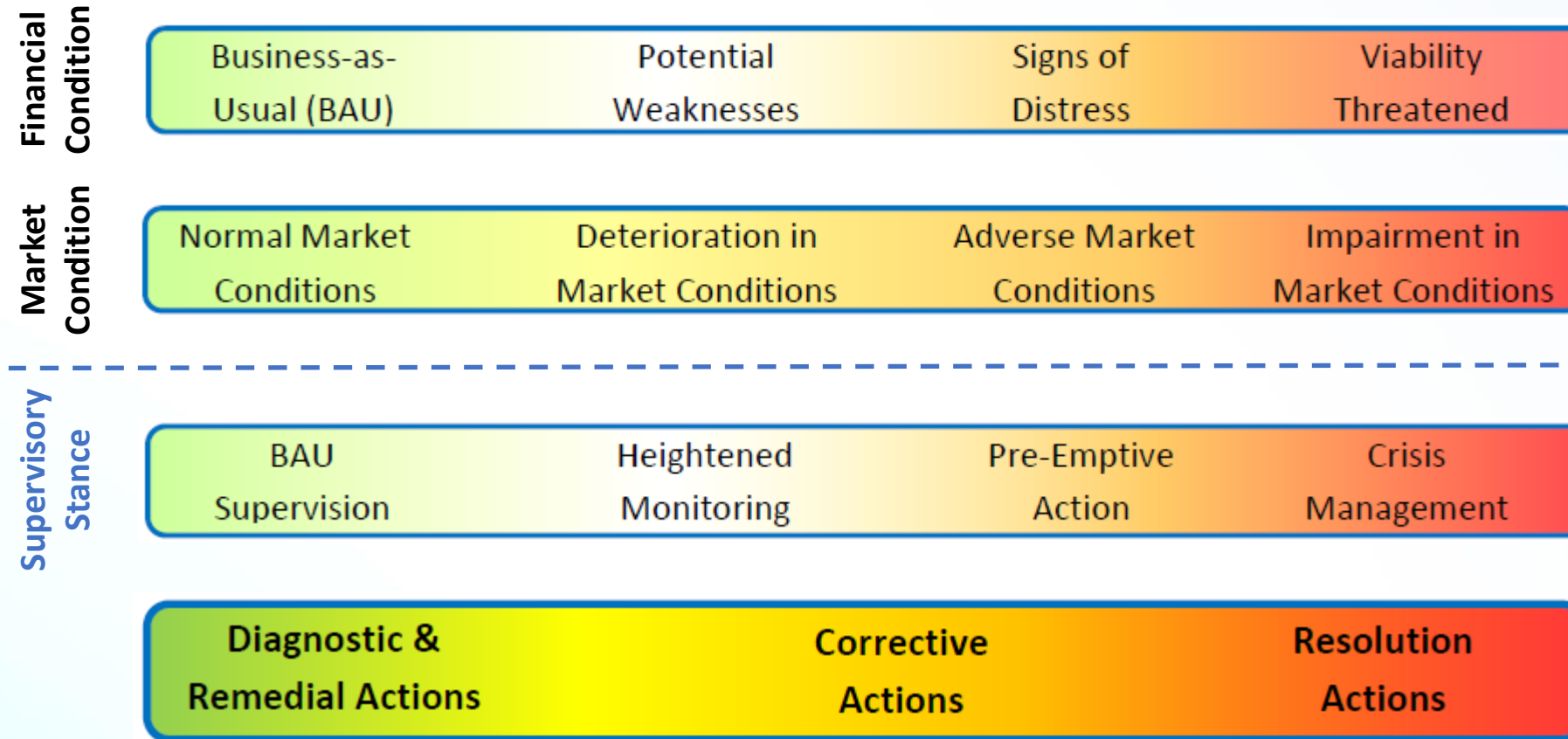
→ Not ideal



Reduce Cost of Failure – via Resolution Planning

- Minimise widespread disruption to the economy, and enable the distressed FI to be exited from the market in an orderly fashion at minimal cost to taxpayers
- Maintain public confidence in the financial system, ensuring Critical Functions performed by FIs and FMIs remain operational to safeguard business continuity of financial system

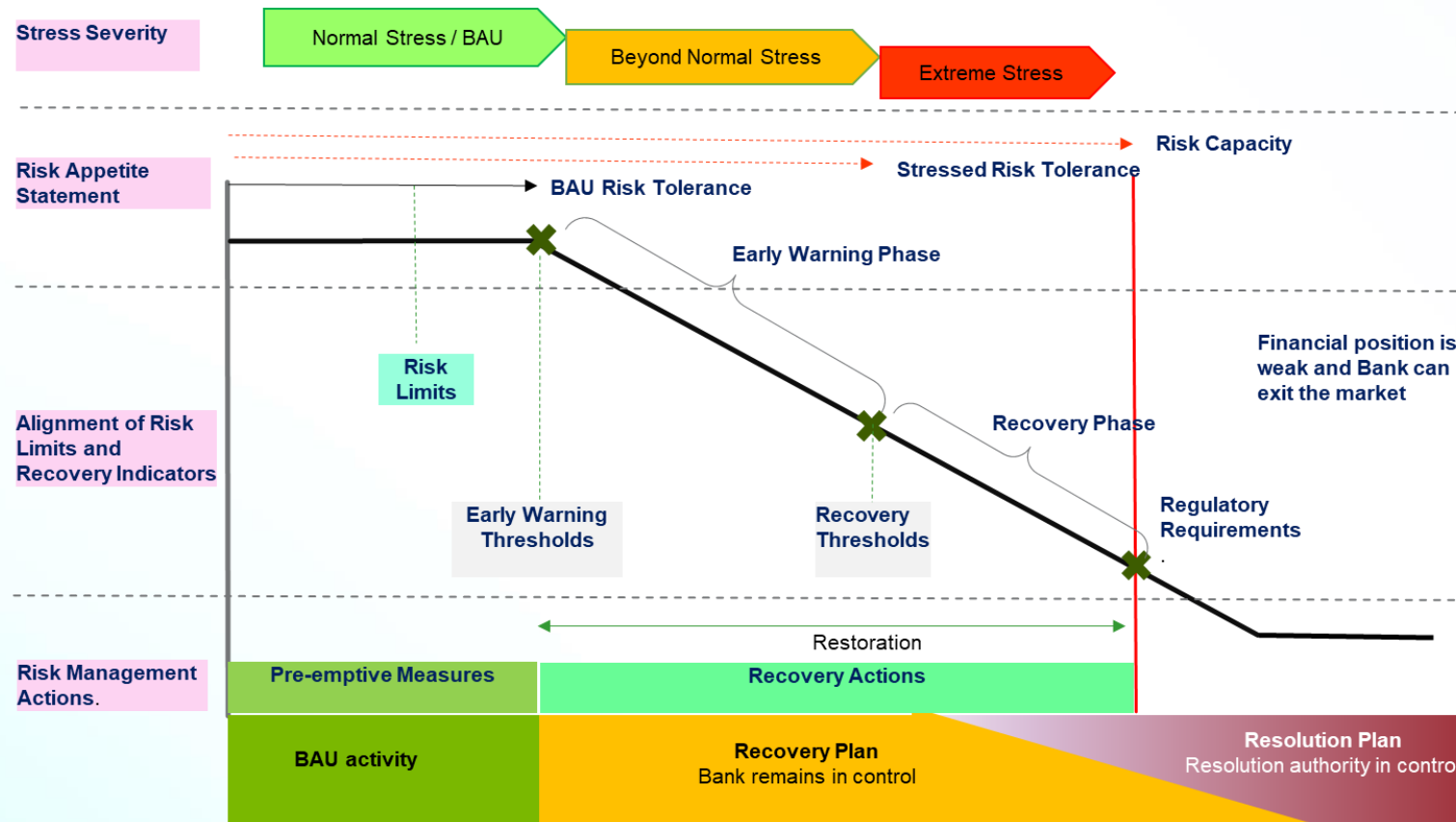
MAS' Crisis Management Framework for FIs



Source: MAS' approach to resolution of financial institutions in Singapore, Aug 2017

Recovery Planning at Maybank Singapore

The Risk Continuum

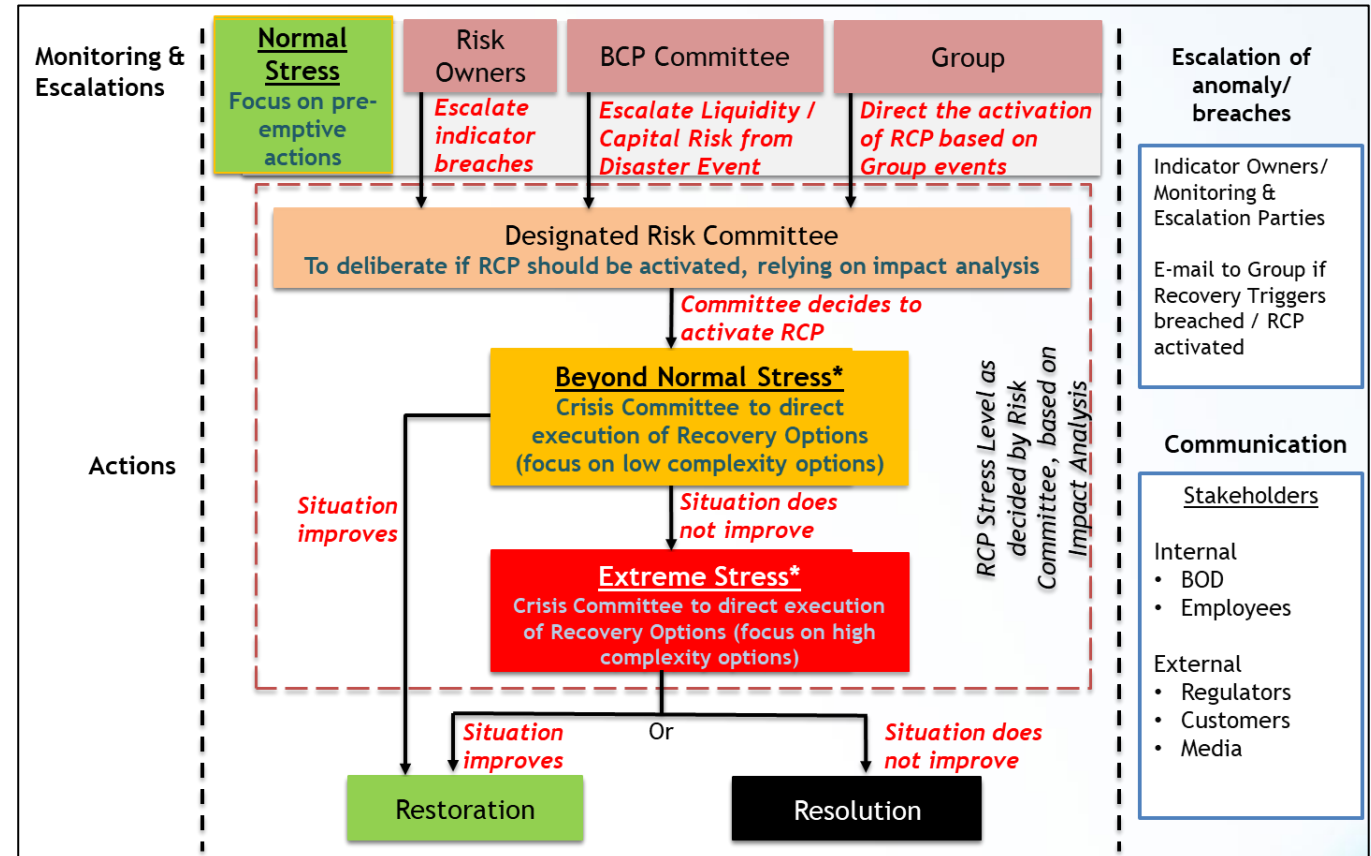


- Maybank's RCP is consistent with its Risk Management Framework
- The RCP may be activated at the discretion of the Designated Risk Committee when justified by the level of risk
- Maybank's risk continuum is also consistent with MAS' Crisis Management Framework

Recovery Planning at Maybank Singapore

Escalation Process

- The RCP may be activated by the Designated Risk Committee in response to any anomaly or signs of financial distress highlighted via the Recovery Indicators.
- The Committee has the discretion to activate the RCP in response to any events that could impact the Bank adversely.
- The RCP may also be activated by the Committee when directed by Group as financial stress at Group level could have a negative impact on the Singapore operations.
- The Committee may also activate the RCP in response to potential threats to the Bank's liquidity or capital position arising from a crisis/disaster as highlighted by the BCP Committee.



Recovery Planning at Maybank Singapore

Overview

Maybank Singapore Recovery Planning ensures strong survivability under stress and is designed to satisfy regulatory requirements and expectations:

Information & Systems

- The information in the RCP is being refreshed annually. We have identified the **PICs and processes to maintain the information**, which includes intragroup and external dependencies, outsourcing arrangements, FMI dependencies, etc.

Governance

- We have a **Recovery and Resolution Committee** in place to formulate and maintain/improve the RCP. All Roles and Responsibilities for maintaining the RCP are clearly assigned, including the Bank's Recovery Director. **Crisis committees**, including their membership and roles, have also been identified.

Recovery Triggers & Stress Scenarios

- We track a set of **quantitative recovery triggers** that are capital and liquidity based. We have also identified a comprehensive list of **recovery indicators and early warning indicators** that cover all material risks faced by the bank. In addition, we simulate the outcome of both an idiosyncratic and market-wide scenarios to ensure that the Recovery Options identified by the Bank are effective and sufficient.

Recovery Options

- We have identified a comprehensive menu of **credible recovery options** that can be executed within a reasonable timeframe, to address capital shortfalls and liquidity pressures under situations of severe stress. We have also **documented the details**, including the estimated impact, steps to execute, the potential impediments, the parties involved, and the timeframe required to execute for each option identified.

Recovery Planning at Maybank Singapore

Overview (cont'd)

Escalation Process

- The **escalation processes** upon the occurrence of a trigger event are clear. The potential trigger events are also clearly identified and documented.

Communication Plan

- The **communication plan** to manage communication with internal and external stakeholders is clear. We have also drafted potential responses to address a comprehensive list of scenarios.

Continuity of Interdependencies

- We continually strive to ensure that **outsourcing arrangements** that support critical functions and critical shared services can function under stress. We have reviewed all the contractual arrangements to ensure that they would continue to function under stress and resolution.

Access to Critical FMIs

- Unfortunately, the critical FMIs we work with have not acceded to our request to resolution-proof our working arrangements. However, we believe that they will continue to support the Bank if we continue to fulfil our end of our contractual agreements.

RCP Testing

- We have a framework to test the feasibility and effectiveness of our recovery plan. This includes both component tests and comprehensive tests with real life simulations.

MAS' Expectations on Resolution Plan

A resolution plan (“RSP”) describes the strategy for timely and orderly resolution, in the event of material financial distress, with the aim of preventing severe disruption while protecting systemically important functions.

RSPs for systemically important FIs are developed by MAS.

- The RSP includes a resolution strategy, and an operational plan for its implementation.
- MAS requires systemically important FIs to furnish essential information as set out in MAS Notices and Guidelines.
- MAS conducts resolvability assessments based on information furnished.
- MAS will discuss with FIs, Crisis Management Groups, Home/Host regulators (through Supervisory College), etc.

Resolution Information Required from FIs

Organisational and legal structure

(including material entities)

Core business lines and critical functions

Inter-dependencies amongst entities and business lines

(including funding and operational dependencies)

Preferred resolution strategy

(and options to preserve or wind down critical functions)

Potential barriers or impediments

(to effective resolution)

Actions to mitigate potential barriers or impediments

Thank You

Importance and Benefits of Recovery and Resolution Planning (“RRP”) -HSBC Hong Kong’s Journey-

Paul Stephenson

Regional Head of Capital Management
Asia Pacific, HSBC

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- 1. Experience in implementing Recovery and Resolution Planning**
 - 2. Sharing experiences in the assessment and development of resolvability capabilities**
-

Background of Recovery and Resolution Planning in HSBC

2014

- First HBAP Recovery Plan was developed

2017

- First HBAP Resolution Submission

• Sites with RRP live requirements:

- HBAP
- HASE
- **Singapore**
- **China**
- Australia
- Malaysia
- **Indonesia**
- Sri Lanka
- Bangladesh
- Philippines

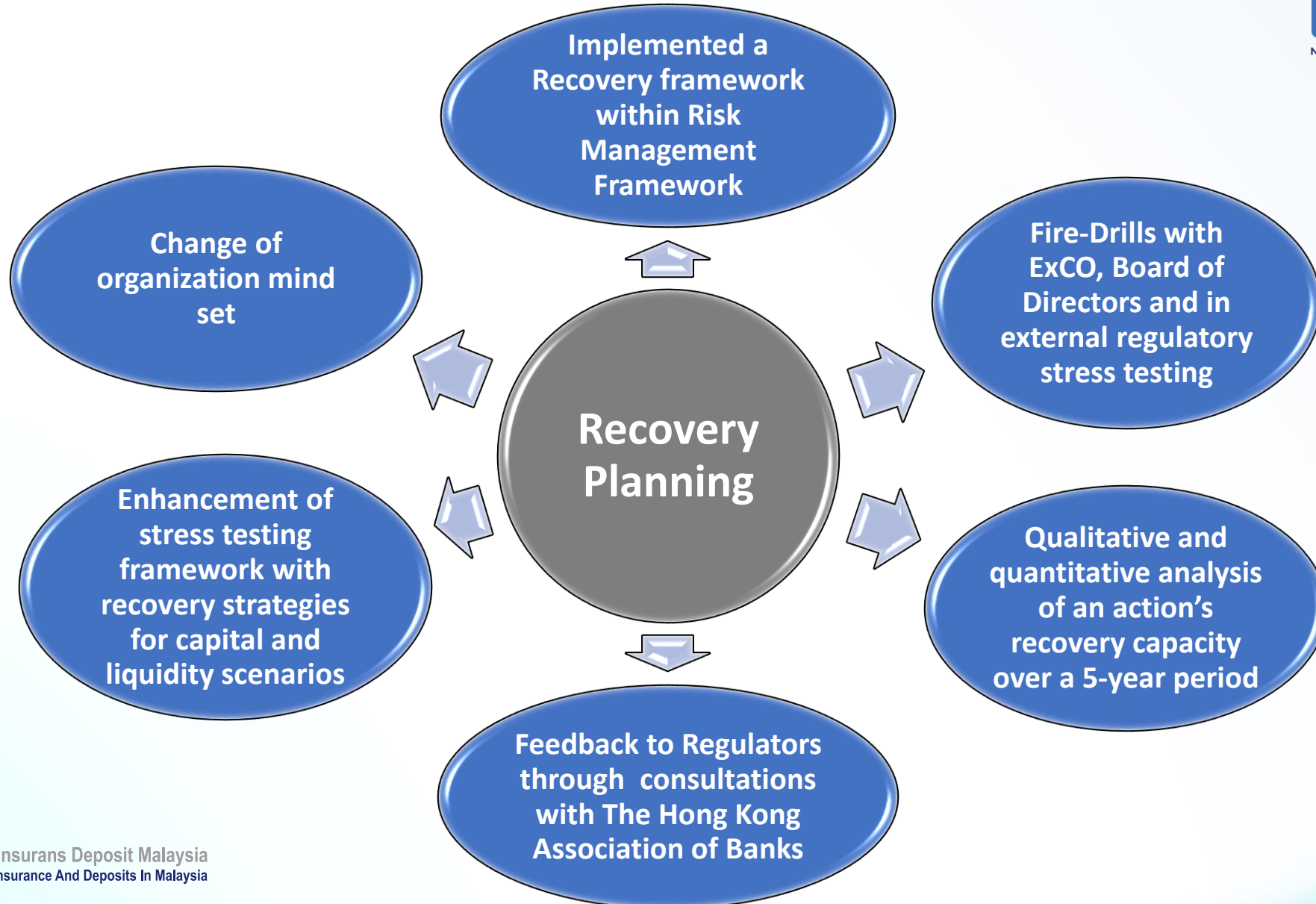
Sites with both recovery and resolution requirements are highlighted in **bold**.



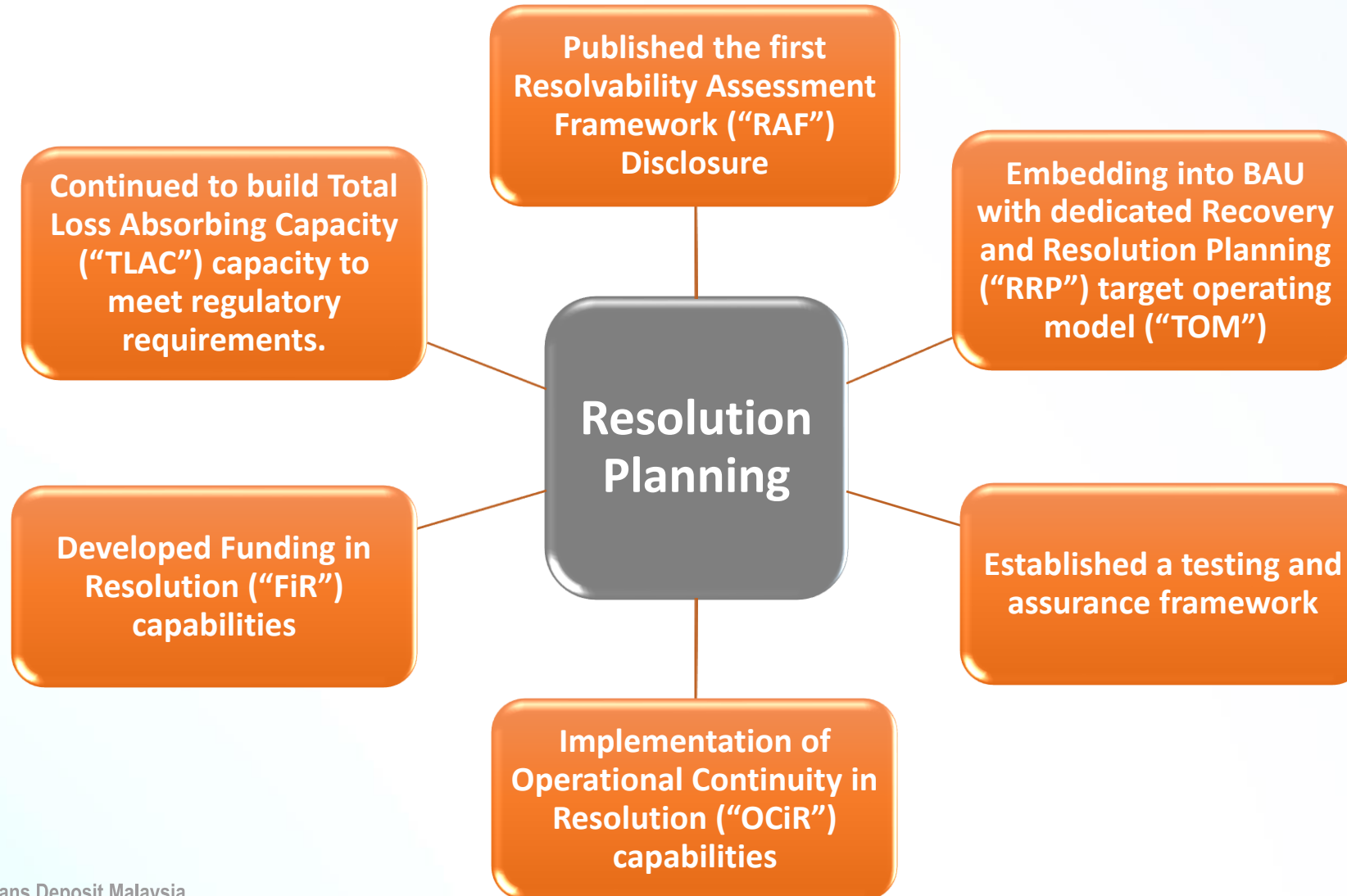
HSBC Bank Malaysia Berhad (“HBMY”) - Recovery Plan and Resolution Plan submissions

- ◆ First submission of Recovery Plan in June 2023 to Bank Negara Malaysia (“BNM”). For subsequent submissions where there are no material changes, HBMY shall submit a set of simplified reporting requirements on an annual basis.
- ◆ PIDM just issued the guideline of Resolution Plan and detailed requirement will be shared in a formal letter later. Timeline for submission to be advised.

HSBC's approach to Recovery Planning

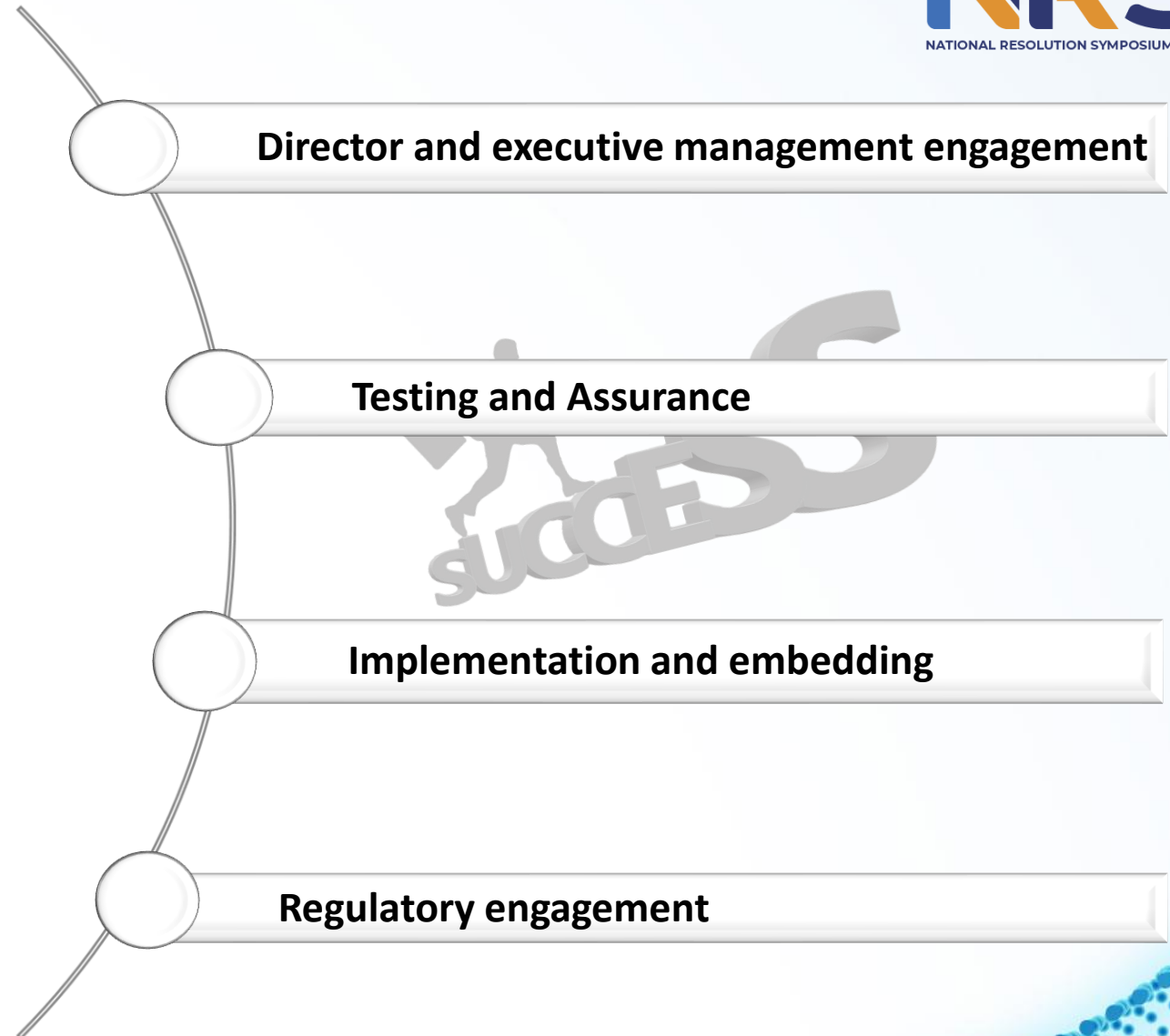


HSBC's progress update on Resolution Planning



Challenges faced during the journey and key success factors

- **Differing timelines:** designing and implementing capabilities in multiple jurisdictions in some cases before requirements are finalized.
- **Local tailoring:** balancing country specific requirements with the importance of globally connected resolution strategies and capabilities.
- **Training & familiarization:** being a relatively new area of banking regulation and with limited theoretical and real-world experience.
- **Embedding:** due to the scale and complexity of requirements, embedding RRP into the organization is a multi-year process.

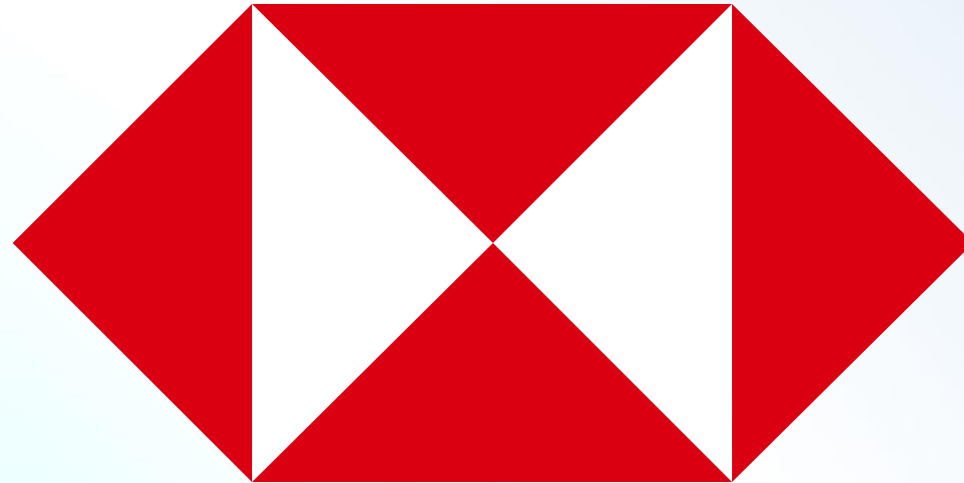




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Thank you

