

## **MAS Notice 654**

30 January 2019

NOTICE TO BANKS

MONETARY AUTHORITY OF SINGAPORE ACT, CAP. 186

### **RECOVERY AND RESOLUTION PLANNING**

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#### **I. INTRODUCTION**

1.1 This Notice is issued pursuant to section 42 of the Monetary Authority of Singapore Act (Cap. 186) (“MAS Act”) and applies to a bank to which a direction has been issued under section 43(1) of the MAS Act.

1.2 Recovery and resolution planning aims to reduce the risks posed by a bank to the stability of financial system, ensure the continuity of functions that are critical to the economy, and enable a distressed bank to be restructured or to exit from the market in an orderly manner. This Notice sets out the requirements that a notified bank has to comply with in its recovery and resolution planning.

1.3 This Notice shall take effect on 30 January 2019.

#### **II. DEFINITIONS**

2.1 In this Notice –

“Authority” means the Monetary Authority of Singapore;

“bank” means a bank in Singapore which is –

- (a) a bank incorporated in Singapore; or
- (b) in the case of a bank incorporated outside Singapore, the branches and offices of the bank located within Singapore;

“critical functions” refer to activities performed by a bank for third parties where failure would lead to the disruption of services that are vital for the functioning of Singapore’s economy and for financial stability due to the bank’s size or market share, external and internal interconnectedness, complexity and cross-border activities;

“critical shared services” refer to activities performed within the group or outsourced to third parties, where failure of such service would lead to the inability of the bank to perform critical functions;

“executive officer”, in relation to a bank, means any person, by whatever name described, who –

- (a) is in the direct employment of, or acting for or by arrangement with, the bank; and
- (b) is concerned with or takes part in the management of the bank on a day-to-day basis;

“group” includes the bank’s Head Office or parent company, subsidiaries, affiliates, and any entity (including their subsidiaries, affiliates and special purpose entities) that the bank exerts control over or that exerts control over the bank;

“notified bank” means a bank which has received a direction issued by the Authority under section 43(1) of the MAS Act;

“outsourcing arrangement” means an arrangement in which a service provider provides the bank with a service that may currently or potentially be performed by the bank itself and which includes the following characteristics:

- (a) the bank is dependent on the service on an ongoing basis; and
- (b) the service is integral to the provision of a financial service by the bank or the service is provided to the market by the service provider in the name of the bank;

“service provider” means any person which provides a service to the bank, including any entity within the bank’s group, whether it is located in Singapore or elsewhere.

2.2 The expressions used in this Notice shall, except where defined in this Notice or where the context otherwise requires, have the same meanings as in the MAS Act.

### **III. RECOVERY PLANNING**

3.1 A recovery plan (“RCP”) serves as a guide to the recovery of a distressed bank, and outlines actions the bank can take to stabilise and restore its financial strength and viability under situations of severe stress.

3.2 For the purposes of recovery planning, the notified bank shall:

- (a) prepare a RCP which includes the following:
  - (i) a framework of recovery triggers that identifies the points at which appropriate recovery options may be taken;

- (ii) an escalation process upon the occurrence of a trigger event, to facilitate prompt assessment of the impact, and decision on the appropriate course of action;
  - (iii) a menu of recovery options which are available in situations of severe stress to address capital shortfalls and liquidity pressures; and
  - (iv) a communication plan to ensure timely communication with internal and external stakeholders;
- (b) review and keep up-to-date the RCP at a frequency specified in the direction issued under section 43(1) of the MAS Act to the notified bank, and upon the occurrence of an event that could materially impact the RCP; and
- (c) ensure that the RCP is approved or endorsed by the board of directors for a locally-incorporated notified bank, or the chief executive in Singapore for a foreign notified bank branch.

3.3 For the purposes of establishing an appropriate escalation process under paragraph 3.2(a)(ii), the notified bank shall –

- (a) outline the escalation process upon the occurrence of a trigger event in the RCP, including the decision-making mechanism governing the process and the roles and responsibilities of key staff involved; and
- (b) specify the level of authority that is empowered to make decisions in respect of activating the recovery plan and determining the recovery options to be implemented.

3.4 When establishing a range of recovery options under paragraph 3.2(a)(iii), the notified bank shall ensure that the options –

- (a) are sufficiently diverse so as to deal with a range of stress scenarios covering idiosyncratic and market-wide stresses;
- (b) substantially enhance the viability of the bank; and
- (c) are capable of being executed within a reasonable timeframe.

3.5 In assessing events that could materially impact its RCP under paragraph 3.2(b), the notified bank shall take into account any changes in circumstances facing the bank, group or the financial system.

3.6 The notified bank shall establish a framework to regularly test the feasibility and effectiveness of its RCP. A notified bank which is a settlement institution of a designated payment system under the Payment Systems (Oversight) Act (Cap. 222A) should also establish a framework to regularly test the effectiveness of its RCP with regard to that role.

#### **IV. RESOLUTION PLANNING**

4.1 A resolution plan (“RSP”) facilitates the effective use of the Authority’s resolution powers. It aims to make feasible the resolution of a bank without severe systemic disruption while protecting systemically important functions.

4.2 For the purposes of resolution planning, the notified bank shall –

- (a) maintain data and information for the purposes of resolution planning, resolvability assessment and the conduct of resolution;
- (b) submit data and information for the purposes of resolution planning, resolvability assessment and the conduct of resolution, upon request by the Authority; and
- (c) inform the Authority in the event of any material change to the bank’s business or structure, so as to facilitate resolution planning.

#### **V. GENERAL**

5.1 In addition to the requirements under Parts III and IV, the notified bank shall –

- (a) appoint an executive officer as the key person to oversee the recovery planning process and the maintenance and submission of the required information for resolution planning, and inform the Authority of the appointment;
- (b) immediately inform the Authority in the event that the notified bank assesses that its viability is, or is potentially, threatened or upon the occurrence of any event that may necessitate the implementation of its RCP;
- (c) maintain management information systems that are able to produce, in a timely manner, information required for recovery and resolution planning, resolvability assessment and the conduct of resolution; and
- (d) put in place adequate measures such that outsourcing arrangements which support critical functions and critical shared services can be maintained in crisis situations and in resolution.