



July 26, 2019

Mr. Patrick J. Burke  
HSBC Holdings plc  
452 Fifth Avenue, 5th Floor  
New York, New York 10018

Dear Mr. Burke:

The Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) have reviewed the resolution plan submission (2018 Plan) that HSBC Holdings plc (Covered Company) submitted in December 2018, as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>1</sup> and the jointly issued Resolution Plan Rule.<sup>2</sup> The Agencies did not identify shortcomings or deficiencies in the Covered Company's 2018 Plan as a result of this review.

In April 2019, the Agencies invited comment on a proposal (Proposal) to modify the Resolution Plan Rule that would, among other things, adjust the scope of application, submission timeframe, and plan content requirements.<sup>3</sup> Until the Agencies finalize the Proposal in a final rule (Final Rule), the current Resolution Plan Rule continues to apply to the Covered Company, including any provisions relating to the next resolution plan submission date.

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<sup>1</sup> 12 U.S.C. § 5365(d).

<sup>2</sup> 12 CFR Part 243 (Board) and 12 CFR Part 381 (FDIC).

<sup>3</sup> Resolution Plans Required, 84 FR 21600 (May 14, 2019), <https://www.federalregister.gov/documents/2019/05/14/2019-08478/resolution-plans-required>.

Accordingly, the Agencies have jointly determined that the Covered Company's next resolution plan submission will be due on July 1, 2021, or such other date that may be specified when the Agencies adopt the Final Rule. The Covered Company should refer to the Final Rule for the content requirements of its subsequent resolution plan submission.

The following items were noted during the review of the 2018 Plan.

#### Capital

The 2018 Plan discusses a Financial Capital Analysis tool that will determine the capital requirements for each of HSBC's material entities (MEs) to meet "well capitalized" minimum thresholds. However, capital needs for each ME during resolution were not presented as result of the Multiple Point of Entry strategy, and HSBC concluded that estimates were not required for any ME other than HSBC Bank USA, National Association (HBUS). In its next resolution plan submission, HSBC should complete development of the Financial Capital Analysis tool and demonstrate its ability to forecast capital needs on an ME basis through resolution, consistent with its strategy.

#### Liquidity

The 2018 Plan discusses a Financial Liquidity Analysis tool that will estimate the liquidity requirements of MEs, including HBUS, in the runway period and through resolution. With the exception of HBUS, the funding needs for the MEs during resolution were not presented in the 2018 Plan, including for HSBC Technology & Services (USA) Inc. (HTSU), which is assumed to remain operational. Although monthly funding plans for HBUS during resolution were included, the 2018 Plan provided limited supporting details. Further, HSBC did not incorporate financial market utility (FMU) peak funding needs in the relevant sources and uses during the runway period and during resolution.

In its next resolution plan submission, HSBC should provide a detailed cash flow analysis on an ME basis in the runway period and through resolution, consistent with its strategy. The cash flow analysis should incorporate FMU peak funding needs. HSBC should also complete development of the Financial Liquidity Analysis tool and demonstrate its ability to forecast liquidity needs on an ME basis.

#### Payment, Clearing, and Settlement Activities

In its 2018 Plan, HSBC demonstrated that its risk and operational systems have the capability to produce relevant analytics (e.g., volume and value) for key FMUs. However, the 2018 Plan did not (1) indicate that HSBC has a formal process to aggregate key FMU data and identify key FMUs, (2) list the specific information systems from which the information is drawn, or (3) identify how quickly this information could be produced in resolution. In its next resolution plan submission, HSBC should demonstrate its ability to produce aggregated, comprehensive key FMU metrics across its PCS activities, and describe the associated governance process. HSBC should also provide a list of key information systems used to obtain data regarding the firm's PCS activities and support for its assumption that these information systems would continue operating through resolution.

#### Shared and Outsourced Services

The 2018 Plan states that HTSU has adequate liquidity to continue operations after the other MEs enter resolution, and the 2018 Plan assumes that MEs in resolution will continue to pay HTSU for services without any disruptions in payments. In its next resolution plan submission, HSBC should demonstrate that HTSU will have adequate liquidity to continue operations during resolution given the potential for disruption of payments to HTSU by MEs in resolution. If the plan continues to assume that HTSU would rely on its affiliates for liquidity,

for example, through continued payments or a liquidity facility, HSBC should demonstrate that these affiliates would be able to provide such liquidity during resolution.

If you have any questions about the information communicated in this letter, please contact Catherine Tilford, Assistant Director, Federal Reserve Board, at 202-452-5240 or [catherine.a.tilford@frb.gov](mailto:catherine.a.tilford@frb.gov), or Shawn Khani, Associate Director, FDIC, at 202-898-3944 or [skhani@fdic.gov](mailto:skhani@fdic.gov).

Sincerely,



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Director  
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of the Federal Reserve System



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