FDDG:

Sharing the shortcomings in Wind-Down Planning, delving into CASS 5 hot topics and FRED 82.

13 March 2024

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Agenda

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01 **Welcome**
Gopi Manthry

02 **CASS 5**
Paul Goldwin

03 **FRED 82**
Satya Beekarry

04 **Wind-Down Planning**
Paul Goldwin

05 **Q&A**
Paul Goldwin
Satya Beekarry

06 **Thanks and closing**
Angela Treen

Today’s speakers

Paul Goldwin
Partner

+44 (0)20 7516 2251
pgoldwin@pkf-l.com

Satya Beekarry
Partner

+44 (0)20 7516 2200
sbeekarry@pkf-l.com

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CASS 5 hot topics to consider for 2024

Paul Goldwin

pkf-l.com

CASS 5 – Agenda

01 Client money calculations

02 Client by client reconciliation

03 CASS 5 Risk and Controls Matrix

04 Credit writebacks

05 Consolidators and transfers of books of business

06 Statutory trust to Non-statutory trust

Client money calculations

Client money calculations (CMCs)

FCA continue to see non-compliant calculations – extensively reported in CASS 5 opinions

Usually an issue of excluding insurance related balances

Focus on understanding of system generated reports and reliance on external data such as bank statements

Mid-month transfers not supported by a CMC

Use of realised or earned brokerage reports to inform early withdrawals

Permitted when required but must follow a properly completed client money calculation.

Client by client reconciliation

Client by client reconciliation and funding

- Continued focus on the insolvency mindset and is still a common breach we identify
- Use of the client by client reconciliation to evidence of ability to distribute client money but also to monitor funded balances.
- FCA has an increased interest in bad debt provisioning and, in particular, funded bad debt
- FCA expect robust evidence of recoverability for aged balances to support any unprovided balances.
- Remain vigilant on funding from statutory trust environments – use of the client by client reconciliation.

Risk and Controls Matrix

Risk and Controls Matrix

Firms are required to have in place a CASS Risk mapping document which sets out the CASS rules applicable to the firm and the controls that the firm has in place to ensure that it complies with those rules

Consideration of whether the controls are working as expected

Expectation for this to be reviewed on an annual basis

Not a specific breach as set out in the CASS rules, but following discussions with FCA, they consider not having this as a breach of the ‘Client Money organisational arrangements’ (Principle 10) and therefore expects auditors to include as breach.

Credit Writebacks

Credit writebacks

- Viewed as an indicator of weak financial resilience by the FCA.
- Seeing more incidence of credit writebacks in the market.
- Highest concern for credit writebacks of any balances created in the last 3-5 years.
- Consider CWBs to be a breach of fiduciary duties in protecting client money and a potential breach of trust law.
- There are differing legal opinions and legal advice should be obtained to justify any credit writebacks

Credit writebacks

- Expect only instances to be where express consent has been received from the entity to write off the balance
- Firms are applying ‘deemed consent’ rather than ‘actual consent’ in effecting a credit writeback
- Even in this case the FCA would expect the firm to pay away the monies to charity rather than retain for the business.
- Expect any credit writeback approval to be minuted at an appropriate level with consideration of legal implications.
- Formal credit writeback policy outlining the steps taken
- Take proper legal advice to establish that the credit writeback doesn’t breach trust law.

Consolidators and Transfers of books of business

Consolidators

- FCA welcomes consolidators as notes that they are keen to ensure that the correct processes and procedures around client money are in place

- Role in reducing the risk and quantity of smaller non-compliant brokers in the market

- FCA keen, however, to ensure monies are transferred correctly reducing risk of poor customer outcomes

- Risk where consolidators move CASS funds from acquired entity to own CASS accounts – sometimes increasing risk profile if moving from ST to NST environment.

- Similar to credit writebacks – seen by the regulator as another area where the importance of trust status is being misunderstood.

Consolidators – Transfers of client money

- Transfers between trust environments as a breach of trust law
- FCA keen to ensure that relevant consent obtained from clients who have been properly informed – and usually requires up to 85% consent prior to applying for waiver
- Key here being the consent must actual consent rather than deemed consent
- Difficult to obtain consent quickly – now more commonly see this communicated through consumer TOBAs
- We recommend considering the ability to obtain appropriate consent prior to any transfer of client money
- Best practice to transfer the book, run off the balances and close the client money account

Consolidators – ST to NST

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Same 85% consent required prior to applying for waiver to move from statutory to non-statutory trust

Clear requirements to meet CASS 5.4 – Non-statutory client money trust

- Appropriate systems and controls
- Appointment of a client money manager
- Signed trust deed
- Adequate resources – Higher of £50,000 or 5% regulated revenue of regulatory capital for business with retail clients
- Procedures in place to manage credit risk arising from the operation of the NST

Require an auditor's letter to confirm the adequacy of systems and controls in respect of the NST environment.

FCA view the failure to obtain an NST letter as a serious matter and expect a letter to be available for review throughout the year

FCA now requesting firms to move to an ST to reduce risk for consumers where an NST letter is not in place.

Hot topic takeaways

Client money calculations and client by client reconciliation

- Review your understanding of how the system generates data used in reconciliations
- Ensure completeness of balances included

Risk and Controls Matrix

- Prepare and maintain to demonstrate robust systems and controls
- Review annually to ensure details are current

Credit writebacks

- Consider deemed or actual consent before effecting any credit writeback
- Obtain appropriate legal advice to establish that the credit writeback doesn’t breach trust law

Consolidation and change in environment

- Consider if communication to consumers and consent is appropriate before any transfer
- Keep in mind implications for trust law compliance

Revenue Recognition Considerations – **FRED 82**

Satya Beekarry

pkf-l.com

FRED 82 – Agenda

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01 Background to review of FRS 102 – FRED 82

02 Proposed updates to revenue recognition

03 Proposed updates to leases

04 Other proposed changes

Background to review of FRS 102 – FRED 82

Periodic review

- FRS 102 is subject to a periodic review at least every five years.
- Second periodic review of FRS 102 and other FRSs commenced March 2021 with request for views.
- FRED 82 proposed amendments issued in Dec 2022 and comment deadline passed on 30 April 2023.
- FRC considered changes to IFRSs, IFRS for SMEs, stakeholder feedback in response to request for views and other developments in corporate reporting.

Proposed amendments

- Main proposed amendments to reflect changes in IFRSs including:
  - **Leases (IFRS 16)**
  - **Revenue (IFRS 15)**
  - Fair value measurement (IFRS 13)

Proposed effective date

- Accounting periods beginning on or after 1 January 2026.
- Early adoption permitted.

Proposed updates to revenue recognition

Why the proposed alignment with IFRS 15

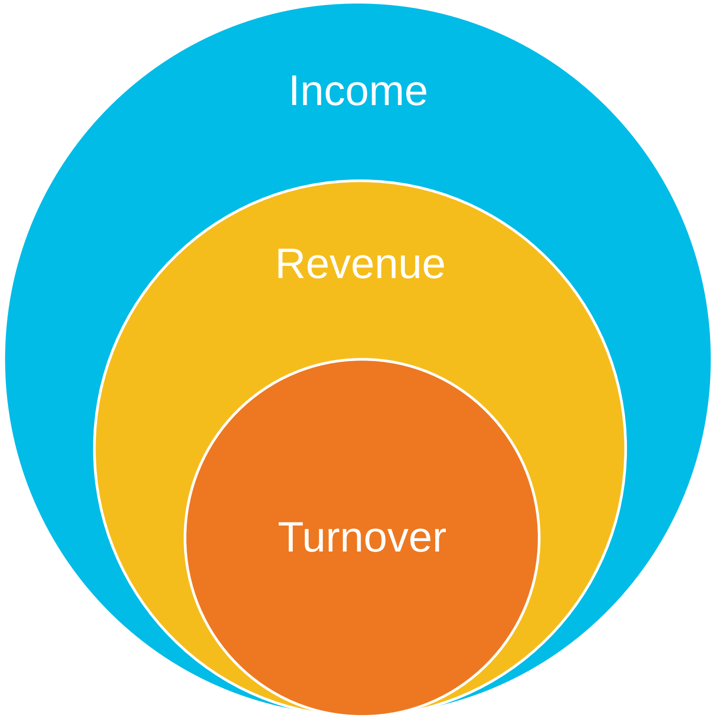
- IFRS 15 five-step model developed to provide single comprehensive framework is well understood and will provide more useful information to users.
- IFRS 15 has been effective since 1 January 2018 for IFRS preparers.
- Request for views feedback generally supported incorporating new model, providing done in a proportionate manner.
- Expected to result in more reliable reporting and increase comparability between entities by providing consistency across all financial reporting frameworks in the UK.
- Proposals to broadly align FRS 105 (micro-entities) and consequential amendments proposed to FRS 103 and its IG.

Proportionality for FRS 102 reporters

Simpler language; succinct drafting (structured around five steps)	Minimise mandatory GAAP diffs to promote efficiency in IFRS groups	Account for time value of money on payments in arrears
Simplified transition with extended practical expedients	Accounting policy choice for costs to obtain a contract	Simplified accounting for contract modifications
Simplified requirements for allocation of a discount	Simplified decisions re agent/principal; customer put options	Simplified decisions re licences (right to use / access)

FRS 102 – Section 23: Where are we now?

- Revenue is the top line in the statement of comprehensive income
- Often used as a measure of the size (and so growth) of an entity
- Key variable many calculations, KPIs and ratios
- Often viewed as the single most important item in the accounts!



- Section 23 applies to revenue arising from:
  - ✓ The sale of goods (whether produced by the entity for the purpose of sale or purchased for resale).
  - ✓ The rendering of services.
  - ✓ Construction contracts in which the entity is the contractor.
  - ✓ The use by others of entity assets yielding interest, royalties or dividends.

- Section 23 does not apply to:
  - ✓ Leases
  - ✓ Insurance contracts
  - ✓ Fair value changes, etc.

General recognition principles

Revenue recognised if:

- **Probable** that any future economic benefit will flow to the entity
- Revenue can be **measured reliably**

Probability relates to the degree of uncertainty associated with the receipt of consideration

Concerns about reliability of measurement more likely to arise from the rendering of services

Where a reliable estimate cannot be made, no revenue should be recognised

Considerations for brokers

- TECH 5/04 ‘Application of FRS 5’ still provides relevant guidance
- Placement services – recognition typically at inception
- Post-placement services – eg claims handling >> defer revenue
- Premium adjustments and returns
- Binding authorities – estimate or wait for declaration?
- Deferred and instalment premiums
- Premium financing – finance income or revenue?
- Cancellations and bad debts – clawback
- Variable/trailing commissions

IFRS 15 – Revenue Recognition Model

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- IFRS 15 replaced the broad principles of IAS 18 with a new core principle that an entity should **recognise revenue when it transfers goods or service to a customer** based upon the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

- The revenue recognition model within IFRS 15 is a core principle that requires an entity to recognise revenue when it transfers goods or services to a customer based upon the amount of consideration to which the entity expects to be entitled from that customer. The goods or services are transferred when the customer has control of them.

1	2	3	4	5
Identify the contract(s) with the customer	Identify the performance obligations in the contract	Determine the transaction price	Allocate the transaction price	Recognise revenue when or as a performance obligation is satisfied.

IFRS 15 – Example of the impact

1. Mobile phone contract

2. Two performance obligations

3. Transaction price of £720

4. Allocate revenue in proportion to stand-alone fair values

5. Recognise revenue as performance obligations satisfied

Example

- An entity offers a 'free' phone with a standalone selling price of £200 to a customer who signs a two-year contract paying £30 a month or £720 in total over the life of the contract for telecoms services
- The standalone selling price of the telecoms services is estimated as £25 a month or £600 in total over the life of the contract
- Under its current practice the entity recognises no revenue upfront and simply recognises £30 a month over the life of the contract
- Under the new standard the entity would have to allocate the total revenue to the phone and the telecoms services in proportion to their stand-alone selling prices

	Current practice	IFRS 15
Phone	£0 recognised upfront	£180 recognised upfront ie, (200/(600+200))*£720
Telecoms services	Recognise £30 a month over the life of the contract	The remaining £540 is allocated to the telecoms services & recognised at £22.50 a month over the life of the contract

Step 1 – Identify the contract

- Contract approved in writing, orally or customary practice and parties committed to performing obligations, each party's rights can be identified, payment terms can be identified, has commercial substance, probable consideration will be exchanged.

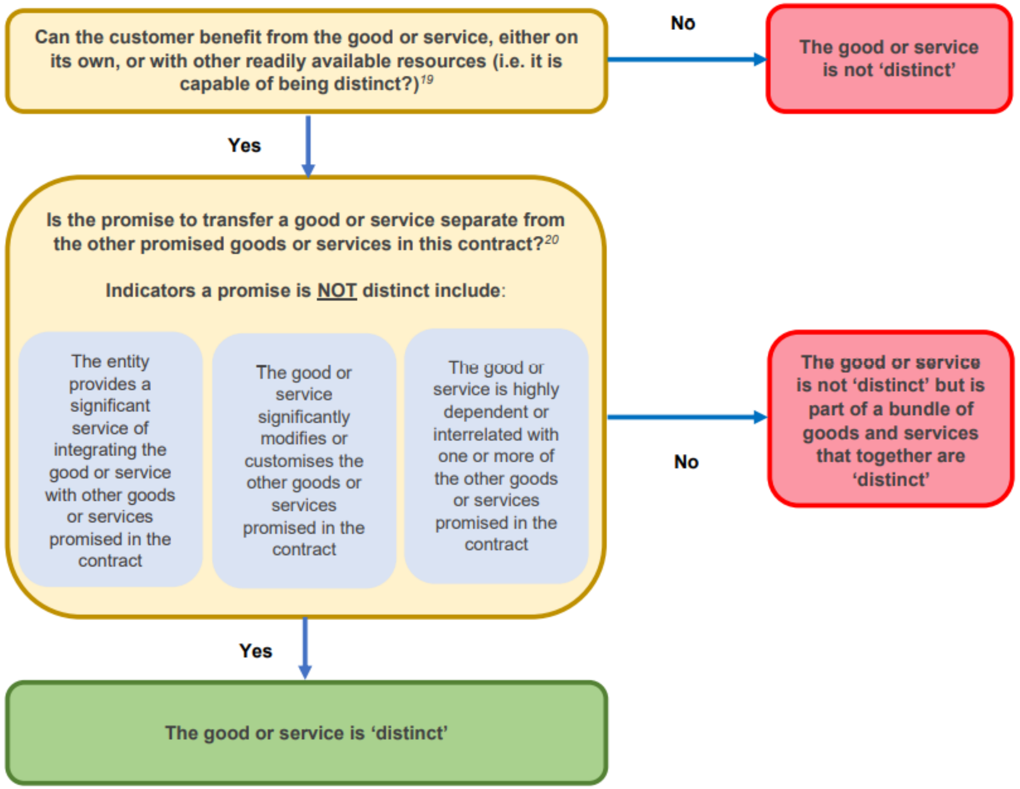
- Must combine two or more contracts to customers entered into at or near the same time where one of the following criteria met:
  - negotiated as package with single commercial objective;
  - consideration payable on one contract depends on price or performance of the other contract; or
  - the promised goods or services are a single performance obligation.

- Certain contract modifications must be accounted as a separate contract if both of the following are met: the scope of the contract increases because of the addition of promised goods or services that are distinct performance obligations and the contract price changes in a manner representative of the stand-alone price for the additional goods or services.

Step 2 – Identifying performance obligations

- A performance obligation is a promise to a customer to transfer either:
- A good or service (or a bundle of goods or services) that is **distinct**; or
- A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer

Example
A broker has an agreement with an insurance carrier which includes the following obligations: to secure insurance coverage (at inception), policy admin, to process monthly transactions/declarations, to administer claims (ongoing possibly for years into the future), conduct market research and provide training on loss prevention/control.



Step 3 – Determine the transaction price

- Often amount specified in contract excluding amounts collected on behalf of third parties, such as VAT/IPT.
- Fixed amounts plus variable amounts. Examples of variable amounts include discounts, refunds, price concessions, performance bonuses, rebates, credits, incentives and penalties.
- Variable consideration only recognised if it is highly probable a significant reversal in cumulative revenue will not reverse.
- If explicitly or implicitly there is a significant timing benefit for payments **beyond a year** adjust consideration for time value of money at discount rate that reflects customer credit worthiness.
- Identify and fair value any non-cash consideration – but ensure any such exchange is within the scope of IFRS15.

Case study – Transaction price

Assume that an insurance broker receives ‘trailing commissions’ of CU100 for each annual term life policy it sells and CU50 for each subsequent annual renewal. There are no ongoing service obligations beyond the initial placement.

The broker has reliable historical data about renewal patterns. The amount of ultimate consideration is highly susceptible to factors outside its influence and the uncertainty could remain over several years. On average policies renew for at least 5 years.

However, it also has significant experience with similar types of contracts and its experience has predictive value.

How much revenue should the broker recognise at inception?

Step 4 – Allocate the transaction price to performance obligations

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Where **only one performance obligation –** allocate whole price to that.

Where more than one performance obligation – the transaction price needs allocating in proportion to the stand-alone selling price for each obligation.

The stand-alone price is the observable price charged for that service to a similar customer in similar circumstances, a stated or list price may be indicative, but this should not be presumed.

If a stand-alone selling price is not observable must be estimated from all information reasonably available.

Discounts allocated to **all components unless** observable evidence only relates to specific obligations.

Variable consideration only allocated to a single obligation if relate to that specific obligation and consistent with IFRS15 objectives.

Case study – Allocation

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Broker enters into a contract with a customer to provide brokerage, ongoing policy administration (eg queries, renewals support, customer service, etc.) and claims management in exchange for CU100. Each performance obligations happens at different points in time. The entity regularly sells brokerage separately and therefore the stand-alone selling price of CU50 is directly observable. The stand-alone selling prices of policy admin and claims management are not directly observable. So, the entity must estimate them. To estimate the stand-alone selling prices, the entity uses the adjusted market assessment approach (IFRS 15.79(a)) for policy admin of CU25 and the expected cost plus margin (IFRS 15.79(b)) approach for claims management of CU75. In making those estimates, the entity maximises the use of observable inputs. Hence the customer receives a discount of CU50 for the bundle which does not relate to a single service.

What is the allocated transaction price for each service?

Step 5 – Recognise revenue when performance obligation satisfied

Performance obligations satisfied when control of goods or services transferred to customer. Control is when customer has ability to direct the use or obtain the benefits of the goods or services.

Need to identify whether/when control is transferred and revenue recognised **over time or at a point in time.**

Other considerations

- Contract costs – Specific requirements apply
- Disclosures – these can be extensive!
- Differences from current UK GAAP
  - No 5-Step model under FRS 102 Section 23
  - Emphasis on reliable measurement under FRS 102
  - IFRS 15 might lead to earlier recognition of revenue

Proposed updates to lease accounting

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Why the proposed alignment with IFRS 16

- Users, including analysts in particular, broadly agree that leases on-balance sheet provide more faithful representation of leasing transactions and more useful information.
- Lessees recognise assets and liabilities for leases.
- Effective since 1 January 2019 for IFRS preparers.
- Request for views feedback generally supported new model, providing that simplifications (similar to IFRS 16) on transition could be offered.
- Expected to result in more relevant, improved information to users and increase comparability between entities.
- **No** proposals to amend FRS 105 (micro-entities).

Debt covenants and KPIs are likely to be impacted!

Proportionality for FRS 102 reporters

Simplified structure: Application Guidance included in main body	Minimise mandatory GAAP diffs to promote efficiency in IFRS groups	Discount rate: 'OBR' option; gilt rate backstop
Mandate simplest transition method; permit IFRS 16 numbers	Simpler policy choice available for sale and leaseback accounting	Fewer modifications require new discount rate
Index/rate-driven variations in lease payments permitted to stay off-BS	'Low value' based on value at start of lease; more examples given	Practical expedients for multi-component contracts

Other proposed changes
(Non-exhaustive list)

Section 3
Positive statement re going concern basis application and consideration of future

Section 11/12
Removal of IAS 39 option (unless already taken)

Section 19
Identifying the acquirer

Section 19
Consideration vs remuneration

Section 19
Additional disclosure requirements

Section 26
Measurement of cash-settled share-based payments

Section 26
Share-based payments with cash alternatives

Section 26
Share-based payments with cash alternatives

13 March 2024

FCA Regulation and **Wind-Down Planning** – Are You Prepared?

Paul Goldwin

pkf-l.com

Contents

Emergence of Wind-Down Planning (WDP) as Regulatory Concept

Emergence of Wind-Down Planning (WDP) as Regulatory Concept

- WDP been around for a while as regulatory concept, initial FCA guidance 2016
- WDP became FCA ‘hot topic’ during COVID, due to concerns over firms’ financial resilience
- FCA’s WDP guidance re-issued June 2020, refreshed August 2021 and more recently August 2023 - still very much on regulator’s radar
- WDP embedded as regulatory priority for some time – ‘Financial Resilience and Resolution’ – an ‘overarching priority’ in 2021/22 Business Plan
- Latest FCA 2023/24 Business – ‘FCA’s continued focus on reducing harm from a firm’s failure’ – goes to the heart of WDP

FCA Guidance/Interaction with Threshold Condition 2.4 (TC 2.4)

FCA Guidance/Interaction with Threshold Condition 2.4 (TC 2.4)

- Original WDP guidance in 2016 – latest version incorporates very useful ‘*Quick Reference Guide*’ (Appendices 1-12) to help solo-regulated firms put WDP theory into practice

- FCA reminds firms of the need to comply with TC 2.4 throughout period of wind-down, ensuring firms have ‘adequate financial and non-financial resources’

  - Sufficient ‘capital’ and ‘liquidity’ during wind-down process to enable orderly wind-down, without running out and having adverse impact on other stakeholders

  - Access to adequate ‘non-financial resources’, such as personnel, IT infrastructure, professional advice etc, during run-off to ensure wind-down progresses as planned

- FCA Principle 4 (PRIN 2.1) – FCA requires all firms to comply with general FCA rules and ‘threshold conditions’ during its time as a regulated entity and to enable an orderly wind-down (throughout wind-down period)

Wind-Down Plans – General principles

Wind-Down Plans – General principles

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- A WDP is a formal document which aims to enable a firm to cease its regulated activities and achieve a cancellation of its regulatory permissions with no adverse impact/harm on its clients, counterparties or wider market
- Compulsory and applies to **ALL** regulated firms, not just those in financial distress, also those seeking a strategic exit from the market
- No set template or proforma – needs to be tailored to firm's own circumstances – refer to FCA Quick Reference Guide
- Applies to all FCA solo-regulated firms authorised with Part IVA permission
- Does not apply to firms already in administration or liquidation (liquidators will have own plans with creditors etc)

Wind-Down Plans – General principles

- Living document – refreshed periodically, particularly where significant changes in business
- Credible, up-to-date, comprehensive and operable
- In practice will include:
  - Financial projections/cash-flow modelling with detailed assumptions covering wind-down period and identifying TC 2.4 buffer required to wind-down
  - Detailed practical narrative plan, setting out in detail how the orderly wind-down will be achieved
- Formal document – integral part of firm's governance process – needs buy-in of Board of Directors (not just an 'accounting task' for Finance Department)
- End game is cancellation of Part IV A permissions – FCA will not cancel permissions until satisfied that orderly wind-down has been completed

What constitutes a good Wind-Down Plan?

What constitutes a good Wind-Down Plan?

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- No right or wrong way of preparing a WDP – needs to achieve end game of demonstrating regulated firm's exit from market in orderly manner without causing harm to customers, the wider market or other stakeholders
- Key elements:

Business background	Overview of business areas and business model to provide context
Risk management framework	Overview of entity's risk management framework, covering process for monitoring risk and relevant wind-down triggers and thresholds
Governance	Explanation of ownership of WDP document, mechanisms in place to invoke plan, details of governance arrangements surrounding wind-down process

What constitutes a good Wind-Down Plan?

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Wind-down triggers/ scenarios

Prepared using ‘stressed’ scenario. Evaluation of various potential wind-down triggers and explanation as to why final wind-down trigger has been selected

FCA expects firms to model different triggers (although chosen trigger will form basis of plan) and understand operational differences and implications for wind-down arising from each

Impact assessment

Assessment of potential harms that could befall different stakeholder groups from wind-down/firm’s plans in place to minimise impact of such harm

Operational analysis

Narrative explanation of step-by-step key activities to wind-down across all areas

What constitutes a good Wind-Down Plan?

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Resource assessment

Detailed analysis of financial and non-financial resources required to execute WDP – following impact assessment and operational analysis

Typically combines narrative plan with detailed cash flow analysis and underlying assumptions, demonstrating how TC 2.4 buffer is maintained at all times

Communication plan

Plan setting out communication strategy with different stakeholder groups and how managed throughout wind-down process

Important so that key stakeholders, such as remaining employees, IT infrastructure providers, professional advisers, remain on-side during wind-down process to facilitate successful wind-down

Group inter-dependencies

Assessment of group inter-dependencies (if applicable) and how risks have been mitigated in the WDP

FCA Thematic Review – TR 22/1 – Observations on Wind-Down Planning

FCA Thematic Review – TR 22/1 – Observations on Wind-Down Planning

- FCA carried out thematic review on WDP, as well as a more general multi-firm review in September 2022, which included 10 GI insurance intermediaries (London market/commercial GI brokers)
- Where they existed, and in many cases they did not, WDPs were at an early stage of maturity, with substantial gaps
- Most WDPs required significant work to meet FCA's minimum standards and were at 'an early stage of maturity'
- Significant work required to make wind-down plans credible and operable
- There were some examples of good practice, but most showed room for improvement

FCA Thematic Review – TR 22/1 – Observations on Wind-Down Planning

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Key Findings/Weaknesses

- **Liquidity**
  - Firms good at monitoring capital needs, less good at monitoring liquidity needs
  - Firms need to demonstrate how TC 2.4 buffer is ‘ring-fenced’ – be it in designated accounts, availability of draw-down funds etc
  - Impact of cash flow timing mismatches between cash flow inflows and outflows in WDP
  - Better handle of ‘net cash impact’ during wind-down period, maintaining a positive cash flow throughout
  - Ensure healthy cash balance at start of wind-down period to avoid entering process in state of financial distress
  - Firms need greater granularity of detail in cash flow modelling exercise, avoiding over-simplistic approaches
  - Firms need to consider behavioural assumptions surrounding wind-down process, as different from ‘business as usual’ approach – for example retention bonus for staff, creditors may become more demanding, debtors may become more cautious, IT suppliers may require up-front funds to continue doing business

FCA Thematic Review – TR 22/1 – Observations on Wind-Down Planning

Key Findings/Weaknesses

- **Intra-Group Dependencies**
  - FCA permits WDP on a group basis, provided an ‘entity view’ is available for each regulated entity
  - FCA review saw inadequate consideration of impact of group membership on UK firm’s ability to wind-down
  - Although can be a positive, firms failed to consider potential stress caused by interconnectivity
  - Inter-connectivity arises where operations of UK regulated firm involve financial or non-financial resources from other legal entities, such as group HR function, IT system run from another legal entity
  - FCA believes that for firms with significant intra-group dependency and inter-connectivity, results in wider group becoming point of vulnerability for UK regulated entity (as decision-making not fully under its control)

FCA Thematic Review – TR 22/1 – Observations on Wind-Down Planning

Key Findings/Weaknesses

- **Intra-Group Dependencies**
  - Intra-group reliance can be:
    - Financial inter-connectedness, eg intra-group funding
    - Operational inter-connectedness, eg dependence on group IT **or** group having the relationship with key suppliers
    - Contingent financial support, eg parental guarantees **or** group financing facilities
  - FCA found a lack of assessment of:
    - Inter-connectedness that existed in WDPs
    - Impact of these on capability to wind-down
    - Mitigating action taken to minimise risk

FCA Thematic Review – TR 22/1 – Observations on Wind-Down Planning

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Key Findings/Weaknesses

- **Wind-Down Triggers**
  - FCA noticed a failure to identify and act on well thought out trigger, being credible initiation point for WDP
  - Firms failed to consider range of potential triggers and therefore through lack of planning, would be ill-prepared if wind-down arose due to alternative triggers
  - Regulator failed to see close link between chosen trigger and firm’s risk registers
  - Some firms did not identify a wind-down trigger at all
  - Inadequate correlation between wind-down trigger and actual financial resources required to complete the wind-down

What do we see in practice?

What do we see in practice?

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- Not all firms have a WDP and many still believe that it does not apply to them
- Many firms have prepared a WDP based on complex financial/cash-flow modelling, but lack a 'narrative plan' to tell the story of how the wind-down will take place operationally
- Firms do not pay sufficient attention to the wind-down trigger, a 'this cannot possibly apply to us' attitude
- WDPs often mistaken for Business Continuity Plans
- WDPs prepared by Finance Department as part of a 'tick box' exercise, with insufficient buy-in from senior management
- Poor financial modelling in some cases with over-simplistic assumptions, not conducive to an 'operable, realistic and credible' model as required by FCA
- Many WDPs that we see are not 'fit for purpose'

What next from the FCA?

What next from the FCA?

- Following results from thematic review and multi-firm review, FCA have stated that they will continue engaging with the GI market on WDP until 2025 at least
- FCA very likely to deviate from current ‘soft approach’, encouraging firms to consider their own WDP arrangements with FCA findings, to a harder and stricter enforcement-based approach
- Given FCA’s emphasis on financial resilience, it is clear to them that this remains an area of weakness and concern for them and will move higher up the regulatory radar
- Likelihood of much greater level of regulatory intervention where FCA deems firm’s wind-down planning to be deficient - possibility of imposing capital additional requirements (as seen in investment management firms) or delaying authorisation process (as seen with electronic money institutions)
- Other regulators taking note, indicating that a market-wide issue of great importance, eg PRA for non-systemic banks and EU regulators (eg BAFIN)
- Are you prepared? Ensure you are

How can PKF help?

How can PKF help?

Paul Goldwin
Partner

+44 (0)20 7516 2251
pgoldwin@pkf-l.com

John Needham
Partner

+44 (0)20 7516 2284
jneedham@pkf-l.com

Ian Cowan
Partner

+44 (0)20 7516 2281
icowan@pkf-l.com

PKF Littlejohn LLP

15 Westferry Circus,
Canary Wharf, London
E14 4HD
Tel: +44 (0)20 7516 2200

11 York St,
Manchester
M2 2AW
Tel: +44 (0)161 552 4220

pkf-l.com

Third Floor, One Park Row,
Leeds
LS1 5HN
Tel: +44 (0)113 244 5141

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