

Guidelines on Core Information Requirements for Resolution Planning

1. Introduction

- 1.1. The purpose of a resolution plan is to determine the critical functions of a bank, identify and address any impediments to its resolvability and prepare for its possible resolution in an orderly manner. A resolution plan is a comprehensive document, which details the characteristics of a bank and describes the preferred resolution strategy for that bank, including which resolution tools to apply, such as, bail-in of liabilities, reconstruction, amalgamation, use of bridge bank, etc. It concludes with a resolvability assessment so as to identify and to address any impediments to the resolution of the bank. Such impediments may include insufficient loss-absorbing capacity, inability to maintain operational continuity, inability to avoid disorderly early termination of financial contracts, etc.
- 1.2. In line with Financial Stability Board's (FSB) key attributes for effective resolution regimes, the State Bank of Pakistan (SBP) has been empowered under section 42C(1)(i) of the Banking Companies Ordinance (BCO), 1962 to prepare resolution plans for banks, in order to meet the objectives of overall financial stability and to protect depositors' interest. Moreover, under section 42C(1)(iii) of BCO, the SBP is empowered to direct the banks to demonstrate that there is no impediment to their resolvability. Accordingly, banks (or their group companies/entities) are required to provide information, records or documents for resolution planning and resolvability assessment purposes.
- 1.3. The information for resolution planning is categorized into core and supplementary information. The core information includes details of the bank's corporate group structure and other material entities within it, their key financial indicators, core business lines and the key legal, financial and operational dependencies. Whereas, the supplementary information will be required depending upon the preferred resolution strategy. For example, where a resolution strategy involves a bail-in of liabilities, information regarding the location of liabilities eligible for bail-in within the bank's group, their position in the creditors' hierarchy and the form of their subordination will be required.
- 1.4. The information sought for the purpose of resolution planning may be similar to that already collected in other regulatory reporting submissions. However, existing reporting returns do not typically request information from a resolution planning perspective, and therefore, the information being currently collected through various returns may not be entirely suitable for this purpose. Hence, SBP considers it important to have information for resolution planning purposes provided on timely basis and as prescribed in this document.

2. Core Information Requirements

Following are the four main constituent parts of the core information required for resolution planning purposes:

- a. Relevant entities and material entities;
- b. Core business lines and operating model;
- c. Dependencies;
- d. Financial functions.

The Annex-I provides a non-exhaustive list of core information requirements in respect of a bank (or its group).

2.1 Relevant Entities and Material Entities

- i. For the purpose of resolution planning, SBP requires a bank to identify any of its group companies/ entities that the bank assesses to be relevant to its resolution (“relevant entities”). At a minimum, the following should be given due consideration for determining relevant entities:
 - a. Any holding company/entity of the bank;
 - b. Any subsidiary, associates or affiliates, or any branch (including overseas) of the bank;
 - c. Any group company/entity of the bank that performs financial functions, either independently or together with any other group companies/entities;
 - d. Any group company/entity of the bank on which its material entities have key legal, financial or operational dependencies;
 - e. Any group company/entity of the bank that is licensed, authorized, approved, designated or otherwise supervised or regulated by the Securities and Exchange Commission of Pakistan.
- ii. In addition to above, the bank may also identify any other entity as a relevant entity if it considers such entity to be pertinent for its resolution planning, including, for example, any group company/entity that plays an important role within the group by performing functions that directly or indirectly affect the bank or other group companies/entities on which the bank is dependent.
- iii. The bank is also required to identify the relevant entities that the bank considers material to the revenue, profitability, operations or effective functioning of its group (“material entities”). In this regard, any entity (domestic or overseas) that represents at least 5% of the bank’s group assets may be considered as “material”.

2.2 Core Business Lines and Operating Model

The banks are required to provide an overview of the operating model of its material entities and identify the business lines which are core to the material entities’ operations by taking into account factors such as revenue, profitability and franchise value (“core business lines”). The franchise value of a core business line represents its contribution to the overall value of the bank’s group, including its networks, international linkages, access to markets, etc.

2.3 Dependencies

Key dependencies (internal and external) refer to support or services provided to the material entities, the sudden and disorderly failure/ disruption of which would present a serious impediment to the performance of critical financial functions by the material entities. The dependencies could be financial, operational or legal/structural in nature. For instance, disruption of support/ services provided to material entities by bank’s group companies/ entities (“internal dependencies”) could materially affect the funding or operations of the banks. Similarly, disruption in provision of operational services by the

external service providers (“external dependencies”) could affect the ability to maintain continuity in the provision of any critical financial functions by the material entities, e.g., access to Financial Market Infrastructures (FMIs), payments or IT services, etc.

2.4 Financial Functions

- i. In line with FSB’s document [“Guidance on Identification of Critical Functions and Critical Shared Services”], core information on a bank’s financial functions is to be provided under five (05) broad categories:
 - a. Deposits;
 - b. Lending & Loan Servicing;
 - c. Payments, Clearing, Custody & Settlement;
 - d. Wholesale Funding Markets;
 - e. Capital Markets & Investments.
- ii. The Annex-II provides a non-exhaustive list of the potential financial functions of a bank. In respect of each financial function which the bank (or its group) conducts or undertakes, the bank should provide information as required under Annex-II with respect to each of its material entities.

2.5 Critical Financial Functions

- i. Critical financial functions are activities or operations carried on, or services provided, by a material entity on which third parties rely and where such activities, operations or services, if discontinued, would likely:
 - a. lead to the disruption of services that are essential to the economy;
 - b. undermine the general confidence of participants in the financial market; or
 - c. give rise to contagion within the financial system;for any reason including the size, interconnectedness, substitutability, complexity or cross border activities of, or the market share held by, the material entity.
- ii. The following criteria may be considered for determining the criticality of financial functions performed by the bank:
 - a. Concentration – whether the bank holds a significant market share in certain functions, such that there may be consequent implications in terms of substitutability and interconnectedness.
 - b. Substitutability – the availability of, and the ease with which, the provision of the function could be replaced by other substitute players in the market.
 - c. Interconnectedness – the extent to which a certain function may be interconnected or co-mingled with other functions or shared services such that the disruption of that function would likely to cause contagion to the wider financial system.
 - d. Impact – how a sudden discontinuation of a function could impact markets, including customers, other market participants, and infrastructure.
- iii. The banks are also required to provide their views on the criticality of their financial functions with reasoned justifications.

Annex-I: Core Information Requirements

Number	Heading	Details Required
1. Overview		
i.	Governance	<p>a. Set out the assignment of responsibilities within the bank for the collection, review and approval of the core information (by Board of Directors or its sub-committee) and any supplementary information to be submitted.</p> <p>b. Designate a senior level official, preferably the Chief Risk Officer (CRO) or Chief Financial Officer (CFO), with responsibility for internal coordination and submission of information as well as coordination with SBP in relation to resolution planning of the bank.</p> <p>c. Provide a high-level description of the arrangements for the collection, review and approval of information to be submitted to SBP for resolution planning purposes.</p>
ii.	Summary of Core Information	<p>a. Describe the basis and key assumptions in relation to the information submitted.</p> <p>b. Provide a summary of information on relevant entities and material entities under section 2.1 below.</p> <p>c. Provide a summary of information on core business lines and operating model of material entities under section 2.2 below.</p> <p>d. Provide a summary of information on key dependencies of material entities under section 2.3 below.</p> <p>e. Provide a summary of information on financial functions performed by the material entities under section 2.4 below.</p>
2.1 Relevant Entities and Material Entities		
i.	Relevant Entities	Describe the activities of each relevant entity and explain how such relevant entities fit into the wider organizational structure of the bank's group, supported by an overview diagram with information on ownership structure, jurisdiction of incorporation, legal structure, relationships and shareholdings of these entities.
ii.	Material Entities	Describe the activities of each material entity in detail covering broader parameters like revenue, expense, profitability, assets, liabilities, contingencies and any other detail, as warranted by the material entity.
iii.	Corporate Structure	<p>a. Provide a hierarchical list of all material entities that identifies the direct shareholding, and the percentage of voting and non-voting equity held in each entity.</p> <p>b. Describe the principal place of business, jurisdiction of incorporation, licensing status, governance structure (e.g. reporting lines of senior executives and decision making structures) and key management associated with each material entity.</p>
iv.	Profit & loss statement and balance sheet	Provide both consolidated and unconsolidated profit & loss statement and balance sheet of the bank and its holding company/entity, and a consolidating schedule for all material entities that are subject to consolidation.
v.	Liabilities profile	Describe the components of the liabilities of each material entity, specifically identifying the types and amounts of short-term and long-term liabilities, secured and unsecured liabilities, and senior and subordinated liabilities.
vi.	Funding, Liquidity and Capital needs	Explain the funding, liquidity and capital needs of, and resources available to, each material entity, in the ordinary course of business and in the event of material financial distress or failure of the material entity.
vii.	Off-balance sheet exposures	Describe any off-balance sheet exposures significant to each material entity, including guarantees and contractual obligations.

Number	Heading	Details Required
2.2 Core Business Lines and Operating Model		
i.	Overview of business model	<ul style="list-style-type: none"> a. Explain the business model of the material entities. b. Explain the activities of core business lines of material entities.
ii.	Core business lines	<p>For each core business line, provide the following information:</p> <ul style="list-style-type: none"> a. A description of the business line and an explanation of its operations, as well as key financial information including profit & loss statement and balance sheet; b. A mapping of the business line to the material entities and a breakdown of revenue, operating expenses and client base; c. An indication of the business line's franchise value, for example, a description of the core business line's networks, international linkages or access to markets which are critical for the overall value of the group; d. An explanation of the governance structure of the business line; e. A description of any other factors which make the business line core to the material entities.
2.3. Dependencies		
i	Overview of dependencies	<ul style="list-style-type: none"> a. Provide an overview of the key legal, financial and operational dependencies of material entities on bank's group companies/entities ("internal dependencies") and external services providers ("external dependencies"), including the cross-border dependencies of bank. b. Explain the criteria and assessment used to identify the key dependencies. c. Describe the governing contractual arrangements. d. Provide further information on the dependencies at financial function and business line level.
ii.	Operational dependencies	<p>Describe with supporting quantitative information, the nature of key internal operational dependencies of material entities. Such dependencies could include:</p> <ul style="list-style-type: none"> a. Shared personnel; b. Shared facilities; c. Shared systems (including information technology platforms, management information systems, risk management systems, and accounting and recordkeeping systems); d. Intra-group reliance on access to FMIs (e.g. membership held by one entity upon which another entity relies for access or for the provision of certain services).
iii.	Financial dependencies	<p>Describe with supporting quantitative information, the nature of key internal financial dependencies of material entities. Such dependencies could include:</p> <ul style="list-style-type: none"> a. Capital, funding, or liquidity arrangements; b. Cross-guarantees, cross-collateral arrangements, cross-default provisions, and intra-group and cross-product netting arrangements; c. Risk transfers and booking arrangements.
iv.	Legal/structural dependencies	<p>Describe with supporting quantitative information, the nature of key internal legal/ structural dependencies of material entities. Such legal/structural dependencies could include intra-group reliance on licenses to conduct certain regulated activities (e.g. license held by one entity upon which another entity relies for the conduct of certain regulated activities). An example could be the reliance on Telecommunication Companies (Telcos) for conduct of branchless banking and license cancellation by Pakistan Telecommunication Authority (PTA) of the Telco. could severely disrupt the branchless banking services provided by the bank.</p>

Number	Heading	Details Required
v.	External dependencies	<p>a. Identify key dependencies on external service providers. Such dependencies could be financial, operational or legal/structural in nature, including access to FMIs, payments or IT services, etc.</p> <p>b. For each external service provider identified, the following information should be provided:</p> <ul style="list-style-type: none"> i) The relevant entity that contracts with the provider; ii) The jurisdiction of incorporation of the external service provider; iii) Description of the material commercial contract terms, including any provisions for escalation of fees; iv) Description of any contractual termination and acceleration provisions.
2.4. Financial Functions		
i.	Financial Functions	<p>a. In respect of each financial function, a bank (or its group) conducts or undertakes, a bank should provide entity-wise information, covering the activities of the bank and any other material entities as per the Annex-II below.</p> <p>b. Banks are encouraged to add into their core information submission, any other financial functions not listed in Annex-II, if their provision or performance of such functions may be critical to the stability of the financial system and economy more broadly.</p> <p>c. Map each function to its respective material entity and core business line.</p> <p>d. Provide information in relation to the functions performed by the bank's material entities that are based overseas.</p>
3. Resolution Strategy		
i.	Resolution Strategy	Provide views on what the bank considers to be an appropriate resolution strategy for itself and its group along with reasoned justifications.
ii.	Potential Impediments	Elaborate on the potential impediments to the identified resolution strategy as well as how such impediments might be removed ("resolvability assessment"). After identification of a preferred resolution strategy, resolvability assessment is tailored by reference to the pre-conditions for orderly resolution under the preferred resolution strategy. For instance, under a resolution strategy involving bail-in, sufficient loss-absorbing capacity is an important pre-condition for orderly resolution. Therefore, the loss-absorbing capacity and liability structure needs to be assessed in detail as part of a resolvability assessment in those cases where bail-in forms part of the preferred resolution strategy.
iii.	Regulatory Exemptions/ Special Permissions (if any)	Provide the details of major regulatory exemptions/ special permissions (if any) along with an assessment of their financial impact, assuming such exemptions or permissions had not been granted.

Annex-II: Detailed Information for Financial Functions

Information should be reported separately for each entity, covering the activities of the bank and its material entities. The bank may, where necessary, employ reasonable assumptions to estimate an approximate market share (where such information is sought). The use of such assumptions and how an estimate is reached should be explained in the submission.

Function Category	Products and Services	Required Information
A. Deposits	1. Retail deposits: <ul style="list-style-type: none"> Current, Savings, time (fixed by maturity) Conventional and Islamic PKR and FCY (equivalent to USD) Active and dormant 	a. Total deposits, b. Number of accounts, c. Number of depositors, d. Number of accounts, amounts and depositors in different buckets (PKR accounts): i) Up to 1 million, between 1 and 5 million and above 5 million. e. Number of accounts, amounts and depositors in different buckets (FCY accounts equivalent in USD): i) Up to 10 thousand, between 10 to 50 thousand and above 50 thousand. f. Market share estimate.
	2. Public Sector Entities' deposits: <ul style="list-style-type: none"> Current, Savings, time (fixed by maturity) Conventional and Islamic PKR and FCY (equivalent to USD) Active and dormant 	a. Total deposits, b. Number of accounts, c. Number of depositors, d. Number of accounts, amounts and depositors in different buckets (PKR accounts): i) Up to 10 million, between 10 and 100 million and above 100 million. e. Number of accounts, amounts and depositors in different buckets (FCY accounts equivalent in USD): i) Up to 1 million, between 1 to 10 million and above 10 million. f. Market share estimate.
	3. Corporate deposits: <ul style="list-style-type: none"> Current, Savings, time (fixed by maturity) Conventional and Islamic PKR and FCY (equivalent to USD) Active and dormant 	a. Total deposits, b. Number of accounts, c. Number of depositors, d. Number of accounts, amounts and depositors in different buckets (PKR accounts): i) Up to 10 million, between 10 and 100 million and above 100 million. e. Number of accounts, amounts and depositors in different buckets (FCY accounts equivalent in USD): i) Up to 1 million, between 1 to 10 million and above 10 million. f. Market share estimate.
	4. Deposits Protection Coverage (separately for conventional and Islamic deposits)	a. Number of accounts with balances above Deposit Protection Corporation (DPC)'s coverage limit*, b. Number of accounts with balances not more than DPC's coverage limit*, c. Number of customers with balances above DPC's coverage limit*, d. Number of customers with balances not more than DPC's coverage limit*, e. Total deposit liabilities ineligible for DPC's protection, f. Total deposit liabilities eligible for DPC's protection (capped at coverage limit per depositor)*. <i>*where DPC applies to the bank.</i>

Function Category	Products and Services	Required Information
B. Lending and Loan Servicing	1. Corporate/Commercial advances (separately for conventional and Islamic)	<p>a. Funded Exposure:</p> <ul style="list-style-type: none"> i) Number of borrowers, ii) Amount of approved limits, iii) Gross outstanding, iv) Stage-1 amount and Expected Credit Loss (ECL), v) Stage-2 amount and ECL, vi) Stage-3 amount and ECL, vii) Total ECL/ provision held, viii) Net advances, ix) Number of Stage-1 borrowers, x) Number of Stage-2 borrowers, xi) Number of Stage-3 borrowers, xii) Market share. <p>b. Non-Funded Exposure:</p> <ul style="list-style-type: none"> i) Number of borrowers, ii) Amount of approved limits, iii) Amount outstanding.
	2. SME advances (separately for conventional and Islamic)	<p>a. Funded Exposure:</p> <ul style="list-style-type: none"> i) Number of borrowers, ii) Amount of approved limits, iii) Gross outstanding, iv) Stage-1 amount and ECL, v) Stage-2 amount and ECL, vi) Stage-3 amount and ECL, vii) Total ECL/ provision held, viii) Net advances, ix) Number of Stage-1 borrowers, x) Number of Stage-2 borrowers, xi) Number of Stage-3 borrowers, xii) Market share. <p>b. Non-Funded Exposure:</p> <ul style="list-style-type: none"> i) Number of borrowers, ii) Amount of approved limits, iii) Amount outstanding.
	3. Consumer advances (separately for conventional & Islamic and for secured & un-secured)	<ul style="list-style-type: none"> a. Number of borrowers, b. Amount of approved limits, c. Gross outstanding, d. Stage-1 amount and ECL, e. Stage-2 amount and ECL, f. Stage-3 amount and ECL, g. Total ECL/ provision held, h. Net advances, i. Number of Stage-1 borrowers, j. Number of Stage-2 borrowers, k. Number of Stage-3 borrowers, l. Market share.
	4. Agriculture advances (separately for conventional and Islamic)	<p>a. Funded Exposure:</p> <ul style="list-style-type: none"> i) Number of borrowers, ii) Amount of approved limits, iii) Gross outstanding, iv) Stage-1 amount and ECL, v) Stage-2 amount and ECL,

Function Category	Products and Services	Required Information
B. Lending and Loan Servicing		vi) Stage-3 amount and ECL, vii) Total ECL/ provision held, viii) Net advances, ix) Number of Stage-1 borrowers, x) Number of Stage-2 borrowers, xi) Number of Stage-3 borrowers, xii) Market share. b. Non-Funded Exposure: i) Number of borrowers, ii) Amount of approved limits, iii) Amount outstanding.
	5. Staff loans	a. Gross outstanding, b. Total ECL/ provision held, c. Number of borrowers/ employees, d. Nature of facility.
	6. Trade Finance (split further by documentary credit/ collection, bills purchase, bill discounting, guarantees, import & export loans, etc.)	a. Total amount, b. Total ECL/ provision held, c. Number of customers, d. Number of accounts, e. Market share.
C. Payments, clearing, custody and settlement	1. Cash services – (ATMs, CDMs, branches, remittance services both inward and outward, Cash On Delivery, E-commerce, etc.)	a. Infrastructure details including number of ATMs, CDMs and branches, etc., b. Transaction volume and value (to specify form, e.g. daily/monthly/annual, flow, average, domestic vs cross-border, etc.), c. Number of customers availing these services, d. Market share estimate.
	2. Retail payments/clearing (digital/ paper-based instruments) – (RAAST, 1-LINK, NIFT, POS, Funds transfers, bill/merchant payments, merchant acquirers, payment gateways, mobile payment infrastructure, etc.)	a. Payments/services offered through cards (credit, debit, prepaid), fund transfers, merchant/bill payments, paper-based instruments (cheque(s), pay-orders, etc.), b. Payment channel details, e.g. number of cards, number of internet banking users, number of mobile app users, etc., c. Transaction volume and value, broken down by account type and currency (to specify form, e.g. daily/monthly/annual, flow, average, domestic vs cross-border, etc.), d. Market share estimate.
	3. Wholesale payment systems (Provision of FMI to other FIs; e.g. PRISM, NCCPL, CDC, etc.)	a. Transaction volume and value, broken down by type (institution, customer, FX) and currency (to specify form, e.g. daily/monthly/annual, flow, average, domestic vs cross-border, etc.), b. Number of customers, c. Liquidity arrangement and other conditions for the bank to perform the settlement institution function (if applicable), including credit facilities, such as intra-day repo, offered to the participating members by the bank as the settlement institution of the payment system for enhancing the intraday liquidity management of the system, d. Market share estimate.

Function Category	Products and Services	Required Information
C. Payments, clearing, custody and settlement	4. Settlement services: – Provided to Electronic Money Institutions (EMIs) – National Clearing Company of Pakistan Limited (NCCPL)	a. Transaction volume and value, broken down by types of securities and currency, b. Users or members of these systems or services, c. Market share estimate.
	5. Custody services	a. Client assets and money held, lockers, etc., b. Market share estimate.
	6. Other related services including third-party operational services (such as collateral management, FMI access for third parties, treasury and cash management services, back office for retail banking)	a. Description of service, b. Number of clients, c. Market share estimate.
D. Wholesale funding markets	1. Securities financing, including: – REPOs (with SBP) – Reverse REPOs (with SBP) – Bai Muajjal (with SBP)	a. Transaction volume and value, b. Outstanding amount, c. Interest/profit earned, d. Interest expense, e. Average repo/reverse repo rate, f. Market share estimate.
	2. Wholesale lending and borrowing (by type: secured/unsecured, product, counterparty, currency)	a. Transaction volume and value, b. Outstanding balances, c. Average lending rate, d. Average borrowing rate, e. Market share estimate.
	3. Securities lending (by type: direct / third party / agent)	a. Transaction volume and value, b. Outstanding balances, c. Market share estimate.
E. Capital markets & Investments	1. Debt securities markets (including primary and secondary markets and split by product and by currency)	a. Transaction volume and value of debt securities (by platform), b. Transaction volume and value of funds (by platform), c. Outstanding balances, d. Market share estimate.
	2. Other securities markets (including primary and secondary markets and split by product)	a. Transaction volume and value, b. Outstanding balances, c. Market share estimate.
	3. Derivatives (by type: equities, sovereign credit, non-sovereign credit products, rates, foreign exchange, commodities; and by clearing method: exchange-traded/ OTC cleared through CCPs/OTC cleared bilaterally)	a. Total notional outstanding, b. Gross market value, c. Total number of counterparties, d. Market share estimate.

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Function Category	Products and Services	Required Information
E. Capital markets & Investments	4. Asset Management [e.g. mutual funds, Investor Portfolio Securities (IPS) accounts, any other asset management service, etc.]	a. Number of clients, b. Assets under management, c. Market share estimate.
	5. Insurance (all policies with bifurcation of life and non-life insurance)	a. Number of policies, b. Premium revenue, c. Market share estimate.
