

### Section 3: Resolution Planning

No	Question	Answer
1.	<p>Which member banks are subject to Resolution Planning ("RSP") in Malaysia?</p> <p>Will a member bank with minimal critical functions be subject to reduced RSP requirements, as a gone-concern resolution approach would be more appropriate for the member bank?</p>	<p>In Malaysia, all member banks will be subject to RSP.</p> <p>While the primary PRS for all member banks is transfer strategy, the alternate preferred resolution strategy ("PRS") for a smaller and less complex member bank may be a gone-concern strategy intended to allow for an orderly exit of the business of the small and less complex member bank in the event a private sector purchaser is not available at the time of resolution.</p> <p>PIDM expects all member banks to be "transfer-ready". The objective is to ensure that all or parts of the business, assets and liabilities or shares of a failing member bank is transferable, in a prompt and effective manner, either during business-as-usual or during a resolution.</p> <p>Therefore, regardless of whether a member bank performs a critical function, any issues arising from any intra-group dependencies which may impede an effective transfer should appropriately be considered and addressed to ensure continuity of banking services and operations. This will also help to preserve franchise value of a failing member bank.</p>
2.	<p>To what extent RSP requirements should be integrated into a member bank's risk management framework and governance process?</p>	<p>As part of resolution planning requirements, member banks are expected to address the impediments to resolution including building and maintaining the necessary capabilities to support the effective implementation of the resolution plan. This expectation is an example of resolution planning requirement that should be considered and incorporated into a member bank's existing risk management framework and governance process.</p>

<p><b>3.</b></p>	<p>How does the principle of proportionality apply in RSP?</p> <p>How will member banks be categorised based on complexities, especially for non-Domestic Systematically Important Banks ("D-SIBs")?</p>	<p>Given that each member bank is different in terms of their size, business profile, complexity and resource capacity, RSP will be undertaken in a proportionate manner, without undermining the end goal of resolvability.</p> <p>For example, a smaller and less complex member bank may be subjected to less extensive requirements, needing lesser time and resources to achieve the intended resolvability outcome.</p> <p>The categorisation of member banks in relation to their size, complexities, interconnectedness, amongst others, will be based on PIDM's assessment.</p>
<p><b>4.</b></p>	<p>How does PIDM ensure avoiding overlapping and duplication of efforts in regulatory reporting requirements?</p>	<p>In relation to information requirements, PIDM will leverage largely on information submitted by a member bank under BNM's recovery planning process.</p> <p>The information requirement in RSP will extend from the information obtained from recovery planning and will be tailored based on the specificities of a member bank, in line with the principle of proportionality.</p> <p>Where required, PIDM will provide further guidance on information requirements, as and when PIDM engages with the member bank during the RSP process.</p>
<p><b>5.</b></p>	<p>What is the rationale for a resolution plan to be developed on an entity basis (as compared to a group basis for a recovery plan)?</p>	<p>Unlike during business as usual or recovery where contingency planning can be carried out on a group-wide basis, in the event of a resolution, the member bank will be resolved on a legal entity basis. For purposes of RSP, a resolution plan assumes the worst-case scenario where fungibility of capital would not be available within the financial group once resolution is triggered. Hence, the resolution plan is developed on the basis that the relevant resolution powers under PIDM Act will be</p>

		exercised by PIDM on each non-viable member bank to ensure a prompt and orderly resolution.
6.	<p>How is the scope of recovery planning and RSP process aligned to ensure effectiveness and efficiency? Some member banks may not have a specific recovery plan given that the recovery plan is prepared by the financial holding company or the apex entity of the financial group (e.g. an Islamic member bank which is a subsidiary or an affiliate company of another DTM does not have a recovery plan as a starting point for resolution planning).</p> <p>What are the roles of non-member banks within the financial group, including the extent of involvement in the resolution planning process?</p>	<p>For an Islamic member bank which is a subsidiary or an affiliate company of another member bank, in the absence of a member bank specific recovery plan, PIDM will leverage on the information in the recovery plan prepared by the financial holding company or the apex entity of the member bank group as a starting point and request for additional information, as necessary, on a tailored and targeted basis.</p> <p>In line with the objective to preserve financial stability, the resolution plan for each member bank will consider material interdependencies and interconnectedness within the member bank group, including any non-member banks, to the extent they would affect the member bank in resolution.</p>
7.	How does PIDM incorporate resolvability elements into DPS framework?	<p>PIDM intends to incorporate elements of resolvability into the DPS Framework when PIDM and member banks have collectively progressed towards and achieved an advanced stage of resolvability.</p> <p>Based on the experiences in other jurisdictions, achieving maturity in resolvability assessment and the ability of member banks to identify and remediate impediments to resolution may take several years.</p> <p>In the interim, as part of the incentive to promote and maintain resolvability of member banks, PIDM has introduced three (3) new resolution-centric criteria ("RCC") within the revised DPS Framework which will take effect from assessment year 2025. The revised DPS Guidelines that incorporated the RCC is available on PIDM website.</p>

		<p>Further enhancements will be made to the revised DPS Guidelines, considering PIDM's assessment framework on resolvability. The work undertaken in recovery planning, to the extent that it will improve resolvability, may be considered as part of the overall resolvability assessment, as appropriate. PIDM will consult the industry, when appropriate.</p>
8.	<p>Will member bank be consulted prior to the issuance of the RRL, including setting of the PRS? Will a more realistic timeline (e.g. six months) be given to a DTM to respond to the RRL, considering the extensive preparatory work required? Furthermore, under certain scenarios and given the complexity of issues, a member bank should be given the flexibility to determine the response timeline.</p>	<p>The PRS(s) will be communicated to the member bank, as part of the outcome in the first stage of the resolution planning approach. The DTM may provide feedback and express its views on the PRS(s), if any, supported by rationale and justifications, for PIDM's consideration.</p> <p>Separately, the RRL will be issued by PIDM to the member bank annually or as and when required, to communicate with the member bank's Board on the progress and issues (if any) related to the RSP process.</p> <p>PIDM expects to engage the member bank by way of regular discussions throughout the RSP process. The member bank is required to respond to the RRL in writing within three (3) months from the date of the RRL or any other timeline as may be stated in the RRL, depending on the nature or complexity of the issues/progress. The timing and intervals for subsequent periodic updates (if any) by the member bank on RSP shall be determined between PIDM and the member bank as part of ongoing engagement.</p>
9.	<p>What is the specific expectation for the member bank's Board to ensure that the DTM is resolvable? This is because some activities within RSP are beyond the control of the member bank (e.g. member bank not responsible in setting the PRS, developing the resolvability expectations and implementing the actual resolution actions).</p>	<p>Both PIDM and member banks have their respective roles to play in the RSP process. To ensure that a member bank achieves a state of readiness to support an effective resolution i.e. to be resolvable, the member bank's Board is responsible to set the tone from the top and to ensure the necessary capabilities, in line with the resolvability expectations determined by</p>

		PIDM, are put in place for the member bank to be resolved in an effective and orderly manner.
<b>10.</b>	What is the role of the member bank's Board and senior officer(s) in the feasibility assessment; and (b) the criteria/qualification required for the designation of senior officer(s) to be responsible for RSP?	<p>In relation to the feasibility assessment, the member bank's Board is required to oversee and approve the feasibility assessment. The member bank's Board may designate senior officer(s) or an internal governing body to support the member bank's Board throughout the RSP process including undertaking the feasibility assessment.</p> <p>For the definition of "senior officer", please refer to PIDM RSP Guidelines.</p>
<b>11.</b>	Should the senior officer(s) designated for RSP be the same person(s) designated for recovery planning?	<p>It is not a requirement that the designated senior officer(s) for RSP must be the same person(s) for recovery planning. The member bank will need to assess and consider the arrangement which best suits the member bank, considering the roles and responsibilities expected of the senior officer(s) in recovery planning and RSP, such as ensuring consistency and comparability between the two.</p> <p>Nonetheless, if it is feasible and practicable, it may be advantageous for a member bank to have cross membership of the recovery planning and RSP teams to ensure efficiency and continuity, given the close inter-linkages between recovery planning and RSP.</p>
<b>12.</b>	What is the methodology and criteria used by PIDM to determine the primary PRS, including any difference in approach for foreign banks incorporated in Malaysia? What is the estimated timeframe for PIDM to validate the primary PRS, and the timeline for a member bank to provide feedback on the PRS validated by PIDM?	<p>The primary PRS for all member banks, including foreign banks incorporated in Malaysia, will be the transfer strategy.</p> <p>The transfer strategy is most suitable for member banks as it ensures continuity of critical functions and services, minimises disruption to the financial system and preserves franchise value. However, the feasibility of any PRS could be impacted by other factors beyond PIDM's control (e.g. no suitable purchaser at the point of resolution). Hence, PIDM may require</p>

		<p>a member bank to be prepared for an alternate PRS. PIDM will validate the primary PRS based on the information submitted by a member bank in its recovery plan to BNM. Depending on the extent of additional information or clarification required, PIDM targets to firm up the primary PRS between six (6) to twelve (12) months from the submission date of the recovery plan. PIDM will engage member banks throughout the RSP process, where necessary. In terms of the timeline for a member bank to provide feedback on the PRS, PIDM will work together with the member bank and determine a reasonable timeline that will allow the member bank to provide feedback on the PRS(s).</p>
<b>13.</b>	<p>What is the process involved to consider resolution options other than the PRS (and whether workaround is allowed) in situation where the PRS is determined to be not feasible or credible during an actual resolution?</p>	<p>The PRS determined by PIDM is the “presumptive” path for the purpose of RSP during business-as-usual. There may be circumstances or situations at the time of resolution that necessitate a different resolution strategy (individually or in combination) that is assessed by PIDM to be the most suitable to be implemented by PIDM, instead of the planned strategy (PRS or alternate PRS). Nevertheless, the support of the member bank and its management is crucial to ensure the effective implementation of the resolution actions at that point in time.</p>
<b>14.</b>	<p>Does the resolution strategy set by PIDM require the approval of the member bank’s parent company, shareholders or creditors?</p>	<p>PIDM does not require the resolution strategy of the member bank as set by PIDM to be approved by the parent company, shareholders or creditors of the member bank. Nevertheless, as part of the consultative approach, the member bank may provide feedback on the resolution strategy for PIDM’s consideration. This will not, however, be binding on PIDM. PIDM will ultimately determine the PRS(s) for the member bank.</p>
<b>15.</b>	<p>When will an alternate PRS be required? Will the alternate PRS be subject to PIDM’s</p>	<p>The purpose of an alternate PRS is to ensure that a member bank has a “fall back” strategy in</p>

	<p>credibility assessment? What is the timing as to when the alternate PRS will be developed and communicated to member bank? Will there be a need to maintain an alternate PRS that is “parallel” to the primary PRS as this might be onerous and may require additional resources.</p>	<p>the event the primary PRS could not be implemented due to other factors (e.g. no suitable acquirer at the point of resolution).</p> <p>In determining the alternate PRS, PIDM will consider the specificities of each member bank such as the size and complexity of a member bank’s business. At the end of the first stage of the RSP process, PIDM will communicate the primary PRS and alternate PRS, if any, to a member bank.</p> <p>Resolvability assessment will also be carried out on the alternate PRS to ensure that it is feasible and credible, subject to the principle of proportionality. PIDM will work closely with the member bank when the member bank undertakes the feasibility assessment, and with BNM when PIDM undertakes the credibility assessment.</p> <p>In order to optimise resources and efficiency, PIDM expects that the priority and focus of the feasibility assessment will be on the primary PRS, followed by the alternate PRS. Further guidance on the feasibility assessment will be provided by PIDM at a later stage.</p>
<b>16.</b>	<p>When will a member bank be considered as “transfer ready”(i.e. the form and substance of what constitutes being “transfer ready”)?</p>	<p>A member bank is “transfer-ready” when it possesses the necessary capabilities (e.g. financial, operational and legal) to support an effective transfer of all or part of the business, assets and liabilities or shares of a member bank in the event of resolution.</p> <p>This may entail a member bank demonstrating its ability to generate sufficient and accurate information in a timely manner for purposes of valuation and the availability of adequate arrangements (including contractual) to support a transfer in resolution to ensure continuity of services.</p>

		<p>Being resolvable or “transfer-ready” is a non-binary assessment (i.e. not a pass or fail test). It entails an assessment which takes into account considerations across a number of areas. While the aim is to minimise transfer impediments, the extent of work required for a member bank to be “transfer-ready” may differ from one member bank to another, taking into account size and complexity in line with the principle of proportionality. For example, the extent of work for a D-SIB to be considered as “transfer-ready” may be different from a smaller and less complex member bank.</p>
<b>17.</b>	How will potential acquirer be identified under the transfer strategy and the party responsible to identify these acquirer(s)? Will an existing shareholder of a member bank be allowed to acquire a member bank in resolution?	<p>In a resolution, potential acquirer(s) will be determined by PIDM in consultation with BNM. A potential acquirer will be subject to the shareholder suitability criteria under the FSA or IFSA.</p>
<b>18.</b>	Does the implementation of a transfer strategy by PIDM require also the compliance with the provisions of the Companies Act 2016 (“CA”) and FSA? Will transfer in resolution also involve the use of transfer instruments and court vesting order which are associated with a typical transfer of business transaction?	<p>Unless stated otherwise, the provisions of the CA, FSA and IFSA will continue to apply in a transfer of a member bank to another potential acquirer. Nonetheless, PIDM may be exempted from certain regulatory requirements for transfers pursuant to the PIDM Act.</p> <p>The transfer instruments and process involved will vary depending on the specific types of transfer (e.g. transfer to a third-party acquirer or to a BI). In a transfer to a BI, the PIDM Act provides a specific statutory instrument for the transfer of assets or liabilities of the non-viable member bank to the BI (please refer to subsections 99(5) and (6), and the Second Schedule of the PIDM Act).</p>
<b>19.</b>	What is the relevance of transfer strategy in an actual resolution if the contemplated transfer has been effected by a DTM during the recovery phase?	<p>As part of the recovery options, a member bank may transfer part of its assets and liabilities, business and affairs or shares to a potential acquirer during the recovery phase.</p>



		<p>In a resolution, PIDM has broad statutory powers under the PIDM Act to implement a transfer strategy for the purpose of resolving a non-viable member bank.</p> <p>In a situation where some assets and liabilities of a member bank have been transferred during the recovery phase, where relevant, PIDM may continue to transfer the remaining assets and liabilities of the member bank to a private sector acquirer or a BI.</p>
<b>20.</b>	What is the frequency of the review and testing of the resolution plan, and whether there will be any specific triggers for the review of the resolution plan?	<p>The resolution plan will be reviewed and refined on a regular basis to ensure that the plan is kept current, relevant and executable. PIDM, in consultation with the member bank, will design the scope of testing based on the member bank's resolution plan.</p> <p>At the initial stages of resolution planning, it is anticipated that the review of the resolution plan (including its developmental progress) might be undertaken on an annual basis. Once the member bank has addressed substantially the key impediments and developed the relevant capabilities to support the effective implementation of the PRS(s), the frequency and intensity of the review of the resolution plan may be reduced.</p>
<b>21.</b>	Will the testing of resolution plan forms part of the fire drill under the DTM's recovery plan? Will it take the form of a desktop exercise or a simulation exercise?	<p>Testing of the resolution plan is intended to validate the capabilities and the level of readiness to implement the resolution plan as well as to identify any additional areas requiring further enhancement. It can be in the form of a desktop testing or a simulation exercise, as may be designed and agreed between PIDM and the member bank.</p>
<b>22.</b>	What is the expected level of involvement of the foreign parent bank in the development of the local resolution plan by PIDM?	<p>The aim of RSP is to develop a localised resolution plan which is customised for the locally-incorporated member bank. In this regard, PIDM will work closely with the locally-</p>

		<p>incorporated member bank throughout the RSP process.</p> <p>Where relevant, the member bank's foreign parent bank is expected to participate in discussions in the parent bank's CMGs or resolution colleges set up by the home authorities with the intent to advise on the progress of the resolvability assessment that may help and inform the development of the member bank's local resolution plan. PIDM may also consult or seek inputs from the member bank's foreign parent bank or the home authorities of the foreign parent bank, if necessary, in the development of the member bank's local resolution plan.</p>
<b>23.</b>	<p>Will PIDM consider foreign laws and legislations in resolving the DTM's foreign subsidiaries or branches and what is PIDM's approach in the event of a differing or conflicting resolution strategy between PIDM and the host authorities?</p>	<p>PIDM's resolution powers under the PIDM Act apply only to its member institutions which include member banks. Hence, PIDM will work with host resolution authorities in foreign jurisdictions where the member bank has business presence to coordinate on resolution planning involving the foreign subsidiaries or branches of the member banks with the aims of ensuring orderly resolution, minimising disruption and preserving value for the member bank and its foreign subsidiaries or branches. The actual resolution actions to be taken in relation to the foreign subsidiaries or branches of the member banks will be in accordance with the laws and regulations of the host countries.</p>
<b>24.</b>	<p>Should PIDM align its PRS, including the relevant measures to address impediments to resolution, with the group resolution strategy of the member bank's foreign parents so as not to undermine the effectiveness of the overall group resolution strategy?</p> <p>Will having different resolution strategies (e.g. single point of entry/multiple point of entry) could lead to conflicting capability</p>	<p>Pursuant to PIDM's mandate and resolution objectives, the purpose of RSP is to develop a feasible and credible resolution plan specific to a member bank. For a locally incorporated foreign member bank, the aim is to develop a local resolution plan which considers the foreign parent group's resolution plan.</p> <p>Nevertheless, on a concurrent basis, where relevant, PIDM and BNM participate in CMGs or</p>

	developments and potentially create impediments to orderly resolution?	resolution colleges of member bank's foreign parent bank to discuss cross-border issues and expectations in resolution planning. This is intended to facilitate cross-border cooperation and coordination in crisis management and resolution, concerning the locally incorporated foreign member bank.
<b>25.</b>	<p>Will a member bank be allowed to appoint a consultant or third-party service provider to conduct, advise, assist and/or review their feasibility assessment, and in any part of the resolution planning process?</p> <p>Will the information required by PIDM to assist PIDM in validating the PRS(s), would need to be validated/assessed by an independent party (e.g. internal audit) prior to its submission to PIDM?</p>	<p>A member bank may decide on the use of an external consultant or advisor to advise or assist it with any part of the RSP process. PIDM neither advocates nor prohibits the use of an external consultant or advisor except in the cases where an independent review is required (refer to response by PIDM in no. 28). Any external consultant or advisor used by the member bank for the RSP process must be subject to the same confidentiality obligations applicable to the member bank. Notwithstanding the use of an external consultant or advisor, the member bank's Board and the senior officer(s) of the member bank are responsible and accountable to comply with the RSP requirements.</p>
<b>26.</b>	What is the assurance that sensitive and confidential information provided by DTMs to PIDM, including the resolution plan prepared by PIDM, will not leak out into the public realm or "front run" by individuals who may have access to this information?	Section 24 of the PIDM Act prohibits any director, officer, employee or agent of PIDM from disclosing among others, information about the business and affairs of the member bank that he or she has acquired in the performance of his duties or in the exercise of his functions unless the disclosure is required in the course of the performance of his duties, or the exercise of his functions or is required by any law or court of law.
<b>27.</b>	What is the definition of material change in the member bank that would require disclosure to PIDM?	A member bank must notify PIDM promptly if it becomes aware of any change to its business or structure that would have an impact or create a material barrier or impediment to the implementation of its resolution plan (e.g. disposal or acquisition of a substantial business undertaking, material restructuring or change in business arrangements).

<b>28.</b>	Will the impediments identified in recovery planning need to be "repeated" in RSP?	Under BNM's recovery planning requirements, member banks may have identified the relevant impediments in relation to the recovery options involving a transfer. In this regard, during RSP, in order to minimise duplication, PIDM would leverage on these impediments identified in the recovery plan and will work closely with the member bank for further assessment from the RSP perspective.
<b>29.</b>	Will PIDM be developing playbooks to ensure that member banks and the authorities are clear on the allocation of roles and responsibilities, timelines and expectations?	To ensure operational readiness and as part of the RSP process, PIDM will develop an operational plan for each member bank. The operational plan will set out, at minimum, the steps that a member bank must take to execute its PRS(s), including but not limited to the roles and responsibilities of key personnel involved and steps to remediate any impediments to ensure a prompt and orderly resolution. A member bank may be required to provide information to support PIDM in the development of the operational plan.
<b>30.</b>	<p>What are the circumstances which warrant an independent review to be undertaken and whether such review is optional?</p> <p>What is the scope of the independent review and timing of the independent review (whether a periodic exercise or to be conducted prior to the issuance of the RRL)?</p>	Under certain circumstances, PIDM may require an independent review to be conducted, for example, where a member bank has neglected or failed to rectify significant information gaps in the feasibility assessment. The scope of independent review may vary depending on the circumstances. Example of areas for independent review may include review of the adequacy and accuracy of feasibility assessment submitted by the member bank. Any requirement for an independent review will be communicated in writing by PIDM to the member bank in advance and a reasonable timeframe for completion will be discussed and determined with the member bank.
<b>31.</b>	Is the independent review confined to Internal Audit or external party? Should the independent review be undertaken by a party	As a general principle, the independent review should be conducted by an independent party who is qualified, competent and free from any

	which is not directly involved in the feasibility assessment process?	real, potential or perceived conflict of interest. As the RSP process is expected to involve various business units and operations within a member bank, an independent party would typically comprise the internal audit or an external party.
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