



EST. 1817

# TAILORED U.S. RESOLUTION PLAN

PUBLIC SECTION

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WESTPAC BANKING CORPORATION ABN 33 007 457 141



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## **Disclosure regarding forward-looking statements**

This document contains statements that constitute 'forward-looking statements' within the meaning of Section 21E of the US *Securities Exchange Act of 1934*.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this document and include statements regarding Westpac's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. Words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk' or other similar words are intended to identify forward-looking statements. These forward-looking statements reflect Westpac's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond Westpac's control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon the company. There can be no assurance that future developments will be in accordance with Westpac's expectations or that the effect of future developments will be those anticipated. Actual results could differ materially from those expected, depending on the outcome of various factors.

Westpac is under no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, after the date of this document.

# 1 Introduction

Westpac's resolution plan (the "U.S. Plan") is being filed pursuant to section 165(d) of the Dodd Frank Act ("the Act") and its implementing rules<sup>1</sup> (together, the "Regulations"). The Regulations require any foreign bank or company that is a Bank Holding Company ("BHC") with total consolidated assets of \$50 billion or more (each a "Covered Company") to periodically submit to the Board of Governors of the Federal Reserve System ("FRB") and the Federal Deposit Insurance Corporation ("FDIC") a plan for the covered company's rapid and orderly resolution in the event of material financial distress or failure. Since Westpac Banking Corporation ("Westpac" or "the Bank") is treated as a BHC in the United States, and has greater than \$50 billion in total consolidated assets globally, it is a Covered Company and is therefore required to submit a U.S. Plan under the Regulations.

For a foreign-based Covered Company, like Westpac, the Regulations require the U.S. Plan to include information only with respect to Westpac's "subsidiaries, branches and agencies, and critical operations and core business lines, as applicable, that are domiciled in the United States or conducted in whole or material part in the United States", together with information about any interconnections or interdependencies between Westpac's U.S. and non-U.S. operations and a description of how the U.S. Plan is integrated into Westpac's overall resolution or other contingency planning process.

Westpac is filing a "tailored plan" in 2014. A tailored plan is generally available for foreign-based Covered Companies that have less than \$100 billion in total U.S. non-bank assets and whose assets with respect to U.S. depository institution operations, branches, and agencies comprise 85% or more of the company's U.S. total consolidated assets. Westpac provided written notice of its intent and eligibility to file a "tailored plan" on March 31, 2014 and was notified by the FRB and FDIC on June 24, 2014 that it is eligible to file such a plan.

Westpac was founded in 1817 and was the first bank established in Australia. Westpac began trading on April 8, 1817 as the Bank of New South Wales. In 1982, following the merger with the Commercial Bank of Australia, Westpac changed its name to Westpac Banking Corporation. On August 23, 2002, Westpac was registered as a public company limited by shares under the Australian *Corporations Act (2001)*. In December 2008, Westpac merged with St. George Bank Limited forming the Westpac Group ("the Group").

Today, the Group is one of the four major banking organizations in Australia and one of the largest banking organizations in New Zealand. The Group provides a broad range of banking and financial services in these markets, including consumer, business and institutional banking and wealth management services. Westpac has branches, affiliates and controlled entities throughout Australia, New Zealand and the Pacific region, and maintains branches and offices in some of the key financial centers around the world. As at September 30, 2014, the Group is one of the largest listed companies by market capitalization on the Australian Securities Exchange Limited ("ASX"), with market capitalization of A\$100 billion<sup>2</sup> and total assets of A\$771 billion.

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<sup>1</sup> Implementing rules for section 165(d) were jointly issued by the Federal Reserve Board ("FRB"), codified at 12 C.F.R. Part 243 (the "FRB Rule"), and the Federal Deposit Insurance Corporation ("FDIC"), codified at 12 C.F.R. Part 381 (the "FDIC Rule").

<sup>2</sup> Based on the closing share price of Westpac's ordinary shares on the ASX as at September 30, 2014.

In the United States, the Westpac Group operates a federally-licensed branch in New York (the “New York Branch” or the “Branch”). The New York Branch is a legal and operational extension of Westpac and conducts a number of Westpac’s U.S. operations. Aside from the New York Branch, Westpac maintains several U.S. subsidiaries that are associated directly with Westpac or via subsidiaries. A full list of Westpac’s controlled entities can be found in Note 39 to the Group’s financial statements, available in the 2014 Westpac Group Annual Report on Form 20-F (the “2014 Annual Report”)<sup>3</sup>.

## 2 Core Business Lines and Critical Operations

The Regulations define “Critical Operations” as “those operations of the covered company, including associated services, functions and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the FRB and the FDIC, would pose a threat to the financial stability of the United States.”

“Core Business Lines” are defined in the Regulations as “those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.”

While Westpac considers all its present business lines and operations of importance to the Group’s current and future success and profitability, in light of the definitions set forth in the Regulations, the U.S. Plan does not identify any Critical Operations or Core Business Lines that were either domiciled in the United States, or conducted in whole or material part in the United States as at December 31, 2013.

## 3 Material Entities

A “Material Entity” is defined in the Regulations as “a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line.”

On the basis that Westpac had no Core Business Lines or Critical Operations for U.S. resolution planning purposes, the U.S. Plan does not identify any Material Entities.

Therefore, the scope of Westpac’s U.S. Plan is on Westpac’s New York Branch as a legal and operational extension of the Covered Company, Westpac.

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<sup>3</sup> A copy of the 2014 Annual Report is available here - [http://www.westpac.com.au/about-westpac/investor-centre/annual\\_reports/](http://www.westpac.com.au/about-westpac/investor-centre/annual_reports/)

## 4 Financial Information

Table 1 summarizes the consolidated balance sheet of the Westpac Group as at September 30, 2014<sup>4</sup>, as reported in the 2014 Annual Report.

Table 1: Consolidated Balance Sheet Data for the Westpac Group<sup>5</sup>

	As at 30 September	
	2014 US\$m	2014 A\$m
Cash and balances with central banks	22,507	25,760
Receivables due from other financial institutions	6,486	7,424
Derivative financial instruments	36,175	41,404
Trading securities and other financial assets designated at fair value and available-for-sale securities	71,585	81,933
Loans	507,046	580,343
Life insurance assets	9,617	11,007
All other assets	20,070	22,971
<b>Total assets</b>	<b>673,486</b>	<b>770,842</b>
Payables due to other financial institutions	16,282	18,636
Deposits and other borrowings	402,620	460,822
Other financial liabilities at fair value through income statement	16,806	19,236
Derivative financial instruments	34,545	39,539
Debt issues	133,022	152,251
Life insurance liabilities	8,420	9,637
All other liabilities	9,197	10,526
Total liabilities excluding loan capital	620,892	710,647
Total loan capital	9,487	10,858
<b>Total liabilities</b>	<b>630,379</b>	<b>721,505</b>
<b>Net assets</b>	<b>43,107</b>	<b>49,337</b>
Total equity attributable to owners of Westpac Banking Corporation	42,337	48,456
Non-controlling interests	770	881
<b>Total shareholders' equity and non-controlling interests</b>	<b>43,107</b>	<b>49,337</b>

For notes relating to the table above, please refer to the 2014 Annual Report.

<sup>4</sup> Westpac's financial year ends September 30. Unless otherwise stated, information in this report is current as at September 30, 2014.

<sup>5</sup> Unless otherwise stated, the translation of Australian dollars into U.S. dollars has been made at the rate of A\$1.00 = US\$0.8737, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York as of Monday, September 30, 2014. All financial information is reported in accordance with the Australian Accounting Standards, which in turn complies with International Financial Reporting Standards issued by the International Accounting Standards Board.

## 5 Capital Resources

### 5.1 Capital Management Strategy

Westpac's approach to capital management seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalized. Westpac considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans.

Westpac evaluates these considerations through an Internal Capital Adequacy Assessment Process ("ICAAP"), the key features of which include:

- the development of a capital management strategy, including preferred capital range, capital buffers and contingency plans;
- consideration of both economic and regulatory capital requirements;
- a process that challenges the capital measures, coverage and requirements which incorporates amongst other things, the impact of adverse economic scenarios; and
- consideration of the perspectives of external stakeholders including rating agencies and equity and debt investors.

### 5.2 Capital Adequacy

The regulatory limits applied to Westpac's capital ratios are consistent with *A global regulatory framework for more resilient banks and banking systems*, also known as Basel III, issued by the Bank of International Settlements. This framework reflects the advanced risk management practices that underpin the calculation of regulatory capital through a broad array of risk classes and advanced measurement processes.

As provided for in the Basel III Accord, the Australian Prudential Regulation Authority ("APRA") has exercised discretions to make the framework applicable in the Australian market, and in particular has required that Australian banks, like Westpac, use sophisticated models for credit risk, operational risk and interest rate risk taken in the banking book. In addition, APRA has applied discretion in the calculation of the components of regulatory capital. The new Basel III prudential standards become effective on 1 January 2013.

Westpac is accredited by APRA to apply advanced models permitted by the Basel III global capital adequacy regime to the measurement of its regulatory capital requirements. Westpac uses the Advanced Internal Ratings-Based approach for credit risk, the Advanced Measurement Approach (AMA) for operational risk and the internal model approach for Interest Rate Risk in the Banking Book (IRRBB). Effective risk management is regarded as a key activity performed at all levels of the Group. Achieving advanced accreditation from APRA has resulted in a broad array of changes to risk management practices that have been implemented across all risk classes. Westpac recognizes that embedding these principles and practices into day-to-day activities of the divisions to achieve the full benefits of these changes is an ongoing facet of risk management.

Australia's risk-based capital adequacy guidelines are generally consistent but not completely aligned with the approach agreed upon by the Basel Committee on Banking Supervision ("BCBS"). APRA has exercised its discretion in applying the Basel framework to Australian Deposit-taking Institutions ("ADIs"), resulting in a more conservative approach than the minimum standards published by the BCBS. APRA also introduced the new standards from January 1, 2013 with no

phasing in of higher capital requirements as allowed for by the BCBS. The application of these discretions act to reduce the reported capital ratios relative to those reported in other jurisdictions.

Under APRA’s implementation of Basel III, Australian banks are required to maintain a minimum Common Equity Tier 1 ratio of at least 4.5%, Tier 1 ratio of 6.0% and Total Regulatory Capital of 8.0%. Subject to certain limitations, Common Equity Tier 1 capital consists of paid-up share capital, retained profits and certain reserves, less the deduction of certain intangible assets, capitalized expenses and software, and investments and retained earnings in insurance and funds management subsidiaries that are not consolidated for capital adequacy purposes. The balance of eligible capital is defined as additional Tier 1 or Tier 2 capital which includes, subject to limitations, mandatory convertible notes, perpetual floating rate notes and like instruments, and term subordinated debt less a deduction for holdings of Westpac’s own subordinated debt and that of other financial institutions.

Westpac’s capital ratios are significantly above APRA minimum capital adequacy requirements. Westpac is required to inform APRA immediately of any breach or potential breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken. Westpac’s regulatory capital ratios reported under Basel III as at September 30, 2014 are summarised in Table 2.

**Table 2: Westpac Group Capital Ratios.**

	<b>As at September 30, 2014</b>
<b>Common Equity Tier 1 capital ratio</b>	<b>9.0%</b>
Additional Tier 1 capital ratio	1.6%
<b>Tier 1 capital ratio</b>	<b>10.6%</b>
Tier 2 capital ratio	1.7%
<b>Total regulatory capital ratio</b>	<b>12.3%</b>

## 6 Funding and Liquidity

### 6.1 Liquidity Risk Management

Liquidity risk is the risk that the Group will be unable to fund assets and meet obligations as they become due. This risk could potentially arise as a result of:

- an inability to meet both expected and unexpected current and future cash flows and collateral needs without affecting either daily operations or the financial condition of the bank; and/or
- market disruption impacting the ability to offset or eliminate a position at the market price.

Liquidity risk is managed through Westpac's Liquidity Risk Management Framework, which is approved annually by the Group's Board Risk and Compliance Committee ("BRCC").

Responsibility for liquidity management is delegated to Treasury, under the oversight of the Group Asset and Liability Committee ("ALCO"). Daily liquidity risk reports are circulated to, and reviewed by, local senior staff in both Treasury and the independent Liquidity Risk team. Summary liquidity reports are submitted to senior staff weekly, ALCO and APRA monthly, and to the BRCC quarterly. Treasury is also responsible for monitoring and managing our funding base so that it is prudently maintained, stable and adequately diversified.

Westpac models the ability to fund under both normal conditions and during a crisis situation, with models run globally and for specific geographical regions. This approach is designed to ensure that the Group's funding framework is sufficiently flexible to accommodate a wide range of market conditions. Westpac's Liquidity Risk Management Framework is reviewed annually. The annual review encompasses reviews of the funding scenarios modelled, the modelling approach, wholesale funding capacity, limit determination and minimum holdings of liquid assets. Westpac's Liquidity Risk Management Framework is reviewed by ALCO prior to approval by the BRCC.

Treasury also undertakes an annual funding review that outlines the funding strategy for the coming year. This review encompasses trends in global markets, peer analysis, wholesale funding capacity, expected funding requirements and a funding risk analysis. This strategy is continuously reviewed to take account of changing market conditions, investor sentiment and estimations of asset and liability growth rates. The annual funding strategy is reviewed and supported by ALCO prior to approval by the BRCC.

Westpac maintains a contingency funding plan that details the broad actions to be taken in response to severe disruptions in our ability to fund some or all of our activities in a timely manner and at a reasonable cost. This document is reviewed annually by the BRCC and defines a committee of senior executives to manage a crisis and allocates responsibility to individuals for key tasks.

## 6.2 Sources of Liquidity

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, product and term. Sources include, but are not limited to:

- deposits;
- debt issues;
- proceeds from sale of marketable securities;
- repurchase agreements with central banks;
- principal repayments on loans;
- interest income;
- fee income; and
- an interbank deposit agreement<sup>6</sup>.

The Group does not rely on committed funding lines as a source of liquidity.

For further information, refer to Note 27 of the 2014 Annual Report.

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<sup>6</sup> Westpac is a participant to the Interbank Deposit Agreement along with three other Australian banks. In accordance with the Interbank Deposit Agreement, a deposit notice may be served upon the other participants by a bank which is experiencing liquidity problems. The other participants are then required to deposit equal amounts of up to \$2 billion each for a period of 30 days. At the end of 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of qualifying Australian mortgages to the value of the deposit.

## 7 Derivative and Hedging Activities

Derivative contracts include forwards, futures, swaps and options, whose values derive from the value of an underlying asset, reference rate or index. Derivatives are flexible and cost-effective tools for assisting in the management of interest rate, exchange rate, commodity, credit and equity exposures.

The Group uses derivatives in two distinct capacities: as a trader and as an end-user as part of its asset and liability management activities.

### 7.1 Trading

As a trader, the Group's primary objective is to derive income from the sale of derivatives to meet Westpac's customers' needs. The Group also undertakes risk management activities to manage risks arising from the balance sheet. The market making process provides liquidity in key markets in which the Group operates. The Group also trades on its own account to take advantage of market opportunities. These activities represent a limited part of the Group's derivative activities.

### 7.2 Hedging

Hedging the Group's exposures to interest rate, credit and foreign exchange rate risk is undertaken in the normal course of business by using derivatives. This activity is principally carried out by Treasury within the risk management framework of limits, practices and procedures set and overseen by the Westpac Group Executive Risk Committee ("RISKCO").

#### 7.2.1 Fair Value Hedges

The Group hedges a proportion of its interest rate risk and foreign exchange risk from debt issuances using single currency and cross-currency interest rate derivatives. The Group also hedges part of its interest rate risk from fixed rate assets denominated both in local and foreign currencies using interest rate derivatives designated as fair value hedges.

#### 7.2.2 Cash Flow Hedges

Exposure to the volatility of interest cash flows from floating rate customer deposits, at call balances and loans is hedged through the use of interest rate derivatives. Exposure to foreign currency principal and interest cash flows from floating rate debt issuances is hedged through the use of cross-currency derivatives.

#### 7.2.3 Dual Fair Value and Cash Flow Hedges

Fixed rate foreign currency denominated debt is hedged using cross-currency interest rate derivatives, designated as fair value hedges of foreign interest rates and cash flow hedges of foreign exchange rates.

#### 7.2.4 Net Investment Hedges

The Group hedges the majority of the currency translation risk of net investments in foreign operations through foreign exchange forward contracts.

For further information, refer to Note 29 of the 2014 Annual Report.

## 8 Memberships in Material Payments, Clearing and Settlement Systems

In order to facilitate its business and support client needs, Westpac maintains memberships with, and participates in, certain payments, clearing and settlement systems. Westpac's material relationships are concentrated in the Australian and New Zealand financial markets, none of which are considered critical for the purposes of the U.S. Plan. In the United States, Westpac typically accesses payment, clearing and settlement systems through its agent banks.

## 9 Foreign Operations

Westpac's core markets are Australia, New Zealand and the near Pacific. In these markets, the Group maintains branches and controlled entities and provides a comprehensive range of banking and financial services, including retail, business and institutional banking and wealth management services.

The Group also maintains branches and offices in some of the key financial centers around the world, including branches in London, New York, Singapore, Hong Kong, Shanghai, Beijing, and Mumbai and a representative office in Jakarta.

A breakdown of revenues and assets by geography is provided in Table 3.

**Table 3: Revenue and Non-current Assets by Geographic Segment.**

	September 30, 2014		
	US\$m	A\$m	%
<b>Revenue</b>			
Australia	28,727	32,880	85.1
New Zealand	4,140	4,738	12.3
Other <sup>1</sup>	896	1,025	2.6
<b>Total</b>	<b>33,762</b>	<b>38,643</b>	<b>100.0</b>
<b>Non-current assets<sup>2</sup></b>			
Australia	11,208	12,828	91.2
New Zealand	696	797	5.7
Other <sup>1</sup>	378	433	3.1
<b>Total</b>	<b>12,282</b>	<b>14,058</b>	<b>100.0</b>

1 Other includes Pacific Islands, Asia, the Americas and Europe.

2. Non-current assets includes property, plant and equipment, goodwill and other intangible assets.

## 10 Supervisory Authorities

The primary regulatory and supervisory authorities of Westpac are listed below.

### 10.1 Australia

Within Australia Westpac is subject to supervision and regulation by six principal agencies: APRA; the Reserve Bank of Australia (“RBA”); the Australian Securities and Investments Commission (“ASIC”); the Australian Securities Exchange (“ASX”); the Australian Competition and Consumer Commission (“ACCC”); and the Australian Transaction Reports and Analysis Centre (“AUSTRAC”).

### 10.2 New Zealand

The Reserve Bank of New Zealand (“RBNZ”) and the Financial Markets Authority (“FMA”) have supervisory oversight over Westpac’s New Zealand operations. The New Zealand prudential supervision regime requires that Westpac New Zealand Limited (“WNZL”), a registered bank in New Zealand, publish quarterly disclosure statements, which contain information on financial performance and risk positions as well as attestations by the directors about WNZL’s compliance with its conditions of registration and certain other matters.

### 10.3 United States

Westpac’s New York Branch is a U.S. federally-licensed branch and therefore is subject to supervision, examination and extensive regulation by the U.S. Office of the Comptroller of the Currency (“OCC”), and the FRB under the U.S. *International Banking Act of 1978* (“IBA”) and related regulations.

A U.S. federally-licensed branch must maintain, with a U.S. Federal Reserve member bank, a capital equivalency deposit as prescribed by the U.S. Comptroller of the Currency, which is at least equal to 5% of its total liabilities (including acceptances, but excluding accrued expenses, and amounts due and other liabilities to other branches, agencies, and subsidiaries of the foreign bank).

In addition, a U.S. federally-licensed branch is subject to periodic onsite examination by the U.S. Comptroller of the Currency. Such examination may address risk management, operations, asset quality, compliance with the recordkeeping and reporting, and any additional requirements prescribed by the U.S. Comptroller of the Currency from time to time.

A U.S. federally-licensed branch of a foreign bank is, by virtue of the IBA, subject to the receivership powers exercisable by the U.S. Comptroller of the Currency.

At this time Westpac is not a Financial Holding Company as defined in the *Gramm- Leach-Bliley Act of 1999*.

Westpac and some of its affiliates are engaged in various activities that are subject to regulation by other U.S. federal regulatory agencies including the U.S. Securities & Exchange Commission and the Commodity Futures Trading Commission.

## 11 Board of Directors

Westpac’s Board of Directors (the “Board”) and their respective membership on standing Committees of the Board are listed in Table 4.

**Table 4: Westpac Board of Directors and Board Committee Memberships, as at September 30, 2013.**

	Status	Board Audit Committee	Board Risk & Compliance Committee	Board Nominations Committee	Board Remuneration Committee	Board Technology Committee
<b>Lindsay Maxsted</b>	Chairman, Non-executive, Independent	✓	✓	Chair ✓		
<b>Gail Kelly</b>	CEO, Executive					✓
<b>Elizabeth Bryan</b>	Non-executive, Independent		Chair ✓	✓	✓	
<b>Ewen Crouch</b>	Non-executive, Independent		✓	✓	Chair ✓	
<b>Alison Deans</b>	Non-executive, Independent		✓			✓
<b>Robert Elstone</b>	Non-executive, Independent	Chair ✓	✓	✓	✓	
<b>Peter Hawkins</b>	Non-executive, Independent	✓	✓	✓		Chair ✓
<b>Peter Marriott</b>	Non-executive, Independent	✓	✓			✓
<b>Ann Pickard</b>	Non-executive, Independent		✓		✓	

## 12 Resolution Planning Corporate Governance

The development of the U.S. Plan leverages Westpac's existing risk management framework. Under this framework, the Board is responsible for reviewing and approving Westpac's overall risk management strategy, including determining Westpac's appetite for risk. The Board has delegated to the Board Risk and Compliance Committee ("BRCC") responsibility for providing recommendations to the Board on Westpac Group's risk-reward strategy, setting risk appetite, approving frameworks, policies and processes for managing risk, and determining whether to accept risks beyond management's approval discretion.

The Chief Executive Officer ("CEO") and executive management team are responsible for implementing the risk management strategy and frameworks and for developing policies, controls, processes and procedures for identifying and managing risk in all of Westpac's activities.

The Group Chief Risk Officer ("CRO") is the responsible Group Executive for recovery and resolution planning, including the Group's resolution planning requirements in the United States. The development and maintenance of the U.S. Plan is managed by the Group's Liquidity Risk team within Westpac's Enterprise Risk business unit. The U.S. Plan is subject to an annual review and approval process, with each update incorporating any changes to the Group's U.S. material operations and/or developments in regulations. Oversight of the U.S. Plan leverages Westpac's existing risk governance model and committee structure and has been embedded into existing processes to ensure sustainability.

Consistent with the CRO's responsibility for recovery and resolution planning, the BRCC delegated authority to the CRO to approve the U.S. Plan. Following an internal review process, the Offshore Asset Liability Committee ("ALCO")<sup>7</sup> and Group ALCO reviewed and supported approval of the U.S. Plan by the CRO. The CRO approved the 2014 U.S. Plan on December xx, 2014.

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<sup>7</sup> An executive management level sub-committee of the Westpac Group ALCO.

## 13 Management Information Systems

Westpac uses Management Information Systems (“MIS”) globally to collect, maintain, aggregate and report information for the purposes of informing decisions regarding day-to-day operations and overall management across the organisation in a timely manner. Westpac MIS depends on a combination of internally developed and third party vendor-developed systems and applications.

Westpac’s systems and applications are capable of producing reports both at defined frequencies (*e.g.*, daily, weekly, monthly), as well as on an ad hoc basis. Such reports provide both senior management and regulators with the information necessary to monitor the financial health, risks and operations of Westpac.

Westpac’s systems and applications are essential to smooth and effective operations of the Group. A core component of Westpac’s risk management framework is its Business Continuity Management (“BCM”) program, which includes business continuity and disaster recovery planning as core components. Westpac has established formal policies, procedures, and programs for analysing, developing, maintaining, and testing business continuity and disaster recovery plans with the goal of maintaining shareholder value, minimizing the impact on employees, brand and reputation and ensuring the ongoing provision of banking and financial services to Westpac’s customers in the event of a business disruption to the Westpac Group. The BCM program applies to the entire Westpac Group, whether or not activities are outsourced to related bodies or third-party service providers, and regardless of where they are located.

## 14 Resolution Strategy

Westpac’s U.S. Plan is intended to provide a guide for the orderly resolution of Westpac’s New York Branch in a manner that avoids systemic risk to the U.S. financial system and the U.S. economy. The resolution strategy for the New York Branch is premised on the assumption that Westpac has failed. Since the New York Branch is a legal extension of Westpac, failure of Westpac will in turn result in failure of the New York Branch.

As a U.S. federally-licensed branch, the relevant resolution regime for the New York Branch is contained within the IBA. The IBA empowers the OCC to appoint a receiver to take possession of all U.S. assets of Westpac, where the OCC determines that Westpac is insolvent. The appointed receiver would then liquidate the assets of the New York Branch, with the proceeds from such liquidation being used to pay the claims of all third-party creditors against the New York Branch<sup>8</sup>.

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<sup>8</sup> 12 U.S.C. 3102(j)