

Chapter 3

The concept and process of
wind-down planning



3.8 Resource assessment

3.8.1 **G** To achieve the objective of winding-down in an orderly manner, a *firm* needs to have adequate financial and non-financial resources to do this and may ask itself a range of questions.

Non-financial

3.8.2 **G** What non-financial resources, such as premises, IT, key *employees*, external advisors etc., does it need to carry out the steps identified in the operational analysis and for how long might it need them? (See ■ WDPG 3.7 (Operational analysis: what happens during the wind-down process?)) *Firms* that are part of a larger group may need to consider issues of inter-connectedness, and in particular between regulated and unregulated parts of the group.

3.8.3 **G** If a *firm* relies on outsourced services, will these services still be available during the wind-down period, or are contingency measures in place? When negotiating outsourcing agreements, *firms* may wish to consider the possible invocation of their wind-down plan and the impact this would have on the contractual relationship.

3.8.4 **G** If a *firm* is part of a larger *group*, and is depending on *group* resources, would it still have adequate resources to wind down in an orderly manner if the *group* failed?

Financial

3.8.5 **G** This guide does not provide any *rule* or interpretation in relation to the financial resources requirements applicable to a *firm*. Rather, it highlights some of the factors which a *firm* may want to consider in its wind-down planning.

3.8.6 **G** It is important that *firms* monitor their solvency on a regular basis to ensure they continue to be able to meet their obligations as they fall due. If a *firm* becomes uncertain of its ability to do so, it may seek professional advice, such as from an auditor or insolvency practitioner to assist.

3.8.7 **G** A *firm* in wind-down will likely have non-routine *cash* inflows and outflows, which are best monitored on a daily basis. These will include:

- (1) inflows, i.e. predicted revenue and other inflows that are likely to be limited after the triggering event and/or if a wind-down decision is made;
- (2) ordinary outflows, i.e. the cost of maintaining operational premises and systems; and
- (3) extraordinary outflows associated with winding down, such as extra closure costs, legal fees, professional services and insolvency practitioner fees, redundancy payments, retention payments, pension fund deficits, lease and other termination penalties and the costs of breaking contracts.

3.8.8

G A *firm* might then consider if it would have enough *cash* or cash-equivalent investments to meet operating expenses and any other obligations during the wind-down period.