



Prudential Standard CPS 900

Resolution Planning

Objectives and key requirements of this Prudential Standard

The objective of this Prudential Standard is to ensure that APRA-regulated entities can be resolved by APRA in an orderly manner, where an entity has become non-viable. In such circumstances, the aim of resolution is to protect beneficiaries, minimise disruption to the financial system, and provide continuity of functions that are critical for the economy.

This Prudential Standard requires APRA-regulated entities that are significant financial institutions (SFI), or those that provide critical functions, to support APRA in the development and implementation of a resolution plan. This Prudential Standard does not apply to non-SFIs that do not have critical functions.

The key requirements of this Prudential Standard are for an APRA-regulated entity to:

- conduct a resolvability assessment to identify any barriers to resolution;
- develop and implement a pre-positioning plan to remove any barriers to resolution;
- maintain the capabilities to support APRA in effecting a resolution; and
- review and update the resolvability assessment at least every three years.

Authority

1. This Prudential Standard is made under:
 - (a) section 11AF of the *Banking Act 1959* (**Banking Act**);
 - (b) section 32 of the *Insurance Act 1973* (Insurance Act);
 - (c) section 230A of the *Life Insurance Act 1995* (Life Insurance Act);
 - (d) section 92 of the *Private Health Insurance (Prudential Supervision) Act 2015* (PHIPS Act); and
 - (e) section 34C of the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

Application and commencement

2. Subject to paragraphs 3 and 4, this Prudential Standard applies to all ‘APRA-regulated entities’ defined as:
 - (a) **authorised deposit-taking institutions (ADIs)**, including foreign ADIs, and **non-operating holding companies** authorised under the Banking Act (authorised banking NOHCs);
 - (b) **general insurers**, including **Category C insurers**, non-operating holding companies authorised under the Insurance Act (authorised insurance NOHCs) and **parent entities of Level 2 insurance groups**;
 - (c) **life companies**, including **friendly societies** and **eligible foreign life insurance companies** (EFLICs), and non-operating holding companies registered under the Life Insurance Act (registered life NOHCs);
 - (d) **private health insurers**; and
 - (e) RSE licensees under the SIS Act in respect of their business operations.¹
3. The obligations imposed by this Prudential Standard on, or in relation to, a foreign ADI, a Category C insurer or an EFLIC apply only in relation to the Australian branch operations of that entity.
4. For the purposes of this Prudential Standard, an APRA-regulated entity is either a significant financial institution (SFI) or a non-significant financial institution

¹ For the purposes of this Prudential Standard, an RSE licensee has the meaning given in subsection 10(1) of the SIS Act. An RSE licensee’s business operations includes all activities of an RSE licensee (including the activities of each RSE of which it is the licensee), and all other activities of the RSE licensee to the extent that they are relevant to, or may impact on, its activities as an RSE licensee.

(non-SFI). This Prudential Standard applies to SFIs and non-SFIs determined by APRA to provide critical functions.

5. Where an APRA-regulated entity is the Head of a group,^{2, 3} it must comply with an applicable requirement of this Prudential Standard:
 - (a) in its capacity as an APRA-regulated entity;
 - (b) by ensuring that the requirement is applied appropriately throughout the group,⁴ including in relation to entities that are not APRA-regulated; and
 - (c) on a group basis.
6. In applying the requirements of this Prudential Standard on a group basis, references to an ‘APRA-regulated entity’ must be read as ‘Head of a group’ and references to ‘entity’ must be read as ‘group’.
7. This Prudential Standard commences on 1 January 2024.

Interpretation

8. Terms that are defined in *Prudential Standard 3PS 001 Definitions* (3PS 001), *Prudential Standard APS 001 Definitions* (APS 001), *Prudential Standard GPS 001 Definitions* (GPS 001), *Prudential Standard LPS 001 Definitions* (LPS 001) or *Prudential Standard HPS 001 Definitions* (HPS 001) appear in bold the first time they are used in this Prudential Standard.
9. In this Prudential Standard, unless the contrary intention appears, a reference to an Act, Regulations or Prudential Standard is a reference to the Act, Regulations or Prudential Standard as in force from time to time.
10. Where this Prudential Standard provides for APRA to exercise a power or discretion, the power or discretion is to be exercised in writing.

² Head of a group means a Level 2 Head or a **Level 3 Head** as relevant. Level 2 Head means: where an ADI that is a member of a Level 2 group is not a **subsidiary** of an authorised banking NOHC or another ADI, that ADI; where an ADI that is a member of a Level 2 group is a subsidiary of an authorised banking NOHC, that authorised banking NOHC; or the parent entity of a **Level 2 insurance group**. For life companies, Head of a group includes: where a relevant group of bodies corporate is headed by a life company that is not a subsidiary of a registered life NOHC, that life company; or where a relevant group of bodies corporate is headed by a registered life NOHC, that registered life NOHC.

³ Where a Level 2 group operates within a Level 3 group, a requirement expressed as applying to a Head of a group is to be read as applying to the Level 3 Head. For the avoidance of doubt, the reference to Head of a group does not apply to an RSE licensee or a private health insurer.

⁴ Group means a Level 2 group, **Level 3 group** or a group comprising the RSE licensee and all connected entities (as defined in subsection 10(1) of the SIS Act) and all related bodies corporate (with the meaning given in section 50 of the *Corporations Act 2001*) of the RSE licensee, as relevant. Level 2 group means the entities that comprise **Level 2** (for ADIs) or **Level 2 insurance groups** (for general insurers). For the avoidance of doubt, group includes a group as defined in APS 001 and, for an RSE licensee, where the RSE licensee is part of a corporate group.

Definitions

11. The following definitions are used in this Prudential Standard:

- (a) critical function – means any function provided by an APRA-regulated entity that is important to financial system stability or the availability of essential financial services to a particular industry or community;
- (b) non-SFI – means an APRA-regulated entity which is not an SFI;
- (c) resolution – means the process by which APRA or other relevant persons manage or respond to an entity:
 - (i) being unable to meet its obligations; or
 - (ii) being considered likely to be unable, or being considered likely to become unable, to meet its obligations; or
 - (iii) suspending payment, or being considered likely to suspend payment;including through the exercise of powers and functions under this Prudential Standard or any other law;
- (d) resolvable – means ready for the implementation of the resolution plan;
- (e) resolution option – means a strategy that APRA may use to effect a resolution;
- (f) resolution plan – means a plan developed by APRA under paragraph 14 of this Prudential Standard; and
- (g) SFI – means an APRA-regulated entity that is either:
 - (i) not a foreign ADI, a Category C insurer or an EFLIC, and has total assets in excess of:
 - (A) AUD \$20 billion in the case of an ADI;
 - (B) AUD \$10 billion in the case of a general insurer or life company;
 - (C) AUD \$3 billion in the case of a private health insurer; or
 - (D) AUD \$30 billion in the case of a single RSE operated by an RSE licensee, or if the RSE licensee operates more than one RSE where the combined total assets of all RSEs exceeds this amount; or
 - (ii) determined as such by APRA, having regard to matters such as complexity in its operations or its membership of a group.

Adjustments and exclusions

12. APRA may adjust or exclude a specific requirement in this Prudential Standard in relation to an APRA-regulated entity.

Resolution planning

13. An APRA-regulated entity must support APRA in the determination of whether it provides any critical function, if required by APRA. This may include the identification of all material business activities of the entity, and an assessment of whether any of these activities are critical functions based on their systemic impact, customer impact and the substitutability by other providers if they were to cease.
14. APRA may determine a resolution plan for an APRA-regulated entity or a cohort of APRA-regulated entities, setting out the steps APRA would take to protect beneficiaries and maintain financial system stability in the event of entity non-viability. This may include resolution options such as a solvent wind-down, transfer, or recapitalisation of the entity or entities.
15. An APRA-regulated entity must support APRA in the development and implementation of a resolution plan.
16. An APRA-regulated entity with overseas operations must support the development and maintenance of cross-border components of the resolution plan.

Role of the Board

17. The Board of an APRA-regulated entity is ultimately responsible for ensuring the entity is resolvable. The Board must ensure that there are clear roles and responsibilities at a senior executive level for the purpose of meeting the requirements in this Prudential Standard.
18. The Board must provide oversight of and approve, where applicable:
 - (a) a resolvability assessment; and
 - (b) a pre-positioning plan.

Resolvability assessment

19. APRA may require an APRA-regulated entity to conduct a resolvability assessment to assess the feasibility of resolution options. The resolvability assessment must be conducted by personnel with appropriate skills and experience.
20. For each resolution option, the resolvability assessment must assess:
 - (a) any legal, structural, operational or regulatory barriers to implementation;
 - (b) timelines for implementation;

- (c) any execution risks; and
 - (d) pre-positioning measures required to effectively execute the option.
21. APRA may require an independent review of the resolvability assessment.

Pre-positioning plan

22. APRA may require an APRA-regulated entity to develop and implement a pre-positioning plan to remove barriers to the execution of resolution options and mitigate execution risks.
23. The pre-positioning plan must include, where applicable:
- (a) changes to organisational or legal structure, including the location of any shared support services within a group;
 - (b) renegotiation of contracts, including with third-party service providers;
 - (c) development of wind-down or run-off plans for particular businesses or assets;
 - (d) measures to ensure the operational continuity of key functions and services during resolution; and
 - (e) any other actions required to remove barriers to the execution of resolution options or mitigate execution risks.
24. APRA may require an APRA-regulated entity to implement additional pre-positioning actions if necessary to support a resolution plan.

Capabilities for resolution

25. An APRA-regulated entity must develop and maintain the capabilities required to execute a resolution plan. This includes, but is not limited to:
- (a) crisis governance arrangements;
 - (b) operational capabilities;
 - (c) data and systems; and
 - (d) a post-crisis stabilisation plan.
26. APRA may require an APRA-regulated entity to establish and maintain capabilities that APRA considers are reasonably necessary to support a resolution plan.
27. An APRA-regulated entity must maintain the financial resources required to operationally execute resolution actions.

28. APRA may require an APRA-regulated entity that is not an RSE licensee to maintain an amount of loss-absorbing capacity to support the resolution plan:
 - (a) for an ADI, APRA may adjust its Total Capital prudential capital requirement under *Prudential Standard APS 110 Capital Adequacy*; and
 - (b) for an insurer, APRA may adjust its prudential capital requirement under *Prudential Standard GPS 110 Capital Adequacy* or *Prudential Standard LPS 110 Capital Adequacy*, or a capital adequacy supervisory adjustment under *Prudential Standard HPS 110 Capital Adequacy*.
29. For an APRA-regulated entity that is not an RSE licensee APRA may adjust prudential requirements for capital where material barriers to resolution are not addressed or where capabilities to support a resolution plan are insufficient.

External advisors

30. APRA may require an APRA-regulated entity to:
 - (a) engage, at the expense of the APRA-regulated entity, expert external advisors as may be prescribed by APRA, to support with any aspect of this Prudential Standard; or
 - (b) pay the costs of external advisors engaged by APRA to support in the exercise of APRA's powers and functions under this Prudential Standard.

Review

31. An APRA-regulated entity must review the resolvability assessment at least every three years, or as otherwise determined by APRA. The review must be conducted by operationally independent, appropriately experienced and competent persons, and be submitted to APRA.
32. The review must recommend any updates to the pre-positioning plan to reflect any changes in organisational structure, strategy or risk profile that could affect the APRA-regulated entity's resolvability. The review must also recommend any updates to capabilities and resources necessary to support a resolution plan.

Notification and disclosure

33. An APRA-regulated entity must notify APRA if it intends to make changes to its business or operations, if it becomes aware that such changes would create a material barrier to the resolution plan.
34. An APRA-regulated entity must not make any disclosures on resolution planning without the approval of APRA.