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chartered

Standard Chartered PLC - preparedness for resolution

10 June 2022

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Important notice

Forward-looking statements

This document may contain 'forward-looking statements' that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue' or other words of similar meaning.

By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the plans and objectives of Standard Chartered PLC and its subsidiaries (Standard Chartered or the Group), to differ materially from those expressed or implied in the forward-looking statements. Recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include (but are not limited to): changes in global, political, economic, business, competitive and market forces or conditions; future exchange and interest rates; changes in environmental, social or physical risks; legislative, regulatory and policy developments; the development of standards and interpretations; the ability of the Group to mitigate the impacts of climate change effectively; risks arising out of health crises and pandemics; changes in tax rates, future business combinations or dispositions; and other factors specific to the Group. Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future.

No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable laws or regulations, the Group expressly disclaims any obligation to revise or update any forward-looking statement contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

Financial instruments

Nothing in this document shall constitute, in any jurisdiction, an offer or solicitation to sell or purchase any securities or other financial instruments, nor shall it constitute a recommendation or advice in respect of any securities or other financial instruments or any other matter.

1. Introduction

Resolution is the process by which the Bank of England (BoE), as the UK's resolution authority, would manage the failure of a financial institution with minimum disruption to the critical services it provides and the customers it serves. Planning for and executing any resolution are responsibilities of the BoE, but the Group also has an important obligation to prepare for resolution.

These preparations for resolution are designed to run alongside and enhance the Group's extensive crisis and recovery planning frameworks, which have been subject to regulatory review and continuous improvement over a number of years. In particular, the Group maintains a comprehensive recovery plan which, among other things, contains a set of actions capable of being implemented by management in a stress to restore the Group to a stable and sustainable position. The BoE would only use its statutory powers in the Banking Act 2009 to place the Group into resolution if the BoE and Prudential Regulation Authority (PRA) determined that the Group was failing or likely to fail and it was not reasonably likely that action would be taken to change this.

The Group has devoted substantial resources to its multiyear effort to become resolvable. The focus has been on building sustainable, long-term capabilities that are embedded in the Group's infrastructure, processes and management structures. The Group has processes in place to support the BoE's resolvability outcomes such that recapitalising and stabilising the Group should be achievable and it could be restructured thereafter. The Group continues to embed resolvability into its business-as-usual processes and decisions and remains committed to working with the BoE to improve continuously its preparedness for resolution.

The BoE has identified single-point-of-entry (SPE) bail-in as the preferred resolution strategy for the Group. The Group agrees this resolution strategy is credible and that it aims to meet the statutory objectives of resolution in the UK and the objectives of the Group's overseas authorities, facilitating continuity of the critical functions and banking services the Group provides to its customers in the countries in which it operates.

This report sets out how the Group has prepared for and could support the BoE and overseas authorities in executing a resolution. It summarises the resolvability assessment report the Group has submitted to the PRA and is published in compliance with the Resolution Assessment Part of the PRA Rulebook. Alongside this disclosure, the BoE is publishing its own assessment of the Group's resolvability. The Group will report on its preparedness for resolution and the BoE will publish its assessment of the Group's resolvability every two years. As such, the next publications are expected to be made in June 2024.

2. The UK resolution framework

2.1 The purpose of resolution

The 2008 financial crisis highlighted the disruptive and costly nature of disorderly bank failure. As part of the subsequent global regulatory reforms, regulators have called on large, systemically important financial institutions such as Standard Chartered to improve their recovery plans for restoring their capital, liquidity and balance sheet positions during times of severe stress, and, in the event of the failure of recovery plans, to ensure they have capabilities to support their resolution.

The BoE describes the purpose of resolution in the following way:

“Resolution imposes losses on failed banks’ shareholders and investors, not taxpayers. It ensures larger firms’ services can continue to operate for a sufficient period, allowing authorities or new management to restructure them or wind them down.”

“By ensuring losses will fall on a failed bank’s investors, resolution can reduce the risk of bank failures by encouraging more responsible risk-taking. This can limit the impact of bank failures when they do occur, by placing the cost of failure on shareholders and investors, not public finances.”¹

2.2 The UK resolution framework

The Banking Act 2009 gives the BoE, as the authority responsible for the resolution of banking groups and building societies in the UK, a number of resolution powers. These powers include the ability to resolve a financial institution by bailing-in certain of its liabilities to recapitalise the entity or the group.

On the ‘Resolution’ section of its website, the BoE has published a range of materials which describe the UK’s resolution framework and how the BoE might conduct a resolution.²

2.3 A commitment to resolvability

The BoE committed to UK parliament that the major UK banks would be resolvable by 2022. For more than 10 years, the BoE has been developing its views on what it means for a bank to be resolvable. It has identified a number of potential barriers to the resolution of banking groups and has developed policy expectations aimed to ensure such barriers are removed or substantially mitigated by 2022.

In July 2019, the BoE published the final major piece of the UK resolution regime, the Resolvability Assessment Framework³.

The *Statement of Policy: The Bank of England’s Approach to Assessing Resolvability (May 2021, updating July 2019)* explains that, for a bank to be considered resolvable, it must, at a minimum, be able to achieve the following outcomes (the resolvability outcomes):

- i. Have adequate financial resources available to absorb losses and recapitalise the institution, without recourse to public funds, in a resolution context;
- ii. Be able to continue to do business and serve its customers through resolution and restructuring; and
- iii. Be able to coordinate and communicate effectively within the firm and with the authorities and markets so that resolution and subsequent restructuring are orderly.

Historically, there have been a number of features of banking groups which might, if not adequately addressed, act as potential barriers to achieving these resolvability outcomes. In particular, the BoE has identified the following key factors that might be challenging in a resolution context and should be considered as part of the resolution planning process, and has developed policy relating to each one:

¹ Bank of England (2018) ‘Introduction to the Resolvability Assessment Framework’, page 2.

² Available at: <https://www.bankofengland.co.uk/financial-stability/resolution>.

³ Available at: <https://www.bankofengland.co.uk/financial-stability/resolution/resolvability-assessment-framework>.

- i. Adequacy of resources that could credibly and feasibly be used to absorb losses and recapitalise the firm – the minimum requirement for own funds and eligible liabilities (MREL);
- ii. Capability to conduct accurate and timely valuations of assets and liabilities;
- iii. Access to funding to ensure firms can continue to meet their obligations as they fall due;
- iv. The risk of early termination of financial contracts;
- v. Ensuring operational continuity;
- vi. Ensuring continuity of access to financial market infrastructure (FMIs);
- vii. Identification, development and execution of post-stabilisation restructuring options;
- viii. Ensuring key roles are appropriately staffed and incentivised;
- ix. Ensuring governance arrangements provide effective oversight and enable timely decision-making; and
- x. Delivery of timely and effective communications to stakeholders in resolution.

The Group has taken active steps to enable it to achieve the resolvability outcomes and mitigate these identified barriers (including addressing relevant BoE policy), particularly where they might constitute an impediment to a credible execution of the BoE's preferred resolution strategy for the Group. These steps are summarised in Section 5.

2.4 Resolution planning and this report

Resolution planning is the process of analysing a banking group, developing a resolution strategy and ensuring the bank has, or develops, the capabilities needed to support the resolution strategy. A resolution strategy identifies the resolution powers that are likely to be best suited to stabilising and restructuring a particular bank. Resolution planning to support that strategy involves identifying how the potential barriers to resolution identified could be removed or substantially mitigated. The preferred resolution strategy for a banking group is determined by the BoE based on information and analysis provided by the banking group.

As well as describing the outcomes the BoE considers necessary to support resolution, the Resolvability Assessment Framework defines how the BoE will assess firms' resolvability, and requires major UK banks to periodically perform an assessment of their preparations for resolution, submit a report of that assessment to the PRA and publish a summary of that report. As indicated in Section 1, the BoE will also communicate publicly its assessment of the Group's resolvability and the resolvability of the other major UK banks.

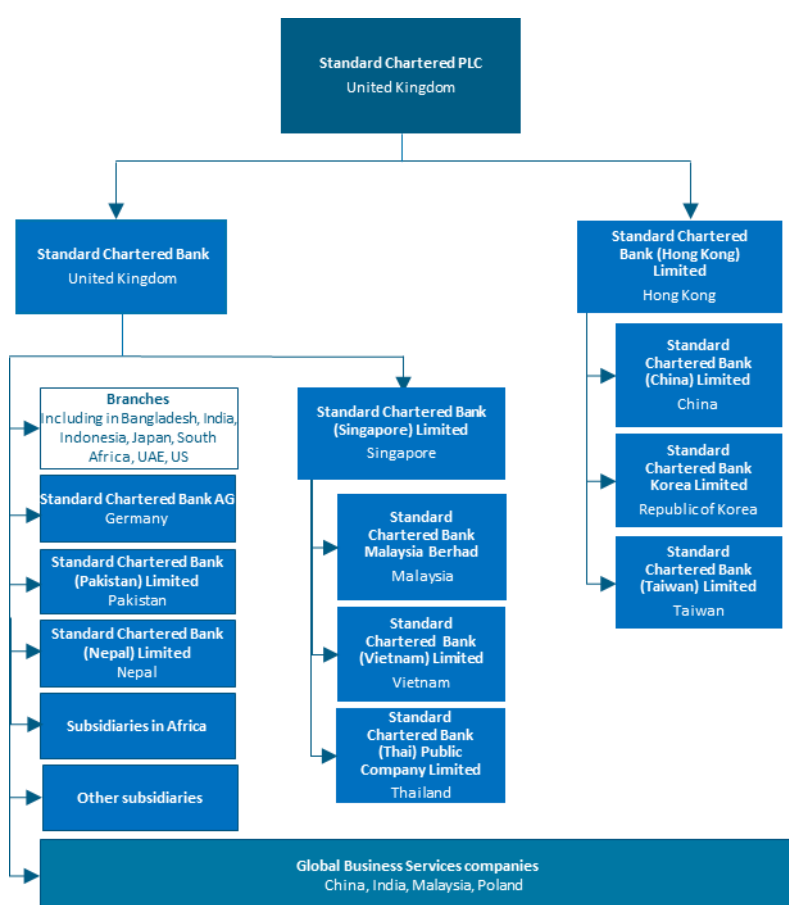
3. Overview of the Group

3.1 Business and legal entity structure

Standard Chartered is a leading international banking group which is designated by the Financial Stability Board as a Global Systemically Important Bank.

The Group has a presence in 59 markets⁴, and serves customers through its network in close to 150 markets worldwide. It serves two client segments in three regions, supported by nine global functions. The three regions are: Asia; Africa and the Middle East; and Europe and Americas. The two client segments are: Corporate, Commercial and Institutional Banking; and Consumer, Private and Business Banking. Further information on the Group's business, purpose and strategy can be found on its [website](#) and in its [annual report](#).

The Group's business is delivered through the simplified legal entity structure shown below.



3.2 Operating model

The Group provides 'critical economic functions' in many of the countries in which it operates. Critical economic functions are considered to be activities whose failure would lead to the disruption of services that are vital for the functioning of the real economy and for financial stability in the relevant country.

To enable critical economic functions to continue throughout resolution, the critical services that support them must also continue. The Group's business is supported by an operating model in which services are delivered from the following four categories of location, depending on type of process,

⁴ As set out in a press release dated 14 April 2022, subject to regulatory approval, the Group intends to exit onshore operations in seven markets within its Africa and Middle East region and in a further two markets focus solely on its Corporate, Commercial and Institutional Banking business: <https://www.sc.com/en/media/press-release/standard-chartered-announces-changes-to-refocus-and-simplify-its-presence-in-africa-middle-east-region/>

availability of talent and the need for service provision to be geographically close to businesses and clients:

- In-country service providers;
- Regional service providers;
- Group hub service providers; and
- Dedicated service companies (the Global Business Services companies).

The Global Business Services companies are globally focused and provide the following services to all business units and functions:

- Operational services, such as transaction processing, reporting and data processing; and
- Technology services, such as platform development and support, Information Technology service desk, infrastructure maintenance and IT security.

They are 100% owned by the Group.

In resolution, this operating model, supported by the arrangements described in Section 5, should support continuity of the banking services and critical functions the Group provides to its customers and facilitate a subsequent restructuring.

3.3 Changes to legal entity structure

Changes to the Group's legal structure are subject to internal governance and review by its regulators. The internal review and approval process for changes to the Group's corporate structure involves considering whether the Group's legal entity structure would continue to facilitate an orderly resolution after the proposed changes were made.

Recent examples of significant changes to the legal entity structure were the formation of the Group's Greater China and North Asia regional hub through the transfer of subsidiaries in China, Taiwan, and Korea to Standard Chartered Bank (Hong Kong) Limited, and the formation of the ASEAN regional hub through the transfer of subsidiaries in Malaysia, Thailand and Vietnam to Standard Chartered Bank (Singapore) Limited.

4. The Group's resolution strategy

4.1 Overview of the Group's SPE bail-in strategy

As mentioned in Section 1, the BoE has identified SPE bail-in as the preferred strategy for resolving the Group.

In an SPE bail-in, the BoE would use its statutory bail-in powers on a single entity in the Group – the 'resolution entity'. The Group's resolution entity is Standard Chartered PLC, its ultimate holding company and the listed parent entity. Standard Chartered PLC issues shares and debt instruments externally to the market but does not take customer deposits or have significant operating liabilities.

The statutory bail-in powers would allow the BoE to write down the claims of certain unsecured creditors (including holders of capital instruments) of Standard Chartered PLC and convert those claims into an equity interest in Standard Chartered PLC. The objective would be to restore solvency and stabilise the Group in the short term, enabling it to continue providing critical functions to customers, and then undertake an orderly restructuring of the business to address the causes of failure.

In an SPE bail-in, creditors of Standard Chartered PLC should be affected in the order of the priority of their claims in the relevant creditor hierarchy (as described further below). However, the Group's operating entities should not be subject to any resolution, administration, insolvency or other proceedings. The SPE bail-in strategy aims to ensure that all operating entities remain well-capitalised and retain their authorisations from the relevant authorities, minimising disruption to customers. Similarly, it aims to ensure operating entities retain access to central bank facilities and payment systems and continue to meet their payment and performance obligations. As a result, depositors, counterparties and other customers and creditors of the Group's operating entities (including the vendors and counterparties which provide important services to the Group) should be unaffected, and the Group's customers should continue to have access to their deposits and banking services.

For this reason, bail-in is considered to be the most suitable option for the UK's largest and most complex banks.

4.2 Cross-border considerations

For a cross-border group like Standard Chartered, planning for and executing an SPE bail-in would require a high degree of coordination and engagement between the BoE and PRA (the Group's 'home' authorities), authorities in other countries where the Group has operations ('host authorities'), and the Group itself. It would also require coordination and engagement between the boards and management of Standard Chartered PLC and its subsidiaries and the Group has developed capabilities to facilitate this.

Since 2011 the Group has had a Crisis Management Group (CMG) made up of the BoE, PRA and key host authorities⁵. The CMG meets regularly to discuss the preferred resolution strategy for the Group and to review the resolution planning work carried out by the Group and the BoE. The Group's approach to resolution planning is to develop firm-wide capabilities that meet the objectives of its home and host authorities. The CMG has had visibility of this work. In addition to engaging with the CMG, the Group has regular bilateral communication with its home and host authorities on resolution planning.

A key feature of an SPE bail-in resolution strategy is the downstreaming of financial resources from the resolution entity to the material subsidiaries⁶ in the group. These resources provide assurance to host authorities that losses and recapitalisation needs arising in material subsidiaries could be covered, protecting local depositors and creditors. This (together with the other capabilities developed) should ensure that material subsidiaries continue to be authorised and meet local requirements at the point of non-viability and throughout any subsequent restructuring, reducing the risk of host authorities

⁵ These include the prudential and resolution authorities in Hong Kong, Singapore, Korea, China, the United States, India and the United Arab Emirates.

⁶ The Group's material subsidiaries are Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank (Singapore) Limited, Standard Chartered Bank (Korea) Limited and Standard Chartered Bank (China) Limited.

taking action that is misaligned to the SPE resolution strategy. Recapitalisation of the operating entities is explained further below.

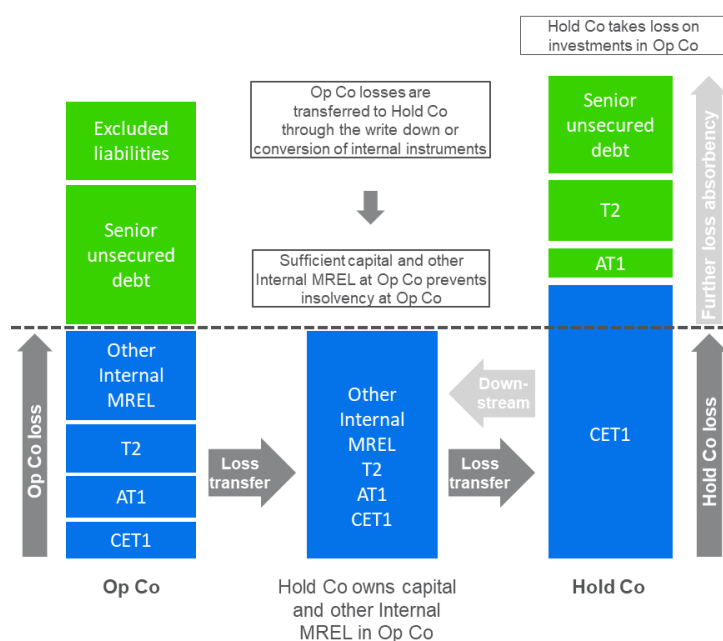
4.3 How SPE bail-in recapitalises the Group

So that the Group has resources that could credibly and feasibly be bailed-in in resolution, Standard Chartered PLC is required, as part of business-as-usual, to issue shares and debt of a specified amount and quality externally to the market (referred to as External MREL). Similarly, the Group's material subsidiaries are required to issue shares and subordinated debt of a specified amount and quality directly or indirectly to Standard Chartered PLC (referred to as Internal MREL).⁷ Other subsidiaries also issue shares and other regulatory capital instruments internally to Standard Chartered PLC. Further detail on the Group's Internal and External MREL is in Section 5.1.

If a subsidiary suffered significant losses, these internal instruments could be written down, recapitalising the subsidiary and transferring the losses to Standard Chartered PLC. Standard Chartered PLC would then absorb these losses to the extent it had capacity to do so. If the losses in one or more subsidiary exceeded Standard Chartered PLC's capacity to absorb losses, the BoE could put the Group into resolution, bailing-in the External MREL to facilitate a coordinated resolution of the Group.

The SPE bail-in should impose losses on the shareholders and creditors of Standard Chartered PLC according to the order of priority of their claims in insolvency. This means that losses would first be imposed on holders of ordinary shares and other equity instruments. Any remaining losses would be imposed on creditors of Standard Chartered PLC in a process that would involve capital instruments and other debt instruments issued by Standard Chartered PLC being written down. Creditors whose debt obligations were written down would receive ordinary shares in Standard Chartered PLC or 'certificates of entitlement' exchangeable for ordinary shares in due course.⁸

This process is illustrated below.



⁷ The BoE's statement of policy on its approach to setting MREL is available at: <https://www.bankofengland.co.uk/paper/2021/the-boes-approach-to-setting-mrel-sop>.

⁸ The precise value of ordinary shares to be allocated to MREL holders may not be known for some time after a firm is placed into resolution. It is also recognised that some investors may be restricted from holding ordinary shares and may wish to trade out of the position before such shares are allocated. Accordingly, the BoE has developed an approach whereby so-called 'certificates of entitlement' might be issued in the first instance. This approach is further described in the BoE's Operational Guide to Executing a Bail-in, available at: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/executing-bail-in-an-operational-guide-from-the-bank-of-england.pdf>.

4.4 Resolvability outcomes

To support its preferred resolution strategy, the Group needs to meet the three resolvability outcomes identified in the BoE's Resolvability Assessment Framework:

- i. *Have adequate financial resources in the context of resolution:* For the Group, this means having financial resources in excess of regulatory requirements which are available to absorb losses and recapitalise the Group. It also means having capabilities to provide the financial and liquidity analysis needed to inform timely decision-making, including aiding an independent valuer to carry out the requisite resolution valuations;
- ii. *Be able to continue to do business through resolution and restructuring:* For the Group, this means that financial and operational contracts are not materially disrupted or terminated and that direct or indirect access to services delivered by FMI is maintained. It also means having the capabilities to plan and execute a business reorganisation plan. Combined, this should enable the continuity of the critical functions provided to customers; and
- iii. *Have the ability to coordinate and communicate effectively:* For the Group, this means key roles are suitably staffed and incentivised, governance arrangements deliver effective coordination, decision-making and oversight and communication with staff, customers, authorities, markets and other relevant stakeholders is effective. Combined this should enable an orderly resolution and restructuring.

The capabilities the Group has developed to deliver these resolvability outcomes are described in Section 5.

4.5 How the Group would facilitate a resolution

To facilitate execution of an SPE bail-in resolution strategy, the Group has built a framework to manage resolution from the onset of a crisis and activation of pre-resolution contingency planning (alongside recovery planning) through to post-resolution restructuring. The framework builds on the stylised resolution timeline set out in the BoE's Resolvability Assessment Framework.

The framework anticipates that an SPE bail-in strategy would consist of four phases, namely 'pre-resolution contingency planning'; the 'resolution weekend'; the 'bail-in period' and the 'restructuring period'.

The Group has developed a master resolution playbook and barrier-level playbooks to enable it to effect an SPE bail-in in an orderly manner throughout the stylised resolution timeline. The playbooks set out the responsibilities for key activities throughout the resolution timeline and show how capabilities would be used in a resolution scenario. They also provide a suitable framework for regularly testing the effectiveness of resolution capabilities.

A summary of how the Group's resolution capabilities would be deployed across the resolution timeline, with the objective of maintaining regulatory authorisations and avoiding disruption to the critical functions provided to customers, is set out below.

Pre-resolution contingency planning

Pre-resolution contingency planning would take place prior to the Group entering resolution, with the aim of ensuring resolution preparedness. During this phase, the Group's management would still be in control, with management actions being deployed under the recovery plan. The Group would be subject to heightened supervision and increased engagement with the BoE, PRA and other regulators. The effectiveness of any recovery actions taken and the evolution of key regulatory metrics would be closely monitored. Alongside the Group's own monitoring, the BoE would be monitoring the need to trigger preparations for resolution.

A summary of the key actions the Group would take during the pre-resolution contingency planning phase is set out below.

Financial resources

- Identify liabilities potentially in scope of bail-in and prepare for write-down of these liabilities.
- Provide financial information and modelling to support an independent valuer to determine the quantum of losses and extent of bail-in required.
- Provide liquidity projections and collateral information to relevant stakeholders, considering the impact of resolution.

Continuity and restructuring

- Activate plans for ensuring operational continuity, continued access to FMI and continuity of financial contracts.
- Update ex-ante analysis of third-party relationships to identify risks to continuity and relevant mitigating actions.
- Analyse potential restructuring options and strategies, which would include engagement with the BoE, independent valuer and relevant host authorities.
- Prepare a draft business reorganisation plan, with consideration given to the appropriate combination of sale and/or wind-down of assets, entities and businesses.

Coordination and communication

- Implement resolution governance arrangements to coordinate activities across businesses, countries and functions, ensuring effective and consistent engagement with authorities and other key stakeholders.
- Consider implementing retention and succession plans for key roles and engage with regulators regarding approvals for any new appointees to regulated senior management roles.
- Prepare internal and external communications plans, including market disclosures in line with legal and regulatory obligations.

Resolution weekend

The resolution weekend begins when the PRA and BoE determine the Group has met the conditions for resolution and ends when relevant markets re-open. The BoE would aim to ensure this phase occurred over a weekend, with the resolution decision taking place on a Friday once the relevant markets have closed. The BoE would make a 'resolution instrument', which would give effect to the resolution and specify the instruments and liabilities subject to the bail-in. It would be accompanied by a public announcement by the BoE. It is expected the BoE would be coordinating with the relevant listing authorities, in particular in the UK and Hong Kong, to suspend trading or cancel the listing of instruments subject to the bail-in. Settlement would be frozen within the relevant central securities depositories.

A summary of the key actions the Group would take during the resolution weekend is set out below.

Financial resources

- Implement instructions from regulators to write down Internal MREL resources in the relevant material subsidiaries.
- On instruction from the BoE, liaise with the common depository of securities and related stakeholders in the custody chain to issue certificates of entitlement to holders of liabilities that have been identified for bail-in.

Continuity and restructuring

- Where applicable, implement arrangements to give effect to the temporary stay of termination rights in financial contracts and undertake targeted engagement with key stakeholders, including suppliers, FMIs and other counterparties, to provide them with accurate and up-to-date information on the resolution measures being taken.

Coordination and communication

- Work with the BoE to engage host authorities with the objective of maintaining authorisations and obtaining applicable regulatory approvals in all relevant jurisdictions.
- As instructed by the BoE and in coordination with authorities across all relevant jurisdictions, announce entry into resolution.
- Coordinate communication with key stakeholders including third parties and staff, and implement retention and succession planning measures.
- Implement changes to governance arrangements in line with instructions from the BoE. This would include formally onboarding a bail-in administrator⁹ and supporting the removal or replacement of management where required.

Bail-in period

The bail-in period covers the time between the resolution weekend and the point at which the Group is returned to private-sector control. The BoE aims for this phase to last three to six months. However, in practice, it would last until the BoE could accurately calibrate the final terms of the bail-in and safely return the firm to private sector control. Throughout this phase, the Group is expected to continue providing banking services and critical functions to its customers.

A summary of the key actions the Group would take during the bail-in period is set out below.

Financial resources

- Continue to monitor, anticipate and assess liquidity risk in light of stressed resolution conditions, the Group's evolving liquidity position and any increased requirements imposed by FMIs and counterparties.
- Complete the valuations, taking account of entry into resolution and the impact of restructuring actions, in order to finalise the terms of the bail-in.
- Instruct the transfer of Standard Chartered PLC shares to holders of certificates of entitlement and transition the Group back to private-sector control under its new shareholders. This would bring an end to the bail-in period and formal resolution proceedings.

Continuity and restructuring

- Finalise the proposed measures in the draft business reorganisation plan and carry out any further planning and preparations for implementing it.
- Coordinate across local entities and boards, which would be responsible for ensuring that the restructuring measures proposed in relation to the relevant entities were consistent with local statutory requirements and regulatory objectives, in particular the continuity of critical economic functions in their respective jurisdictions.

⁹ The bail-in administrator is responsible for performing functions that the BoE specifies depending on the resolution scenario. Further detail on the potential role of the bail-in administrator is available in BoE's Operational Guide to Executing a Bail-in available at: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/executing-bail-in-an-operational-guide-from-the-bank-of-england.pdf>.

- In line with previously identified continuity risks, carry out targeted engagement with key suppliers, FMIs and counterparties to continue assuring them of the Group's ability to make the required payments and continue to meet margin and collateral requirements.

Coordination and communication

- Conduct a communications campaign with all stakeholders to keep them abreast of relevant developments and ensure applicable disclosure obligations are met.
- Commence preparations for removing resolution-specific governance arrangements.
- Work closely with the BoE to enable an orderly exit from resolution, including with respect to communications with customers, markets and staff and ongoing disclosure obligations.

Restructuring period

A significant restructure of the Group is likely to take place after resolution, with the aim of ensuring continuity of the critical functions provided to customers and restoring long-term viability to the residual business.

While implementation of the business reorganisation plan may have started during the bail-in period, full implementation of the plan is likely to take considerable time to complete, depending on the restructuring options, and could extend for several years beyond exit from resolution. The implementation of the business reorganisation plan would be supervised by the PRA and host regulators. Throughout the implementation period, the Group would continue to keep all key stakeholders informed of the progress of the restructuring.

5. Achieving the resolvability outcomes

The Group has developed capabilities and processes to support the BoE's resolvability outcomes such that recapitalising and stabilising the Group should be achievable and it could be restructured thereafter.

The capabilities and processes developed, as well as a summary of how they support each resolvability outcome, are set out below.

5.1 Outcome 1: Adequate financial resources

For a resolution to be effective, and to secure continued authorisation by the relevant authorities and enable continuity of critical economic functions, the Group will need financial resources that can be used to absorb losses, recapitalise the Group and fund the subsequent restructuring. Furthermore, the Group must have processes to monitor, forecast and manage its funding and liquidity needs in the run up to and during resolution, and during a restructuring. It must also be able to carry out detailed and timely valuations to support an assessment of its capital position and recapitalisation needs.

To address this, the Group has in place External and Internal MREL resources in excess of regulatory requirements, which could be used to absorb losses and recapitalise the Group. Capabilities have been developed to operationalise the bail-in process and to inform the extent of recapitalisation required through the independent valuation process.

The Group also has capabilities that allow it to monitor, forecast and manage its funding and liquidity needs, taking into account the resolution scenario. The analysis of funding and liquidity needs would continue to be updated as the business reorganisation plan was developed, and would also be used to inform the choice of restructuring strategy. The business reorganisation plan would set out how the Group intended to, if required, rebuild its MREL position and repay any central bank liquidity support.

Further information on the capabilities developed to meet the Resolvability Assessment Framework objectives for MREL, valuation in resolution and funding in resolution is set out in paragraphs (a) to (c) below.

(a) MREL

In line with the Group's existing capital management framework, the Group holds eligible External MREL resources above the BoE's final requirements and the Group's risk appetite. As at 31 December 2021, Standard Chartered PLC had a total of USD85.9 billion External MREL resources which could be used to absorb losses and recapitalise the Group in resolution.

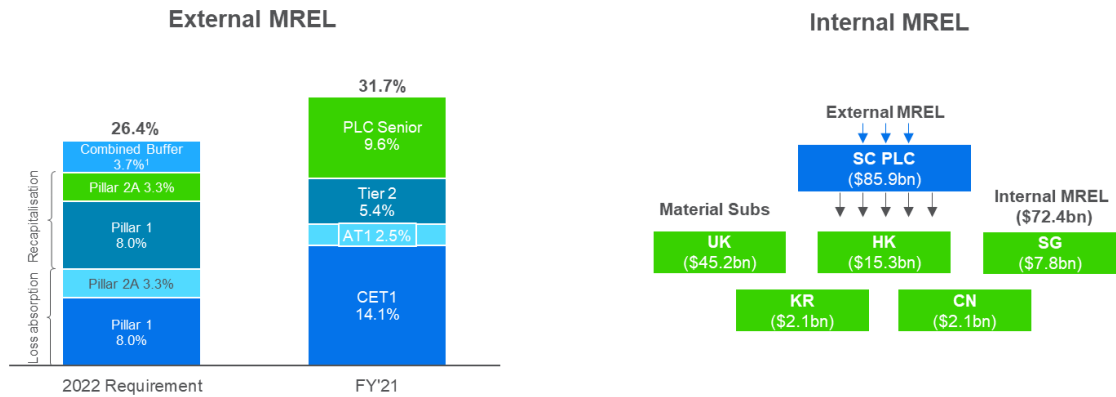
To enable losses arising in material subsidiaries to be absorbed and their recapitalisation needs met, MREL resources have been downstreamed to all material subsidiaries through the issuance of Internal MREL instruments directly or indirectly to Standard Chartered PLC. As at 31 December 2021, total Internal MREL resources downstreamed to material subsidiaries amounted to USD72.4 billion, exceeding relevant host authorities' minimum requirements and the respective risk appetite thresholds of each material subsidiary.

Relevant Internal MREL instruments contain contractual provisions that enable them to be written down, either at the point of non-viability of the issuing material subsidiary, or when the BoE puts Standard Chartered PLC into resolution, in each case at the request of the competent authority.¹⁰ This is to enable losses arising in material subsidiaries to be absorbed and the material subsidiaries recapitalised, facilitating continued authorisation by the relevant authorities and continuity of critical economic functions.

¹⁰ 2 percent of the Group's Internal MREL resources by value do not contain the second part of the trigger (enabling the competent authority to write down the instruments if the BoE puts SC PLC into resolution). The Group does not consider this to have a material impact on its resolvability.

Since its External MREL resources are greater than the sum of capital and Internal MREL resources downstreamed to subsidiaries, the Group has 'surplus' MREL that could be used to further support and recapitalise any direct or indirect subsidiary.

The Group's MREL position as at 31 December 2021 is shown below.



1. Combined Buffer comprises the Capital Conservation Buffer, G-SII Buffer and any Countercyclical Buffer

To enable up-to-date information on potential liabilities in scope of bail-in to be provided, the Group has developed and enhanced its reporting capabilities. These are used regularly for regulatory submissions and are subject to internal controls and governance.

Any risk to the Group's resilience and resolvability arising from mismatches between the form, tenor, interest rate or currency of Internal MREL resources issued by material subsidiaries and External MREL resources issued by Standard Chartered PLC is actively managed and monitored, as are the clean holding company thresholds that apply to Standard Chartered PLC¹¹.

(b) Valuation in resolution

To enable the detailed and timely valuations that would be required at various stages of the resolution process to be performed, the Group has built on its extensive existing frameworks and platforms and added incremental valuation in resolution capabilities where necessary.

The Group has developed and tested a valuation in resolution playbook, which, in addition to supporting delivery of timely and robust valuations, reflects the expected requirements of an independent valuer to ensure they are fully integrated within the valuations processes.

The Group's combined capabilities have been designed to support effectively an independent valuer in producing valuation analysis throughout the resolution timeline that meets the requisite level of timeliness and robustness. This includes ensuring reliable data is readily available and models are sufficiently flexible to allow for rapid adjustment and sensitivity analysis. The high-level approach to each of the four resolution valuations is summarised below.

- **Valuation 1:** To inform whether the Group is failing or likely to fail, the Group can leverage its accounting consolidation system and capital reporting engine.
- **Valuation 2:** To determine the extent of losses and the quantum of recapitalisation required, the Group has built a robust valuation in resolution database to consolidate data and has enhanced its valuation models to deliver economic hold and disposal valuations at a Group and material entity level.
- **Valuation 3:** To estimate the market value of the Group's equity post-resolution, the Group can leverage the scenario-based analytics platform used for stress testing to deliver the required forecast financial metrics. This platform can run different scenarios with a range of

¹¹ Clean holding company thresholds aim to limit the amount of liabilities at resolution entities that rank pari passu with MREL but do not meet MREL eligibility criteria. They are set out in the BoE's statement of policy on its approach to setting MREL at: <https://www.bankofengland.co.uk/paper/2021/the-boes-approach-to-setting-mrel-sop>.

macroeconomic variables and allows for the tailoring of assumptions and sensitivities to evaluate the impact of alternative resolution strategies and the circumstances at hand.

- *Valuation 4:* To estimate outcomes for creditors had the Group entered insolvency instead of resolution, the Group has documented the relevant creditor hierarchies, mapped them to local general ledger accounts and stored this data in the valuation in resolution database to enable it to be readily accessed.

Information on planned enhancements to the Group's valuation in resolution capabilities is provided in Section 7.

(c) **Funding in resolution**

To enable the Group to monitor, forecast and manage its funding and liquidity needs throughout the resolution timeline, the Group has enhanced existing capabilities to enable it to understand its liquidity needs more rapidly, taking into account the additional stresses which may apply in a resolution.

It has developed an automated, flexible liquidity analysis tool that enables the Group, once in resolution or pre-resolution contingency planning, to forecast its cash position for an extended period. The tool's flexibility means assumptions about cash outflows and liquidity generating actions can be changed daily, with the output available the next day. Assumptions can be adapted as the circumstances of the resolution evolve and the tool also allows the Group to determine the impact of restructuring options on its liquidity position.

The Group has liquidity surpluses over regulatory requirements across all regulated entities and has identified management actions in the Group's recovery plan that would be suitable for use in resolution.

In addition, supporting the liquidity analysis tool is a set of reports which enable the Group to identify securities, mortgages and corporate loans that may be eligible as collateral for access to any central bank liquidity facilities available in resolution. The Group continues to constructively engage with central banks and host regulators on the ability to use collateral to access funding in the event of resolution.

These capabilities are embedded in the Group's liquidity risk management framework.

Information on planned enhancements to the Group's funding in resolution capabilities is provided in Section 7.

5.2 Outcome 2: Continuity and restructuring

For resolution to be effective, as well as having adequate financial resources, the Group will need to enable continuity of the critical functions provided to customers throughout resolution and the subsequent restructuring. This means ensuring interaction with key suppliers, FMIs and financial counterparties is not disrupted as a result of entry into resolution. It also means being able to determine and execute a credible business reorganisation plan to address the cause of failure and restructure the business in a way that enables critical functions to be maintained in the long-term.

Under an SPE bail-in strategy, the Group's operating entities should not be subject to resolution proceedings and are expected to remain well-capitalised and retain their authorisations from the relevant authorities. They are expected to continue to meet their payment and performance obligations, including to vendors and counterparties which provide important services to the Group. Nonetheless, to achieve continuity the Group ensures that, as far as possible, its contracts with third-parties may not be terminated solely as a result of the Group entering into resolution, provided the Group continues to meet its payment and margin obligations. The Group has also made sure it understands and is able to analyse, at a granular level, its operational, financial and FMI relationships to identify potential continuity risks and mitigating actions leading up to resolution. This includes continued proactive engagement with third-parties about ensuring their ongoing relationship with the Group.

To enable it to develop and execute a credible business reorganisation plan, the Group has developed a process for identifying restructuring options and an evaluation framework which would then be used to determine an optimal restructuring strategy based on the circumstances which have led to resolution. The assessment of an optimal restructuring strategy and the development of the full business reorganisation plan would use the financial capabilities described in Section 5.1, as well as the capabilities to analyse operational and FMI dependencies and consider how these would be reconfigured through the restructuring.

Further information on the capabilities developed to meet the Resolvability Assessment Framework objectives for continuity of financial contracts, operational continuity in resolution, continuity of access to FMIs and restructuring planning is set out in paragraphs (a) to (d) below.

(a) Continuity of financial contracts (stays)

To limit the potential impact on the Group's stability and the wider financial system through contagion, the Group has taken actions to address the risk of early termination of financial contracts upon entry into resolution.

The BoE has a statutory power to 'stay' financial contracts in resolution. To address any uncertainty as to whether this power would extend to financial contracts that are not governed by English law, the Group has put in place a contractual capability to prevent early termination of these contracts and has established controls to ensure new in-scope financial contracts meet the relevant requirements.

The Group has developed a report which can be used in business-as-usual and in resolution to identify which transactions could be at risk of early termination if the Group were placed into resolution. A process for analysing the report to assess early termination risk has been developed, documented and tested to ensure it could be performed in a timely manner.

The Group has also established processes to enable it to quickly communicate with relevant counterparties to inform them their contracts were subject to a stay.

(b) Operational continuity in resolution (OCIR)

To support the continuity of critical economic functions throughout resolution and post-resolution restructuring, the Group has identified the critical services that need to be available to business units or entities in order to deliver those critical economic functions and has taken actions to ensure that, from a financial, operational, and legal perspective, those services should continue.

These actions include amending contractual terms with vendors, developing contingency arrangements for FMIs, revising property leases and identifying key personnel involved in running critical services. Over 97% of the Group's vendor contracts now contain a clause whereby the critical service provider agrees not to change service provision arrangements as a result of the Group entering into a period of stress or resolution, and there are controls in place to ensure all new in-scope contracts contain this clause. The Group also maintains a segregated portfolio of readily realisable assets that could be liquidated and transferred into local operating accounts so the running costs of critical services could be met.

The Group has assessed its operating model and considers that it supports the SPE bail-in resolution strategy and should facilitate separability and restructuring following entry into resolution in a reasonable timeframe. The OCIR Service Catalogue codifies the Group's operating model and is regularly reviewed and monitored to ensure accuracy. The OCIR Service Catalogue also enables dependencies between restructuring options to be identified and enables business units to plan actions to facilitate restructuring and maintain the continuity of those services during restructuring.

Work is underway to ensure compliance with the new OCIR requirements set out in PRA SS4/21 by their effective date of 1 January 2023. This work includes broadening the scope of 'critical services' to include business lines and associated services which present material sources of revenue, profit or franchise value ('core business lines'), and enhancing the identification of risks to continuity.

(c) **Financial market infrastructure (FMIs)**

The Group has taken actions to maximise the likelihood that it retains access to the FMIs it relies on for critical clearing, payment, securities settlement, and custody activities throughout resolution.

FMI relationships have been identified and key information relating to them has been recorded so it could be accessed quickly as needed. Understanding the services provided and the criticality of these FMI relationships would facilitate timely and informed decision making by senior management in resolution and enable the Group to prioritise actions to facilitate continuity of access. To support this, the Group has developed a methodology for assessing the criticality of its FMI relationships and maintains a list of critical FMI services which is updated annually. FMIs have also been mapped to the Group's critical economic functions and to the business lines and legal entities they serve.

The Group has engaged with FMIs to understand whether any additional actions are likely to be required in the lead-up to resolution and expects critical FMIs and intermediaries to provide continuity of access, provided membership requirements continue to be met.

The Group maintains records of transaction data with FMIs which could be used in the pre-resolution contingency planning period to enhance understanding of obligations to, and patterns of usage of, FMI service providers.

(d) **Restructuring planning**

The Group has processes in place to support the timely development and execution of a credible business reorganisation plan after entering into resolution, recognising that a credible business reorganisation plan would itself support continued authorisation decisions and therefore stabilisation of the Group.

The established framework for recovery planning has been enhanced to identify a full list of restructuring options that could be available in resolution. The credibility of the restructuring options is assessed at least annually against factors such as financial impact, saleability, separability and franchise impact.

The restructuring options would then be combined using a clear but flexible evaluation framework designed for this purpose to develop a restructuring strategy appropriate to the circumstances of the resolution. Management information provided by the Group's valuation, funding and operational continuity in resolution capabilities as well as existing financial reporting capabilities (such as business and regional performance reporting and information on intragroup network income) would be used to assess different restructuring strategies.

To enable the restructuring strategy to be agreed and documented within the requisite timelines and to the level of detail required, the Group has developed a restructuring playbook and a template for the business reorganisation plan.

Information on planned enhancements to the Group's restructuring capabilities is provided in Section 7.

5.3 Outcome 3: Coordination and communication

For the capabilities and processes described in the previous sections to be effective, the Group would need to be able to operate effectively as an organisation and adapt appropriately to the demands and circumstances of the resolution. In particular, it would need to demonstrate clear coordination, a practical and holistic communication strategy and well-articulated roles and responsibilities between the Group, subsidiaries, businesses and functions, including how any conflicts of interest could be resolved.

To achieve this, the Group has developed a master resolution playbook which provides clarity around the resolution strategy for the Group and the role the different capabilities play in each phase of resolution and the subsequent restructuring. The master resolution playbook provides a comprehensive view of the Board's oversight responsibilities, as well as the required decisions and

actions to be taken across the resolution timeline. It would therefore support the Board to coordinate the resolution and restructuring. By providing a holistic view across barriers, it also helps ensure resolution processes and capabilities are designed to work in a coordinated way.

Management, governance and communication capabilities also play a role in achieving the co-ordination and communication outcome. Further information on the capabilities developed to meet the Resolvability Assessment Framework objectives for management, governance and communication in resolution is set out in paragraphs (a) to (c) below.

Information on planned enhancements to the Group's coordination and communication capabilities is provided in Section 7.

(a) Management

To enable key roles to remain staffed and key employees to be appropriately incentivised to remain with the Group over the course of the resolution, the Group has developed a Crisis Human Resources Plan, which builds on business-as-usual processes. Key elements of this plan include:

- A summary of core crisis HR processes and activities, to establish clear lines of accountability to deliver those processes in resolution;
- A process for identifying job roles and employees that are likely to be key in resolution which is updated at least annually;
- A resolution retention toolkit, that could be used to incentivise and retain key employees in resolution if necessary and appropriate; and
- A description of how business-as-usual succession planning processes could be used to enable rapid handover of key roles to new individuals if needed.

(b) Governance

To enable governance arrangements to provide timely and effective decision-making and oversight in resolution, the Group has used its existing crisis management framework to develop a resolution governance framework. Key elements of this framework include:

- A proposal for a revised governance structure to co-ordinate and oversee the Group's resolution-related activities. This includes a Group Crisis Management Team convened by the Group CEO to act as the chief crisis advisory forum, supported by working groups from the regions, businesses, and functions. The Group Crisis Management Team would be made up of the most senior executives (Management Team members) and would be accountable to the Standard Chartered PLC Board;
- Processes to accommodate the bail-in administrator in the Group's governance structures and to rapidly onboard and familiarise the bail-in administrator with the Group;
- Processes to rapidly adapt governance arrangements as needed, such as by convening the Group Crisis Management Team, replacing members of the Standard Chartered PLC Board, amending its strategic objectives, pausing board committees if required, escalating and remediating conflicts of interest and transitioning the Group back to business-as-usual; and
- Supporting analysis of the potential impacts of resolution on business-as-usual decision-making rights and accountabilities.

(c) Communication

To enable timely and effective communication to customers, staff, authorities, and other external stakeholders throughout resolution, the Group has built on its business-as-usual crisis management communications capabilities to develop a financial crisis communications plan. Key elements of the financial crisis communications plan include:

- Identification of internal and external stakeholder groups the Group would need to communicate with in resolution, with guidance on appropriate levels of messaging and communication channels to use with each group;
- A summary of existing communications processes, personnel and technology and how they could be used to communicate with these stakeholders in resolution, including the lines of accountability for delivering various types of communication; and
- Information on the market disclosure obligations for the Group's primary share listings to ensure ongoing compliance with these obligations throughout resolution.

6. Accountability, assurance and testing

6.1 Accountability

The Group has clearly defined roles and responsibilities for resolvability.

The Board of Standard Chartered PLC is ultimately responsible for the Group's resolvability and provides final approval of the resolvability assessment report submitted to the PRA.

The Board Risk Committee is responsible for challenging management's assessment of the Group's resolvability and reviews and recommends the resolvability assessment report to the Board of Standard Chartered PLC.

The Management Team is responsible for executing the Group's strategy and as such has responsibility for developing and maintaining resolvability capabilities. The Management Team also reviews and recommends the resolvability assessment report to the Board Risk Committee.

The Group CEO leads the Management Team and is responsible for managing all aspects of the Group's business, including the development and maintenance of resolution capabilities and governance and oversight of the Group's Crisis Management Team. The Group CFO is the Senior Manager with prescribed responsibility for recovery and resolution planning, and for the resolution assessment and overseeing the internal processes regarding its governance. The Group CFO also has oversight of the Group's MREL, valuation in resolution, funding in resolution, and restructuring planning capabilities. The Chief Transformation, Technology & Operations Officer is the Senior Manager with prescribed responsibility for ensuring the Group has an adequate operational continuity in resolution framework. The Chief Transformation, Technology & Operations Officer also has oversight of the Group's continuity of financial contracts and continuity of access to FMIs capabilities. The Group Head of HR has oversight of management capabilities, the Group General Counsel has oversight of governance capabilities, and the Group Head of Corporate Affairs Brand and Marketing has oversight of communication capabilities.

A Resolution Planning Steering Committee provides strategic direction to, and governance over, the Group's resolvability. It sets expectations, monitors risks and metrics, resolves issues and tracks deliverables, with the objective of ensuring the Group is resolvable. The Resolution Planning Steering Committee also oversees delivery of the resolvability assessment and recommends the report to the Management Team. The Resolution Planning Steering Committee is chaired by the Group Treasurer, who has responsibility for the resolvability programme.

6.2 Assurance

Robust review and challenge of the Group's resolvability work is provided by its second and third lines of defence, with the input from external subject matter experts where appropriate. The Risk function provides independent review and challenge of the Group's resolution capabilities and resolvability assessment report against regulatory requirements. In addition, the Group Internal Audit function provides independent assessment of and a report on the same matters. Their feedback and findings are tracked to completion by the Resolution Planning Steering Committee.

6.3 Embedding resolvability

The Group's approach to resolution planning has been to develop strategic and sustainable solutions, building on and enhancing existing processes where possible and assigning responsibility to individuals who have analogous roles in business-as-usual. Approaching capability development in this way helps ensure the capabilities will continue to address the resolvability outcomes and respond to the evolution of the business.

Where appropriate, resolvability considerations are being embedded into other business-as-usual processes. As mentioned in Section 3.3, resolvability is considered as part of the review and approval process for changes in the Group's corporate structure and upon entry to new markets. In the future, resolvability will also be considered as part of the corporate planning process and in decisions about where to locate operations and technology services. The benefits of embedding resolvability into the Group's liquidity risk appetite are also being considered.

As resolution capabilities develop further, the Group expects there to be additional opportunities to embed resolvability considerations into existing processes and for resolution capabilities to deliver ancillary benefits to the Group.

6.4 Testing

The capabilities developed have been tested in accordance with the framework described below and continue to be assessed and tested to ensure they remain fit for purpose, and to identify areas for enhancement.

Each resolution capability, resource or arrangement has undergone extensive testing at the development stage. Once capabilities are developed, controls are tested regularly in line with the Group's Operational Risk Type Framework to ensure the resolution capability, resource or arrangement continues to operate as expected. In 2021, the Group tested all its barrier-level playbooks either individually or as part of exercises which covered a number of barriers or resolvability outcomes. Each of these exercises was overseen and assessed by independent observers. The results of tests, including 'lessons learned' and items identified for remediation, are tracked at the Resolution Planning Steering Committee.

In 2022, the focus of the testing strategy has shifted further towards exercises that aim to embed the master resolution playbook throughout the organisation, testing the ability to make the decisions that would be required in resolution and the management information that would support those decisions. These exercises are conducted at Group and subsidiary level and at board and management level, and again are overseen by independent observers. The objective of these exercises is to continuously improve resolution capabilities and as such, these exercises as well as control testing and barrier-level playbook testing will continue beyond 2022.

7. Further enhancements to the Group's resolvability

The capabilities the Group has developed and which are described in Section 5 should enable the Group to be recapitalised, stabilised and subsequently restructured in accordance with the preferred resolution strategy.

The Group has identified a number of opportunities to further enhance its existing capabilities to enable a resolution to proceed more smoothly. These enhancements include increasing the automation, simplification, timeliness or granularity of specific processes. They also include specific actions to enhance funding in resolution, valuation in resolution and restructuring capabilities and to further embed coordination and communication capabilities across the organisation. Key elements of the planned enhancements in these areas are described in Sections 7.1 to 7.3 below.

The accountability, assurance and testing principles described in Section 6 apply to the ongoing resolvability work. The ongoing resolvability work is a priority for the Group and receives dedicated resources and budget. Detailed work plans are in place and are subject to independent review and challenge by the Risk function. Progress of the work is closely tracked by the Resolution Planning Steering Committee and reported to the Board Risk Committee. The Standard Chartered PLC Board receives updates on resolvability and both the Standard Chartered PLC Board and Board Risk Committee receive more detailed sessions on specific items of interest. The Group also provides regular updates to the BoE on the progress of its resolvability work.

7.1 Outcome 1: Adequate financial resources

(a) Enhancing funding in resolution capabilities

As explained in Section 5, the Group has developed an automated, flexible liquidity analysis tool that enables it to, at any point during the resolution timeline referred to in Section 4.5, forecast its cash position for an extended period.

The liquidity analysis tool is being enhanced so that management information for longer term forecasts is also available the day after the underlying data, and to enable analysis of the Group's liquidity needs starting from a specific future point in time based on future estimated balance sheets to be produced. This work is scheduled to be completed by the end of March 2023.

In addition, the reports that enable the Group to identify and project collateral that may be used to access third party liquidity facilities in resolution (including collateral that is not normally eligible for business-as-usual facilities) are being enhanced so that they are available more quickly and to reduce the need for manual intervention. This work is scheduled to be completed by the end of December 2022.

(b) Enhancing valuation in resolution capabilities

As explained in Section 5, the Group's valuation in resolution capabilities enable it to perform detailed and timely valuations at various stages of the resolution process.

In relation to Valuation 3 (estimating the market value of the Group's equity post resolution), calculation tools that will enhance the Group's ability to adapt to different inputs and assumptions (for example changes to balance sheet and cost assumptions for the restructured entity) are being developed. This will enable the Group to perform more timely analysis of the sensitivity of the valuation outcomes to a wider range of assumptions. The work is scheduled to be completed by the end of December 2022.

The Group is also further developing its scenario-based analytics platform to enable it to model multiple resolution scenarios simultaneously by the end of 2023. Further enhancements will include more timely and robust input data as well as process automation, supported by a more flexible system

architecture and computation capacity to facilitate parallel processing of scenarios. As well as enhancing valuation in resolution and restructuring capabilities, this is expected to provide ancillary benefits to aspects of business-as-usual corporate planning and stress testing processes.

7.2 Outcome 2: Continuity and restructuring

Enhancing restructuring capabilities

As explained in Section 5, the Group has processes in place to support the development and execution of a credible business reorganisation plan following stabilisation. Due to the size of the Group and the high degree of operational, commercial and financial interdependencies between operating entities, a significant post-resolution restructuring of the Group would be complex and may involve several simultaneous wind-downs and disposals of entities or business lines.

To increase confidence that a business reorganisation plan could be executed effectively, the Group is designing and testing a comprehensive, illustrative strategy for carrying out a firm-wide restructuring. This will help identify enhancements to the evaluation framework and will provide additional insight into how resolution capabilities would work together to support a significant restructuring of the Group and deliver the resolvability outcomes across jurisdictions. Performing this exercise in relation to a specific illustrative restructuring strategy will test and highlight factors that would be common to various restructuring strategies available in resolution, and as such will improve the ability to evaluate multiple strategies and increase confidence that a business reorganisation plan could be executed effectively. This work is scheduled to be completed by the end of December 2023, with findings from the exercise addressed or incorporated into future work plans.

Since Valuation 3 capabilities would be used to inform the business reorganisation plan (as well as enabling the independent valuer to ascribe an equity value to the post-resolution business), the enhancements described in Section 7.1(b) will also enhance restructuring capabilities.

7.3 Outcome 3: Coordination and communication

As explained in Section 5, the Group has developed a master resolution playbook which sets out the role the different capabilities would play in each phase of resolution and the subsequent restructuring. The master resolution playbook, together with the management, governance and communications capabilities described in Section 5, provides a detailed framework for effective coordination, communication and decision-making to facilitate an orderly resolution and restructuring.

To enhance the ability to coordinate a resolution across multiple capabilities and geographies, the master resolution playbook is being further embedded at a country level. The testing strategy described in Section 6 is used to validate coordination and communication capabilities. Tests of the master resolution playbook at a Group and country level are scheduled to take place in 2022, with further testing and refinement of capabilities continuing into 2023.

The Group considers ensuring preparedness for resolution to be an ongoing responsibility and as such its resolution capabilities will continue to be assessed and tested to identify potential enhancements, and to ensure they remain fit for purpose as its business evolves. The Group continues to engage closely with all its authorities to further build confidence and reduce risk in the event of a resolution.

Glossary

Banking Act 2009	The legislation which established the UK's resolution regime and sets out the responsibilities and powers of the BoE as UK resolution authority.
BoE	The Bank of England.
Business reorganisation plan	A plan that must be developed and implemented after a bail-in to address the cause of the firm's failure and restore long-term viability.
Crisis Management Group (CMG)	A forum made up of the key supervisory and resolution authorities of a Global Systemically Important Bank (G-SIB) with the objective of enhancing preparedness for, and facilitating the management and resolution of, a cross-border financial crisis affecting the G-SIB.
Critical economic functions	Activities performed by a bank whose failure would lead to the disruption of services that are vital for the functioning of the real economy and for financial stability in the relevant country.
Critical services	Services that need to be available to business units or entities in the Group to deliver critical economic functions.
External MREL	MREL resources issued externally by a group's resolution entity.
Failing or likely to fail	An assessment made as part of the trigger for resolution by the PRA or Financial Conduct Authority about a firm. This includes whether the firm is failing or likely to fail to meet its minimum requirements to be authorised.
Financial market infrastructure (FMI)	Payment systems, securities settlement systems and central counterparties.
Internal MREL	MREL resources issued by subsidiaries to a group's resolution entity.
Minimum requirement for own funds and eligible liabilities (MREL)	A requirement to maintain a minimum amount of equity and liabilities which meet certain criteria so that if a firm fails the resolution authority can implement the resolution strategy.
Operational continuity in resolution (OCIR)	A regulatory requirement that firms' operational arrangements allow the continuity of critical services during stress or resolution.
PRA	The UK Prudential Regulation Authority.
Resolution entity	An entity within a group to which resolution powers would be applied under the group resolution strategy.

Resolvability Assessment Framework

A policy framework published by the BoE which sets out how the BoE will assess firms' resolvability and gives firms responsibility for assessing and demonstrating their preparedness for resolution.

Standard Chartered PLC

The Group's ultimate holding company and its resolution entity.

Stay

The suspension by the resolution authority of termination rights under a contract for up to two business days.