Seminar Timetable

<table>
<thead>
<tr>
<th>Time</th>
<th>Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.15</td>
<td>Seminar Commences</td>
</tr>
<tr>
<td>18.00</td>
<td>Panel Q&amp;A sessions</td>
</tr>
<tr>
<td>18.15</td>
<td>Networking and refreshments</td>
</tr>
</tbody>
</table>
Session contents
An introduction and background to Recovery and Resolution planning
Overview of Recovery and Resolution planning

- EU Recovery & Resolution Directive
  - Effective 19th January 2015
- Preparedness and early intervention
- Affects 230 firms regulated by the FCA
- Produce Recovery Plan & Resolution Pack
- Submit recovery plan to CA and resolution information to RA
Background

- Financial Crisis: Threats to EU Stability
  - Too big to fail
  - Business As Usual
  - Distress
  - Failing
Regulatory context

**RECOVERY & RESOLUTION DIRECTIVE**

- Key Attributes for FIs (FSB)
- EU technical standards and guidelines
- RTS on contents of Recovery Plans
- Guidelines on Recovery Plan Scenarios
- Consultation Papers
- Policy Statements
- Supervisory Statements
- FAQs
- Consultation Papers
- Policy Statements
What specifically is required?

**Recovery Plan**

Firms to maintain recovery plans, outlining credible recovery actions that they could implement in the event of severe stress to restore their business to a stable and sustainable condition.

**Resolution Pack**

RA is aiming for a position where the failure of any firm is orderly: this means that in the event of failure, it will be feasible to resolve that firm without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions and imposing losses on bank creditors.
Application
Who does it apply to?

- IFPRU €730k investment firms, certain groups and credit institutions
- 230 investment firms that FCA regulate
- €730k firms within the scope of MiFID and the Capital Requirements Regulation (CRR)
- For dual regulated firms the PRA will receive the Recovery Plan
Key issues - significant and non-significant IFPRU firms

**Significant IFPRU firms**

- Total assets exceed £530 million
- Total liabilities exceed £380 million
- Annual fees and commission income it receives in relation to the regulated activities carried on by the firm exceeds £160 million in the 12-month period immediately preceding the date the firm carries out the assessment under this rule on a rolling basis
- Client money that it receives or holds exceeds £425 million
- Assets belonging to its clients that it holds in the course of, or connected with, its regulated activities exceeds £7.8 billion

**Non-significant IFPRU firms**

- An IFPRU firm that falls below the conditions set out above
Compilation of your Recovery and Resolution Pack
Planning & Execution

- Identify a project team
- Start drafting the RRP
- Gap analysis – RRP vs IFPRU 11
- Fit within existing control framework
- Consider and external review
Recovery Plan: High Level content

- Plan Summary
- Recovery capacity
- Preparatory Measures
  - Measures to addresses infringement of an intervention condition
- Governance Information
- Time frame for implementation
- Recovery options

• A Plan for a Significant Impact firm expected to cover 32 different points
FCA guidance v FCA guidance

- Depending on which source you refer to, the recommended level of detail is quite different
- Recovery Plan template exists for use by certain firms only

Financial Conduct Authority

Recovery plan submission - suggested format for firms or groups subject to simplified obligations

August 2015
Resolution Plan: High Level content

1. Group / Entity Information
2. Business model
3. Capital and advising
4. Activities and operations
5. Economic functions

Standard Resolution Pack structure
Resolution Plan contents (1)

i) Group / Entity Information

Structure charts:
• Information on entities

Details of branches and subsidiaries
• Where a branch represents material revenue
• Represents Use of branches san subsidiaries in different geographies
• Description of the business undertaken; and
• Key business metrics.

ii) Business Model

Core Business
• Business Lines core to the group’s operations and profitability
• Provide an analysis:
• Main operations with P&L
• Locations and geographical breakdown of revenue total exposures to each counterparty
• Explanation of the governance structure interaction with other areas and services areas.
### Resolution Plan contents (2)

### iii) Capital and funding
- Capital Allocation
- Treasury function
- Funding
- Intra-group guarantees
- Other financial Dependencies
- Encumbrances

### iv) Activities and operations
- **Access to financial market infrastructure**
  - Overview of the firm’s access to financial market infrastructure
- **Risk Management Practices**
  - An overview of the firm’s booking practices by asset class
- **Counterparty Risk Management**
  - Estimation of trades booked through and exchange or central counterparty
- **Critical shared services**
  - A summary of how operations are organised

### v) Economic functions
- Capital Markets & Investment / Wholesale Funding Markets / Payments, clearing, custodiuu and settlement
Reporting Dates and Frequencies
Key issues - submission

### Key issues - significant and non-significant IFPRU firms

**Significant IFPRU firms**
- Total assets exceed £530 million
- Total liabilities exceed £380 million
- Annual fees and commission income it receives in relation to the regulated activities carried on by the firm exceeds £160 million in the 12-month period immediately preceding the date the firm carries out the assessment under this rule on a rolling basis
- Client money that it receives or holds exceeds £425 million
- Assets belonging to its clients that it holds in the course of, or connected with, its regulated activities exceeds £7.8 billion

**Non-significant IFPRU firms**
- An IFPRU firm that falls below the conditions set out above

---

**SUP 16.20 requirements for submission of recovery plans**

- Don’t forget to confirm approval
- Submission within 3 months of the reporting reference date
- Usually in the format of a PDF document
- Due dates will be incorporated into GABRIEL schedules
Recovery Plan: Timeline for reporting

- **JUN 15**: More than £2.5bn
- **SEP 15**: £1bn - £2.5bn
- **DEC 15**: £500m - £1bn
- **MAR 16**: Less than £500m

**Total Balance Sheet assets**

**First reporting reference date**

**SIGNIFICANT IFPRU FIRM**
Recovery Plan: Timeline for reporting

**NON-SIGNIFICANT IFPRU FIRM**

- **SEP 15**: £50m - £500m
- **DEC 15**: £15m - £50m
- **MAR 16**: £5m – £15m
- **JUN 16**: Less than £5m

**Total Balance Sheet assets**

**First reporting reference date**
Timeline for Resolution Plan reporting

Significant Firms
30 June 2015

Non-Significant firms
31 December 2015

- Significant Firms: every 2 years
- Non-Significant firms: every 3 years
- Within 3 months of reference date
Other Regulatory Considerations
Notifications

- Assets become less than liabilities
- Failure to satisfy any of the threshold conditions
- Unable to meet liabilities as they fall due
- Will be unable to meet liabilities in the near future
- Threat of imminent depletion of own funds
- Extraordinary public financial support required

Notify FCA
Moore Stephens Services

**RRP health check**
- Our health check service can be a one-off or annual way to provide assurance that the recovery plan is in line with rule requirements, is fit for purpose and ready to be relied on.

**RRP drafting**
- We can assist with document preparation for submission to the regulator and we will work with you to ensure your RRP sets out the options the firm has for addressing both liquidity and capital challenges and meets the regulator’s expectation that firms would fit their RRP within their existing risk management framework and Internal Capital Adequacy Assessment Process (ICAAP).

**RRP Testing**
- Moore Stephens can help clients map their functions onto their legal structure and advise them how to simplify their structure to make reporting easier and where relevant provide restructuring advice to determine the intended recovery actions under stressed and distressed scenarios.
- We can provide advice restructuring/insolvency advice in the resolution plan including whether the plan is capable of being implemented efficiently.
- We can advise on CASS resolutions plans from a practical perspective.
- We can undertake a simulated special administration or other insolvency process either generally or in respect of CASS to test the resolution plan.

**Training**
- Our training and advisory service is tailored to reflect the demands and requirements of the relevant stakeholders within your business and includes:
  - Training on RRP requirements for relevant employees;
  - Conducting seminars or discussions for the board and senior management team; and
  - Providing briefing documents and timely advice via telephone and email for finance, compliance and risk teams, highlighting any areas of concern and producing recommendations suggesting approaches that fit the requirements of your firm.

**Pre-submission checks**
- Moore Stephen’s assessment will include:
  - Critically reviewing how well your RRP is incorporated into the firm’s corporate governance arrangements and existing risk management framework;
  - Evaluating the viability of scenarios to restore the firms’ capital and liquidity;
  - Analysing the communication plan in place; and
  - Looking for ‘strategic fit’ between the firm’s business plan and the RRP.
Planning & Execution

1. Identify a project team
2. Start drafting the RRP
3. Gap analysis – RRP vs IFPRU 11
4. Fit within existing control framework
5. Consider and external review
Moore Stephens Contacts

**Lorraine Bay – Partner**
Lorraine is the leader of Financial Services for Moore Stephens. She has been worked in audit services for over 30 years and has over 20 years experience in dealing with FCA and PRA regulated and non-regulated companies, including brokers, investment and asset managers and advisers, banks and hedge fund managers.
lorraine.bay@moorestephens.com

**Tim West – Partner**
Tim acts for a number of financial services groups including private equity firms, asset managers, fund managers, brokers and corporate finance advisers. Tim provides a range of services, including audit, compliance, accounting, regulatory compliance and general ad hoc advisory requirements.
tim.west@moorestephens.com

**Kelly Sheppard – Partner**
Kelly is a partner in the Financial Sector team. Her clients include international entities and listed groups. Kelly provides a range of services, including audit, compliance, accounting, financial services compliance and general ad hoc advisory requirements to a variety of clients including those with international operations.
kelly.sheppard@moorestephens.com

**Andrew Jacobs – Director**
Andrew has been a regulatory professional for over 15 years working across a number of different areas of the Financial Services sector. He has worked at top-tier Consulting Practices and has also held Board Level positions at a number of different FS firms. He is the firm’s leading voice on Recovery & Resolution Planning.
Andrew.Jacobs@moorestephens.com

**James Eldridge – Director**
James is a Licensed Insolvency Practitioner with nearly 20 year's experience specialising in Corporate Simplification, members' voluntary liquidations (solvent liquidations) and closure management. James joined Moore Stephens in July 2015. James has extensive experience in the financial services sector including banking, insurance and asset management.
James.Eldridge@moorestephens.com

**Jeremy Watkins – Director**
Jeremy is a member of the Financial Services team and works with a number of FCA regulated entities on audit, accounting and FCA compliance-based assignments. The clients in Jeremy’s portfolio consist of LLPs, Limited Companies and multiple entity, global groups, including a number of investment and asset managers with total assets under management of over $50bn.
Jeremy.Watkins@moorestephens.com
A winning team..

Our financial compliance team won the prestigious industry award for ‘Best Consultancy Firm of the Year 2015 for Compliance and Risk’ at the Thompson Reuters compliance awards.
Questions and Answers