

## Chapter 11

# Recovery and resolution



## 11.1 Application and purpose

### Application

11.1.1

**R**

■ IFPRU 11 applies to:

- (1) an *IFPRU 730k firm* that is not subject to supervision on a *consolidated basis*;
- (2) a *firm* that is an *RRD group member*;
- (3) a *qualifying parent undertaking* that is an *RRD group member*; and
- (4) a *qualifying parent undertaking* that is a *mixed activity holding company* of an *IFPRU 730k firm*.

11.1.2

**G**

- (1) An *IFPRU 730k firm* that is not subject to supervision on a *consolidated basis* will not be an *RRD group member*.
- (2) An *IFPRU 730k firm* may be subject to supervision on a *consolidated basis* by the *FCA*, the *PRA* or another *competent authority*.

### Exclusion of PRA authorised persons and groups

11.1.3

**R**

This chapter does not apply to:

- (1) a *PRA authorised person*;
- (2) an *RRD group member* that is:
  - (a) a *qualifying parent undertaking* of a *PRA authorised person*; and
  - (b) subject to supervision on a *consolidated basis* by the *PRA*; and
- (3) a *qualifying parent undertaking* that is a *mixed activity holding company* of a *PRA authorised person*.

### Exclusion of non-UK firms

11.1.4

**R**

This chapter does not apply to:

- (1) an *incoming firm*; or
- (2) a *firm* that is incorporated in, or formed under the law of, a *third country*.

**Purpose**

11.1.5 **G** This chapter implements certain provisions of RRD.

**Guidance on application**

- 11.1.6 **G**
- (1) RRD applies to *credit institutions* and to *investment firms* with an *initial capital requirement* of €730,000. Together, these are referred to as *RRD institutions* in our rules.
  - (2) It also applies to *financial institutions, financial holding companies and mixed financial holding companies* within the same group as these *institutions* that are *subsidiaries* of an *EEA parent undertaking*. An *EEA parent undertaking* is an *institution, a financial holding company or a mixed financial holding company* in the *EEA* that is not itself a *subsidiary* of an *institution, a financial holding company or a mixed financial holding company* in the *EEA*.
  - (3) A group of these types of *institutions* and *group members* is referred to as an *RRD group* in our rules and the members of an *RRD group* are referred to as *RRD group members*.
  - (4) If the *group* includes a *BIPRU firm* this *firm* will be an *RRD group member* because a *BIPRU firm* is a *financial institution*.
  - (5) Some parts of RRD also apply to *mixed activity holding companies* of *RRD institutions*.
  - (6) The table in ■ IFPRU 11.1.7 G summarises the application of ■ IFPRU 11.

11.1.7 **G** The table below summarises whether a section of ■ IFPRU 11 applies to a *firm* or *qualifying parent undertaking*:

|  | (1) IFPRU 730k firm that is not subject to supervision on a consolidated basis | (2) firm or qualifying parent undertaking that is the EEA parent undertaking of an RRD group | (3) specific application to an IFPRU 730k firm that is a subsidiary of an EEA parent undertaking in another EEA State (note 1) | (4) firm or qualifying parent undertaking that is a subsidiary of an EEA parent undertaking of an RRD group | (5) qualifying parent undertaking that is a mixed activity holding company of an IFPRU 730k firm |
|--|--|--|--|---|--|
| IFPRU 11.1 (Application and purpose)   | Yes  | Yes  | No   | Yes   | Yes  |
| IFPRU 11.2 (Individual recovery plans) | Yes  | No   | No   | No  | No   |
| IFPRU 11.3 (Group recovery plans)      | No   | Yes  | Yes  | No  | No   |

|  |     |     |                           |     |              |
|--|-----|-----|---------------------------|-----|--------------|
| IFPRU 11.4<br>(Information for resolution plans)   | Yes | Yes | Yes                       | No  | No           |
| IFPRU 11.5<br>(Intra-group financial support)      | No  | Yes | Yes - IFPRU 11.5.7 R only | Yes | Yes (note 2) |
| IFPRU 11.6<br>(Contractual recognition of bail-in) | Yes | Yes | No                        | Yes | Yes (note 3) |
| IFPRU 11.7<br>(Notifications)                      | Yes | Yes | No                        | Yes | Yes          |

Note 1: IFPRU 11.3.1R (3) and IFPRU 11.4.1R (4) more fully describe this type of *firm*. Where specific application is not provided for this type of *firm*, the application is explained by (4).

Note 2: IFPRU 11.5 only applies to *mixed activity holding companies* of an *IFPRU 730k firm* in an *RRD group*.

Note 3: IFPRU 11.6 only applies to *mixed activity holding companies* that do not hold an *RRD institution* using an *intermediate financial holding company* or *mixed financial holding company*.



## 11.2 Individual recovery plans

### Application

**11.2.1** **R** This section applies to an *IFPRU 730k firm* that is not subject to supervision on a *consolidated basis*.

**11.2.2** **G** This section applies differently depending on whether the *firm* is a *significant IFPRU firm* or a *non-significant IFPRU firm* as explained in the table below.

| Provisions of IFPRU 11.2          | Who it applies to                 |
|-----------------------------------|-----------------------------------|
| IFPRU 11.2.4 R to IFPRU 11.2.5 G  | All firms.                        |
| IFPRU 11.2.6 R                    | Significant IFPRU firms only.     |
| IFPRU 11.2.7 R to IFPRU 11.2.8 G  | Non-significant IFPRU firms only. |
| IFPRU 11.2.9 G to IFPRU 11.2.17 R | All firms.                        |
| IFPRU 11.2.18R (1)                | Significant IFPRU firms only.     |
| IFPRU 11.2.18R (2)                | Non-significant IFPRU firms only. |
| IFPRU 11.2.18R (3)                | All firms.                        |
| IFPRU 11.2.19 R                   | All firms.                        |

**11.2.3** **G** ■ IFPRU 1.2 (Significant IFPRU firm) explains the definition of a *significant IFPRU firm*.

### Requirement to draw up and maintain a recovery plan

**11.2.4** **R** A *firm* must draw up and maintain a *recovery plan*.

[Note: article 5(1) of RRD]

**11.2.5** **G** A *recovery plan* is a governance arrangement for the purposes of ■ SYSC 4.1.1 R (General requirements).

### Recovery plan for a significant IFPRU firm

**11.2.6** **R** If a *firm* is a *significant IFPRU firm*, its *recovery plan* must include the information in ■ IFPRU 11 Annex 1R (Contents of recovery plans for significant IFPRU firms and group recovery plans for groups that include significant IFPRU firms).

[Note: article 5(5) of RRD]

**Recovery plan for a non-significant IFPRU firm**

11.2.7

**R**

If a *firm* is not a *significant IFPRU firm* its *recovery plan* must include:

- (1) a summary of the key elements of the *recovery plan*;
- (2) information on the governance of the *firm*, including:
  - (a) how the *recovery plan* is integrated into the corporate governance of the *firm*; and
  - (b) the *firm's* overall risk management framework;
- (3) a description of the legal and financial structures of the *firm*, including:
  - (a) the *core business lines*; and
  - (b) *critical functions*;
- (4) recovery options, including:
  - (a) capital and liquidity actions required to maintain or restore the viability and financial position of the *firm*; and
  - (b) arrangements and measures to conserve or restore the *firm's own funds*;
- (5) an assessment of the expected timeframe for implementing recovery options;
- (6) a summary of the overall *recovery capacity* of the *firm*, including:
  - (a) the risks associated with recovery options;
  - (b) an analysis of any material impediments to the effective and timely execution of the *recovery plan*; and
  - (c) whether and how material impediments could be overcome;
- (7) a summary of any material changes to the *recovery plan* since the previous version was sent to the *FCA*;
- (8) preparatory measures the *firm* has taken or plans to take to help implement the *recovery plan*; and
- (9) the measures which the *firm* could take if it has infringed an *RRD early intervention condition* or is likely to infringe one of those conditions in the near future.

[**Note:** articles (4)(1), 5(5) and Annex A of *RRD*]

11.2.8

**G**

A *firm* should include additional information from **IFPRU 11 Annex 1R** (Recovery plans for significant IFPRU firms and group recovery plans for groups that include significant IFPRU firms) in its *recovery plan* where this information is material to its business.

[**Note:** article 5(5) of *RRD*]

11.2.8A

**G**

The *FCA* may require a *firm* to include the additional information referred to in **IFPRU 11.2.8G** in its *recovery plan* using its power under section 55L of the Act.

[**Note:** article 4(3) of *RRD*]

**Recovery options**

- 11.2.9 **G** (1) When identifying recovery options, a *firm* should consider a range of scenarios of severe macroeconomic and financial stress relevant to the *firm's* specific conditions.
- (2) The range of scenarios should include system-wide events and stress specific to individual legal persons and *groups*.

[Note: article 5(6) of RRD]

**Extraordinary public financial support**

- 11.2.10 **R** A *firm* must not assume any access to, or receipt of, *extraordinary public financial support* in its *recovery plan*.

[Note: article 5(3) of RRD]

**Use of central bank facilities**

- 11.2.11 **R** If the *recovery plan* includes the use of central bank facilities, the *firm* must:
  - (1) include an analysis of how and when the *firm* may apply for the use of central bank facilities; and
  - (2) identify those assets which would be expected to qualify as collateral.

[Note: article 5(4) of RRD]

**Recovery plan indicators**

- 11.2.12 **R** A *firm* must:
  - (1) include a framework of indicators in its *recovery plan* which identify when it may take appropriate actions in the plan;
  - (2) ensure the *recovery plan* indicators can be monitored easily; and
  - (3) have arrangements to monitor the *recovery plan* indicators regularly.

- 11.2.13 **G** The *recovery plan* indicators may relate to the *firm's* financial position and may be of a qualitative or a quantitative nature.

- 11.2.14 **R** A *firm* must notify the *FCA* without delay of a decision to take an action referred to in its *recovery plan*, whether or not the relevant indicator has been met.

- 11.2.15 **R** A *firm* must notify the *FCA* without delay of a decision not to take an action referred to in its *recovery plan* where the relevant indicator has been met.

[Note: article 9(1) of RRD]

**Assessment and review by the management body**

**11.2.16** **R** A firm must ensure its *management body* assesses and approves the *recovery plan* before sending it to the FCA.

[Note: article 5(9) of RRD]

**11.2.17** **R** A firm must demonstrate to the FCA that:

- (1) carrying out its *recovery plan* is reasonably likely to maintain or restore the viability and financial position of the *firm*, taking into account the preparatory measures that the *firm* has taken, or plans to take; and
- (2) its *recovery plan*:
  - (a) is reasonably likely to be carried out quickly and effectively in situations of financial stress; and
  - (b) avoids, to the maximum extent possible, any significant adverse effect on the financial system, including in scenarios which would lead other RRD institutions to implement *recovery plans* and *group recovery plans* at the same time.

[Note: article 6(1) of RRD]

**Updating and submission of recovery plans**

**11.2.18** **R** (1) A significant IFPRU firm must update its *recovery plan* at least annually.

(2) A firm that is not a significant IFPRU firm must update its *recovery plan* at least once every two years.

(3) A firm must also update its *recovery plan* after a change to any of the following which could materially affect its *recovery plan*:

- (a) its legal or organisational structure;
- (b) its business; or
- (c) its financial situation.

[Note: articles 4(1)(b) and 5(2) RRD]

**11.2.19** **R** A firm must send its *recovery plan* to the FCA in line with **SUP 16.20** (Recovery plans and information for resolution plans).

[Note: article 6(1) of RRD]





## 11.3 Group recovery plans

### Application

11.3.1

**R**

This section applies to:

- (1) a *firm* that is the *EEA parent undertaking* of an *RRD group*;
- (2) a *qualifying parent undertaking* that is the *EEA parent undertaking* of an *RRD group*; and
- (3) an *IFPRU 730k firm* that is the *subsidiary* of the *EEA parent undertaking* of an *RRD group* where:
  - (a) the *EEA parent undertaking* is an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* that is incorporated in, or formed under, the law of an *EEA state* other than the *United Kingdom*; and
  - (b) the *IFPRU 730k firm* has the *FCA* as its *consolidating supervisor*.

11.3.2

**G**

This section applies differently depending on whether the *group* includes a *significant IFPRU firm* or a *non-significant IFPRU firm*, as explained in the table below.

| Provisions of IFPRU 11.3           | Who it applies to  |
|------------------------------------|--|
| IFPRU 11.3.4 R to IFPRU 11.3.7 R   | All <i>groups</i> .  |
| IFPRU 11.3.8 R                     | <i>Groups</i> that include an <i>IFPRU 730k firm</i> that is a <i>significant IFPRU firm</i> and <i>groups</i> that do not include an <i>IFPRU 730k firm</i> only. |
| IFPRU 11.3.9 R to IFPRU 11.3.10 G  | <i>Non-significant IFPRU firm groups</i> only.   |
| IFPRU 11.3.11 G to IFPRU 11.3.19 R | All <i>groups</i> .  |
| IFPRU 11.3.20R (1)(a)              | <i>Groups</i> that include an <i>IFPRU 730k firm</i> that is a <i>significant IFPRU firm</i> and <i>groups</i> that do not include an <i>IFPRU 730k firm</i> only. |
| IFPRU 11.3.20R (1)(b)              | <i>Non-significant IFPRU firm groups</i> only.   |
| IFPRU 11.3.20R (2)                 | All <i>groups</i> .  |
| IFPRU 11.3.21 R                    | All <i>groups</i> .  |

11.3.3

**G**

■ IFPRU 1.2 (Significant IFPRU firm) explains the definition of a *significant IFPRU firm*.

**11.3.4** **R** **Requirement to draw up and maintain a group recovery plan**  
*A firm or qualifying parent undertaking must draw up and maintain a group recovery plan.*

[Note: article 7(1) of RRD]

**11.3.5** **R** **General requirements of the group recovery plan**  
 The *group recovery plan* must:

- (1) consist of a plan for the recovery of the *RRD group* as a whole; and
- (2) identify measures the *group* may need to implement at the level of:
  - (a) the *EEA parent undertaking*; and
  - (b) each individual *subsidiary*.

[Note: article 7(1) of RRD]

**11.3.6** **R** The *group recovery plan* must include arrangements to ensure the coordination and consistency of measures for each *RRD group member*, including, where applicable, each *significant branch*.

[Note: article 7(4) of RRD]

**11.3.7** **R** The *group recovery plan* must:

- (1) aim to stabilise the *RRD group* as a whole and each *RRD institution* in the *group*, when the *group*, or any *RRD institution* in the *group*, is under financial stress;
- (2) aim to address or remove the causes of the financial stress and restore the financial position of the *group* or the *RRD institution* in question; and
- (3) at the same time consider the financial position of other *group members*.

[Note: article 7(4) of RRD]

**11.3.8** **R** **Group recovery plan for a group that includes an IFPRU 730k firm that is a significant IFPRU firm or does not include an IFPRU 730k firm**

The *group recovery plan* must include the information in ■ IFPRU 11 Annex 1R (Recovery plans for significant IFPRU firms and group recovery plans for groups that include significant IFPRU firms) if the *RRD group*:

- (1) includes an *IFPRU 730k firm* that is a *significant IFPRU firm*; or
- (2) does not include an *IFPRU 730k firm*.

[Note: articles 5(5) and 7(5) of RRD]

**Group recovery plan for a group that includes an IFPRU 730k firm that is not a significant IFPRU firm**

11.3.9

**R**

If the *RRD group* includes an *IFPRU 730k firm* that is not a *significant IFPRU firm* (and does not include an *IFPRU 730k firm* that is a *significant IFPRU firm*) the *group recovery plan* must include:

- (1) a summary of the key elements of the *group recovery plan*;
- (2) information on the governance of the *group*, including:
  - (a) how the *group recovery plan* is integrated into the corporate governance of the *group*; and
  - (b) the *group's* overall risk management framework;
- (3) a description of the legal and financial structures of the *group* members covered by the plan, including:
  - (a) the *core business lines*; and
  - (b) *critical functions*;
- (4) recovery options, including:
  - (a) capital and liquidity actions required to maintain or restore the viability and financial position of the *group*; and
  - (b) arrangements and measures to conserve or restore the *own funds* of each *RRD institution* in the *group* on an *individual* and a *consolidated basis*;
- (5) an assessment of the expected timeframe for implementing recovery options;
- (6) a summary of the overall capability of the *group* to restore its financial position following a significant deterioration, including:
  - (a) the risks associated with recovery options;
  - (b) an analysis of any material impediments to the effective and timely execution of the *group recovery plan*; and
  - (c) whether and how those impediments could be overcome;
- (7) a summary of any material changes to the *group recovery plan* since the previous version was sent to the *FCA* or other *EEA consolidating supervisor*;
- (8) preparatory measures the *group* has taken, or plans to take, to help implement the *group recovery plan*; and
- (9) the measures which the *group* could take if any *RRD institution* in the *group* infringes an *RRD early intervention condition* or is likely to infringe one of those conditions in the near future.

[Note: articles (4)(1), 5(5), 7(5) and Annex A of *RRD*]

11.3.10

**G**

A *firm* or *qualifying parent undertaking* should include additional information from ■ IFPRU 11 Annex 1R (Recovery plans for significant IFPRU firms and group recovery plans for groups that include significant IFPRU

firms) in its *group recovery plan* where this information is material to the business of the *group*.

[Note: article 5(5) of RRD]

11.3.10A **G** The FCA may require a *firm* or *qualifying parent undertaking* to include the additional information referred to in ■ IFPRU 11.3.10G in its *group recovery plan* by using its power under:

- (1) section 55L of the Act to require a *firm*; or
- (2) section 192C of the Act to direct a *qualifying parent undertaking*.

[Note: article 4(3) of RRD]

### Recovery options

11.3.11 **G**

- (1) When identifying recovery options, a *firm* or *qualifying parent undertaking* should consider a range of scenarios of severe macroeconomic and financial stress relevant to the *group's* specific conditions.
- (2) The range of scenarios should include system-wide events and stress specific to individual legal persons and *groups*.
- (3) For each of the scenarios in (1), a *group recovery plan* should identify whether there are:
  - (a) obstacles to implementing recovery measures within the *group*, including at the level of individual members covered by the plan; and
  - (b) substantial practical or legal impediments to the prompt transfer of *own funds* or the repayment of liabilities or assets within the *group*.

[Note: articles 5(6) and 7(6) of RRD]

### Extraordinary public financial support

11.3.12 **R** A *firm* or *qualifying parent undertaking* must not assume any access to, or receipt of, *extraordinary public financial support* in its *group recovery plan*.

[Note: articles 5(3) and 7(5) of RRD]

### Use of central bank facilities

11.3.13 **R** If the *group recovery plan* includes the use of central bank facilities, the *firm* or *qualifying parent undertaking* must:

- (1) include an analysis of how and when members of the *group* may apply for the use of central bank facilities; and
- (2) identify those assets which would be expected to qualify as collateral.

[Note: articles 5(4) and 7(5) of RRD]

**Group recovery plan indicators**

11.3.14 **R** A firm or qualifying parent undertaking must:

- (1) include a framework of indicators in its *group recovery plan* which identify when it, or another *group* member, may take appropriate actions in the plan;
- (2) ensure the *group recovery plan* indicators can be monitored easily; and
- (3) have arrangements to monitor the *group recovery plan* indicators regularly.

11.3.15 **G** The *group recovery plan* indicators may relate to the *group's* financial position and may be of a qualitative or a quantitative nature.

11.3.16 **R** A firm or qualifying parent undertaking must notify the FCA without delay of a decision to take an action referred to in its *recovery plan*, whether or not the relevant indicator has been met.

11.3.17 **R** A firm or qualifying parent undertaking must notify the FCA without delay of a decision not to take an action referred to in the *group recovery plan* where the relevant indicator has been met.

[Note: article 9(1) of RRD]

**Assessment and review by the management body of the EEA parent undertaking**

11.3.18 **R**

- (1) A firm that is an EEA parent undertaking or a qualifying parent undertaking must ensure that its management body assesses and approves the *group recovery plan* before sending it to its consolidating supervisor.
- (2) An IFPRU 730k firm that is not an EEA parent undertaking must ensure the management body of its EEA parent undertaking assesses and approves the *group recovery plan* before the IFPRU 730k firm sends it to its consolidating supervisor.

[Note: article 7(7) of RRD]

11.3.19 **R** A firm or qualifying parent undertaking must demonstrate to its consolidating supervisor that:

- (1) carrying out its *group recovery plan* is reasonably likely to maintain or restore the viability and financial position of RRD institutions in the *group*, taking into account the preparatory measures that the *group* has taken, or plans to take; and
- (2) its *group recovery plan*:
  - (a) is reasonably likely to be carried out quickly and effectively in situations of financial stress; and

- (b) avoids, to the maximum extent possible, any significant adverse effect on the financial system, including in scenarios which would lead other *RRD institutions* to implement *recovery plans* and *group recovery plans* at the same time.

[Note: article 6(1) of *RRD*]

### Updating and submission of group recovery plans

11.3.20 **R**

- (1) A *firm* or *qualifying parent undertaking* must update the *group recovery plan* at least:
  - (a) annually, if the *group*:
    - (i) includes an *IFPRU 730k firm* that is a *significant IFPRU firm*; or
    - (ii) does not include an *IFPRU 730k firm*; or
  - (b) once every two years, if the *group* includes an *IFPRU 730k firm* that is not a *significant IFPRU firm*.
- (2) A *firm* or *qualifying parent undertaking* must also update its *group recovery plan* after a change to any of the following which could materially affect the *group recovery plan*:
  - (a) its legal or organisational structure;
  - (b) its business; or
  - (c) its financial situation.

[Note: articles 4(1)(b), 5(2) and 7(5) of *RRD*]

11.3.21 **R**

- (1) A *firm* or *qualifying parent undertaking* must send the *group recovery plan* to its *EEA consolidating supervisor*.
- (2) Where the *consolidating supervisor* is the *FCA*, a *firm* or *qualifying parent undertaking* must send the *group recovery plan* in line with **SUP 16.20** (Recovery plans and information for resolution plans).

[Note: articles 6(1) and 7(1) of *RRD*]



## 11.4 Information for resolution plans

### Application

- 11.4.1 **R** This section applies to:
- (1) an *IFPRU 730k firm* that is not subject to supervision on a *consolidated basis*;
  - (2) a *firm* that is the *EEA parent undertaking* of an *RRD group*;
  - (3) a *qualifying parent undertaking* that is the *EEA parent undertaking* of an *RRD group*; and
  - (4) an *IFPRU 730k firm* that is the *subsidiary* of the *EEA parent undertaking* of an *RRD group*:
    - (a) where the *EEA parent undertaking* is an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* that is incorporated in, or formed under, the law of an *EEA state* other than the *United Kingdom*; and
    - (b) the *IFPRU 730k firm* has the *FCA* as its *consolidating supervisor*.

- 11.4.2 **R** This section only applies if the Bank of England is the *resolution authority* of the *firm* or *group*.

### Submission of resolution plan information

- 11.4.3 **R** A *firm* or *qualifying parent undertaking* must send the information in
- IFPRU 11 Annex 2R (Resolution plan information) to the *FCA* in line with
  - SUP 16.20 (Recovery plans and information for resolution plans).

[Note: article 11(1)(b) of *RRD*]

### Notification of material change to resolution plan information

- 11.4.4 **R** A *firm* or *qualifying parent undertaking* must notify the *FCA* without delay of a change to any of the following which could have materially affect the information in ■ IFPRU 11 Annex 2R (Resolution plan information):
- (1) its legal or organisational structure;
  - (2) its business; or
  - (3) its financial situation.

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[Note: article 10(6) second paragraph of *RRD*]





## 11.5 Intra-group financial support

### Application

11.5.1 **R** This section applies to:

- (1) a *firm* that is an *RRD group member*;
- (2) a *qualifying parent undertaking* that is an *RRD group member*; and
- (3) a *qualifying parent undertaking* that is a *mixed activity holding company* of an *IFPRU 730k firm* in an *RRD group*.

### Scope of financial support covered by IFPRU 11.5

- 11.5.2 **G**
- (1) This section applies where an *RRD group member* gives, or proposes to give, *intra-group financial support* using an *RRD group financial support agreement*.
  - (2) It does not apply to other sorts of *intra-group financial arrangements*, including funding arrangements and the operation of centralised funding arrangements.
  - (3) It does not apply to financial support arrangements where none of the parties to the arrangement has infringed, or is likely to infringe, an *RRD early intervention condition*.
  - (4) A *firm* or *qualifying parent undertaking* does not have to use an *RRD group financial support agreement* to give financial support to another *group member* that has infringed, or is likely to infringe, an *RRD early intervention condition*.
  - (5) A *firm* or *qualifying parent undertaking* may give financial support on a case-by-case basis according to the *group policies*, if the support does not represent a risk for the whole *group*.

[Note: article 19(2) and (3) of *RRD*]

### Summary of RRD intra-group financial support conditions

- 11.5.3 **G**
- (1) *RRD* recognises a specific form of *intra-group financial support*. This allows an *RRD group member* in one *EEA State* or a *third country* to give financial support to an *RRD institution* in its *group* in another *EEA State* or *third country*, when that institution has infringed or is likely to infringe an *RRD early intervention condition*.

- (2) To give this specific form of financial support an *RRD group member* must use an *RRD group financial support agreement* and satisfy the applicable conditions.
- (3) If the *RRD group member* meets the applicable conditions, other *EEA States* will recognise this financial support.
- (4) This section sets out the conditions which, in summary, are:
  - (a) the *consolidating supervisor* of the *group* approves the proposed *RRD group financial support agreement* (see ■ IFPRU 11.5.7 R to ■ IFPRU 11.5.8 G);
  - (b) the agreement complies with the conditions for entering into an *RRD group financial support agreement* (see ■ IFPRU 11.5.9 R to ■ IFPRU 11.5.13 G);
  - (c) the financial support complies with the conditions for giving financial support using an *RRD group financial support agreement* (see ■ IFPRU 11.5.14 R to ■ IFPRU 11.5.15 G);
  - (d) the management bodies of the relevant *group* members take the decision to give and receive financial support (see ■ IFPRU 11.5.16 R to ■ IFPRU 11.5.17 R);
  - (e) the relevant *group* members notify the relevant authorities of the intention to give financial support (see ■ IFPRU 11.5.18 R to ■ IFPRU 11.5.21 R); and
  - (f) the relevant *group* members make the relevant disclosures (see ■ IFPRU 11.5.22 R to ■ IFPRU 11.5.23 G).

**RRD group financial support agreement**

11.5.4

G

An *RRD group financial support agreement* may:

- (1) cover one or more *subsidiaries* of the *group*; and
- (2) allow for financial support:
  - (a) from the *parent undertaking* to *subsidiaries*;
  - (b) from *subsidiaries* to the *parent undertaking*;
  - (c) between *subsidiaries* of the *group* that are party to the agreement; or
  - (d) between any combination of those *group* members.

[Note: article 19(5)(a) of *RRD*]

11.5.5

G

An *RRD group financial support agreement* may allow for financial support:

- (1) in the form of:
  - (a) a loan;
  - (b) a guarantee;
  - (c) the use of assets as collateral; or
  - (d) any combination of those forms; and

- (2) in one or more transactions, including between the beneficiary of the support and a third party.

[Note: article 19(5)(b) of RRD]

11.5.6

G

An RRD group financial support agreement may include a reciprocal agreement so the group member receiving financial support can give financial support to the group member agreeing to give financial support.

[Note: article 19(6) of RRD]

### Approval of RRD group financial support agreements

11.5.7

R

- (1) The following must apply to their consolidating supervisor for approval of any proposed RRD group financial support agreement or of any amendment to that agreement:

- (a) a firm that is the EEA parent undertaking of an RRD group;
- (b) a qualifying parent undertaking that is the EEA parent undertaking of an RRD group; and
- (c) an IFPRU 730k firm that is a subsidiary of an EEA parent undertaking of an RRD group:
  - (i) where the EEA parent undertaking is an EEA parent financial holding company or an EEA parent mixed financial holding company that is incorporated in, or formed under, the law of an EEA State other than the United Kingdom; and
  - (ii) has the FCA as its consolidating supervisor.

- (2) An application for the approval or amendment of an RRD group financial support agreement must:

- (a) include the proposed RRD group financial support agreement; and
- (b) identify the members in the RRD group that are intended to be a party to the agreement.

[Note: article 20(1) of RRD]

11.5.8

G

The FCA will not approve an RRD group financial support agreement unless:

- (1) in its opinion, none of the parties has infringed an RRD early intervention condition or is likely to infringe one of those conditions in the near future;
- (2) the agreement complies with the conditions for entering into an RRD group financial support agreement in ■ IFPRU 11.5.9 R to ■ IFPRU 11.5.12 R; and
- (3) the terms of the proposed agreement are consistent with the conditions for giving financial support in ■ IFPRU 11.5.14 R.

[Note: articles 19(8), 20(1) and 20(3) of RRD]

### Conditions for entering into an RRD group financial support agreement

11.5.9

R

The parties to an *RRD group financial support agreement* must include:

- (1) one or more of the following:
  - (a) a *parent institution in a Member State*;
  - (b) an *EEA parent institution*;
  - (c) a *financial holding company*;
  - (d) a *mixed financial holding company*;
  - (e) a *mixed activity holding company*; and
- (2) one or more *subsidiaries* of the *group member* in (1) which is an *RRD institution* or a *financial institution*.

11.5.10

R

Before entering into an *RRD group financial support agreement*, a *firm* or *qualifying parent undertaking* must ensure that:

- (1) the *RRD group financial support agreement* includes principles for the calculation of the consideration for any support made under it;
- (2) these principles include a requirement that the consideration is set when the financial support is given;
- (3) each party acts freely and in its own best interests in entering into the *RRD group financial support agreement*;
- (4) each party acts in its own best interests in deciding the consideration for the financial support;
- (5) each party giving financial support has full disclosure of relevant information from any party receiving financial support before deciding:
  - (a) the consideration for the support; and
  - (b) to give the support; and
- (6) only the parties to the agreement can exercise any right, claim or action arising from the *RRD group financial support agreement*.

[Note: articles 19(7)(a) to (c) and 19(9) of *RRD*]

11.5.11

R

When entering into the proposed *RRD group financial support agreement*, a *firm* or *qualifying parent undertaking* must ensure that none of the parties:

- (1) has infringed an *RRD early intervention condition*; or
- (2) is likely to infringe one of those conditions in the near future.

[Note: article 19(8) of *RRD*]

- 11.5.12 **R**
- (1) The principles for calculating the consideration for financial support do not need to take account of any anticipated temporary impact on market prices arising from events external to the *group*.
  - (2) The consideration for financial support may take account of information that the party giving the support has, based on:
    - (a) the party giving support being in the same *group* as the party receiving the support; and
    - (b) the information not being available to the market.

[Note: article 19(7)(d) and (e) of *RRD*]

- 11.5.13 **G**
- In deciding whether a party is acting in its own best interests, the party may take account of any direct or indirect benefit that may accrue to a party as a result of giving financial support.

[Note: article 19(7)(b) of *RRD*]

**Conditions for giving group financial support using an RRD group financial support agreement**

- 11.5.14 **R**
- A firm or qualifying parent undertaking must not give financial support using an *RRD group financial support agreement* unless it is satisfied that:

- (1) there is a reasonable prospect that giving the support will significantly redress the financial difficulties of the *group* member receiving the support;
- (2) the support has the objective of preserving or restoring the financial stability of:
  - (a) the *group* as a whole; or
  - (b) any members of the *group*;
- (3) the support is in the interests of the *group* member giving the support;
- (4) the support is given on terms which meet the conditions in ■ IFPRU 11.5.9 R to ■ IFPRU 11.5.12 R;
- (5) there is a reasonable prospect, based on information available to the management body of the *group* member giving the support when it takes the decision to grant support, that:
  - (a) the consideration for the support will be paid;
  - (b) if the support is in the form of a loan, the *group* member receiving the support will reimburse the loan; and
  - (c) if the support is in the form of a guarantee or any form of security, the *group* member receiving the support will reimburse the amount of the guarantee or security if the guarantee or security is enforced;
- (6) the support will not jeopardise the liquidity or solvency of the *group* member giving the financial support;

- (7) the support will not create a threat to financial stability, in particular in the *United Kingdom*;
- (8) the *group* member giving the support complies with the following when giving the support:
  - (a) the requirements of the *CRD* relating to capital and liquidity;
  - (b) any requirements imposed under article 104(2) (additional own funds requirements) of the *CRD*; and
  - (c) the requirements relating to large exposures in the *CRR* and in the *CRD*;
- (9) the support will not cause the *group* member giving the support to infringe any of the requirements in (8) as a result of giving the financial support; and
- (10) the support will not undermine the resolvability of the *group* member giving the support.

[Note: article 23(1) of *RRD*]

11.5.15 **G** The *FCA* may modify or waive the requirements of ■ IFPRU 11.5.14R (8) if the conditions in section 138A (modification or waiver of rules) of the *Act* are met.

[Note: article 23(1)(g) of *RRD*]

**Decision to give and receive group financial support using an RRD group financial support agreement**

11.5.16 **R** A *firm* or *qualifying parent undertaking* intending to give financial support must ensure that:

- (1) its management body takes the decision to give *group* financial support using an *RRD group financial support agreement*; and
- (2) it is a reasoned decision that sets out:
  - (a) the objective of the proposed support; and
  - (b) how the support complies with the conditions for giving *group* financial support using an *RRD group financial support agreement* in ■ IFPRU 11.5.14 R.

11.5.16A **G** A *firm* or *qualifying parent undertaking* proposing to give financial support using an *RRD group financial support agreement* should also refer to articles 33 to 36 of Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016 supplementing *RRD*:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1075&from=EN>.

11.5.17 **R** A *firm* or *qualifying parent undertaking* intending to receive financial support must ensure that its management body takes the decision to accept the support using an *RRD group financial support agreement*.

[Note: article 24 of *RRD*]

**Notice of intention to give financial support using an RRD group financial support agreement**

**11.5.18** **R** A firm or a qualifying parent undertaking intending to give financial support using an RRD group financial support agreement must ensure that its management body notifies:

- (1) its competent authority;
- (2) where different, its consolidating supervisor;
- (3) where different, the competent authority of the group member receiving the financial support; and
- (4) the EBA.

**11.5.19** **R** A firm or a qualifying parent undertaking must:

- (1) send a notice of an intention to give financial support before the financial support is given; and
- (2) include in the notice:
  - (a) the reasoned decision referred to in ■ IFPRU 11.5.16 R of the management body of the group member intending to give the support; and
  - (b) details of the proposed financial support including a copy of the RRD group financial support agreement.

[Note: article 25(1) of RRD]

**11.5.20** **R** An RRD group member may only give financial support using an RRD group financial support agreement if the FCA has:

- (1) agreed to the giving of the support with restrictions; or
- (2) agreed to the giving of the support without restrictions; or
- (3) not prohibited the support within five business days of receiving a notice of intention to give financial support.

[Note: article 25(2) and (5) of RRD]

**11.5.21** **R** A firm or qualifying parent undertaking must ensure it sends the decision of its management body to give financial support to:

- (1) its competent authority;
- (2) where different, its consolidating supervisor;
- (3) where different, the competent authority of the group member receiving the support; and
- (4) the EBA.

[Note: article 25(6) of RRD]

**Disclosure of group financial support using an RRD group financial support agreement**

11.5.22

**R**

A firm or qualifying parent undertaking must:

- (1) make public:
  - (a) whether or not they have entered into an *RRD group financial support agreement*;
  - (b) a description of the general terms of any *RRD group financial support agreement*; and
  - (c) the names of the *group* members that are a party to the *RRD group financial support agreement*; and
- (2) update the information in (1) at least annually.

[Note: article 26 of *RRD*]

11.5.23

**G**

Regulations 431 to 434 of the *EU CRR* apply to the disclosures in **IFPRU 11.5.22 R**.

[Note: article 26(1) of *RRD*]



## 11.6 Contractual recognition of bail-in

### Application

- 11.6.1 **R** This section applies to:
- (1) an *IFPRU 730k firm* that is not subject to supervision on a *consolidated basis*;
  - (2) a *firm* that is an *RRD group member*;
  - (3) a *qualifying parent undertaking* that is an *RRD group member*; and
  - (4) a *qualifying parent undertaking* that is:
    - (a) a *mixed activity holding company* of an *IFPRU 730k firm*; and
    - (b) does not hold an *RRD institution* using an *intermediate financial holding company* or *mixed financial holding company*.

- 11.6.2 **G** This section is limited to the types of *mixed activity holding company* in **IFPRU 11.6.1R (4)** because, in accordance with article 33(3) of *RRD*, it is only these types of *mixed activity holding company* that can be subject to the bail-in provisions of *RRD*.

### Contractual recognition of bail-in

- 11.6.3 **R**
- (1) If a liability meets the conditions in (2), a *firm* or *qualifying parent undertaking* must include a term in the contract governing the liability which states that the creditor or party to the agreement creating the liability:
    - (a) recognises that the liability may be subject to *write-down and conversion powers*; and
    - (b) agrees to be bound by any of the following actions of a *resolution authority* in relation to that liability:
      - (i) reduction of principal or outstanding amount due; or
      - (ii) conversion; or
      - (iii) cancellation.
  - (2) The contractual recognition of a bail-in requirement in (1) applies to a liability that is:
    - (a) governed by the law of a *third country*;
    - (b) issued or entered into after 1 January 2016;

- (ba) issued or entered into before 1 January 2016 but materially amended after 9 December 2016;
- (c) of a type that is not excluded under article 44(2) of *RRD*;
- (d) not a *deposit* of a type referred to in point (a) of article 108 of *RRD*; and
- (e) not a liability which the *resolution authority* has determined can be subject to *write-down and conversion powers* by the *resolution authority* of an *EEA State* under:
  - (i) the law of a *third country*; or
  - (ii) a binding agreement concluded with that *third country*.

[Note: article 55(1) of *RRD*]

11.6.4

G

A *firm* or *qualifying parent undertaking* proposing to provide contractual recognition of bail-in should also refer to articles 42 to 44 of Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016 supplementing *RRD*: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1075&from=EN>.

## 11.7 Notifications

### Application

- 11.7.1 **R** This section applies to:
- (1) an *IFPRU 730k firm* that is not subject to supervision on a *consolidated basis*;
  - (2) a *firm* that is an *RRD group member*;
  - (3) a *qualifying parent undertaking* that is an *RRD group member*; and
  - (4) a *qualifying parent undertaking* that is a *mixed activity holding company* of an *IFPRU 730k firm*.

### Resolution notifications

- 11.7.2 **R** A *firm* or *qualifying parent undertaking* must notify the *FCA* immediately if its management body considers that any of the following have occurred:
- (1) the assets of the *firm* or *qualifying parent undertaking* have become less than its liabilities; or
  - (2) the *firm* or *qualifying parent undertaking* is unable to pay its debts or other liabilities as they fall due; or
  - (3) there are objective reasons to support a determination that (1) or (2) will occur in the near future; or
  - (4) *extraordinary public financial support* is needed for the *firm* or *qualifying parent undertaking*, except if it takes any of forms allowed by section 7(5E) of the Banking Act 2009.
- 11.7.3 **R** A *firm* must also notify the *FCA* immediately if its *management body* considers that:
- (1) the *firm* is failing to satisfy any of the *threshold conditions*, including due to the *firm* having incurred, or being likely to incur, losses that will deplete all, or a significant amount of, its *own funds*; or
  - (2) there are objective elements to support a determination that the *firm* will fail to satisfy any of the *threshold conditions* in the near future.

[Note: article 81(1) of *RRD*]

11.7.4

**R**

A firm or qualifying parent undertaking must notify the FCA by sending an e-mail to its usual supervisory contact.

## Recovery plans for significant IFPRU firms and group recovery plans for groups that include significant IFPRU firms

- (1) A summary of the key elements of the plan.
- (2) A summary of the overall *recovery capacity* or the capability of the *group* to restore its financial position following a significant deterioration.
- (3) A summary of the material changes to the *firm* or *group* since the most recently filed plan.
- (4) A communication and disclosure plan outlining how the *firm* or *group* intends to manage any potentially negative market reactions.
- (5) A range of capital and liquidity actions required to maintain or restore the viability and financial position of the *firm* or *group*.
- (6) An estimation of the timeframe for executing each material aspect of the plan.
- (7) A detailed description of any material impediment to the effective and timely execution of the plan, including consideration of impact on the rest of the *group*, customers and counterparties.
- (8) An identification of *critical functions*.
- (9) A detailed description of the processes for determining the value and marketability of the *core business lines*, operations and assets of the *firm* or *group*.
- (10) A detailed description of how recovery planning is integrated into the corporate governance structure of the *firm* or *group*.
- (11) The policies and procedures governing the approval of the plan.
- (12) An identification of the persons in the organisation responsible for preparing and implementing the plan.
- (13) The arrangements and measures to conserve or restore the *own funds* of the *firm* on an individual basis and, where applicable, on a *consolidated basis*.
- (14) The arrangements and measures to ensure that the *firm* or *group* has adequate access to contingency funding sources, including potential liquidity sources.
- (15) Where applicable, arrangements for intra-*group* financial support using an *RRD group financial support agreement*.
- (16) An assessment of available collateral.
- (17) An assessment of the possibility to transfer liquidity across *group* members and business lines, to ensure that the *firm* or *group* can carry on its operations and meet its obligations as they fall due.
- (18) Arrangements and measures to reduce risk and leverage.
- (19) Arrangements and measures to restructure liabilities.
- (20) Arrangements and measures to restructure business lines.
- (21) Arrangements and measures necessary to maintain continuous access to financial markets infrastructures.
- (22) Arrangements and measures necessary to maintain the continuous functioning of the operational processes of the *firm* or *group*, including infrastructure and IT services.
- (23) Preparatory arrangements to facilitate the sale of assets or business lines in a timeframe appropriate for the restoration of financial soundness.

- (24) Other management actions or strategies to restore financial soundness and the anticipated financial effect of those actions or strategies.
- (25) Preparatory measures that the *firm* or *group* has taken, or plans to take, to facilitate the implementation of the plan, including those necessary to enable the timely re-capitalisation of the *firm* or *group*.
- (26) A framework of indicators which identifies when the appropriate actions in the plan may be taken.
- (27) A wide range of recovery options.
- (28) Appropriate conditions and procedures to ensure the timely implementation of recovery actions.
- (29) The possible measures which could be taken by the *firm* or *group* if a *firm* or any *RRD institution* in a *group* has infringed an *RRD early intervention condition* or is likely to infringe one of those conditions in the near future.
- (30) A contemplation of a range of scenarios of severe macroeconomic and financial stress relevant to the specific conditions of the *firm* or *group*, including system-wide events and stress specific to individual legal persons and to *groups*.
- (31) For each of the scenarios in (30), a *group recovery plan* must identify whether there are:
  - (a) obstacles to implementing recovery measures within the *group*, including at the level of individual members covered by the plan; and
  - (b) substantial practical or legal impediments to the prompt transfer of *own funds* or the repayment of liabilities or assets within the *group*.

[Note: articles 5(4), 5(5), 5(6), 7(5), 7(6) and Annex A of *RRD*]

## Information for resolution plans

### Part A: Corporate structure and material legal entity information

(1) Where an *RRD institution's* parent organisation is a *UK* incorporated entity, a *firm* or *qualifying parent undertaking* should provide the information in Part A for all material legal entities and *branches* that form part of the *group*, both domestic and international, that provide the economic functions identified in Part B below.

(2) Where an *RRD institution's* parent organisation is incorporated outside the *United Kingdom*, a *firm* or *qualifying parent undertaking* should only provide the information required in Part A for:

- *UK subsidiaries* (and any associated overseas *branches*);
- *UK branches* of any overseas *subsidiaries*; and
- material interdependencies with non-*UK persons* in the *group*.

| No  | Heading  | Required data/Detail required [1]  |
|-----|--|--|
| 1   | <b>Group structure and key information on legal entities</b> |  |
| 1.1 | <i>Group structure</i>                                       | <p>An overview diagram of the material legal entities of the <i>group</i> and the ownership structure.</p> <p><i>Group structure</i> charts identifying:</p> <ul style="list-style-type: none"> <li>• the material legal entities in the <i>group</i>;</li> <li>• the jurisdiction of those entities;</li> <li>• the relative size of those entities, by showing amount of revenue generated in each entity, assets and total risk exposure amounts held in each entity; and</li> <li>• the total number of material legal entities in the <i>group</i>.</li> </ul> <p><i>Group consolidated P&amp;L and balance sheet</i>, with the assets broken down between the <i>trading book</i> and <i>non-trading book</i>.</p> |
| 1.2 | <i>Use of branches and subsidiaries</i>                      | <p>Provide the following data and analysis for material legal entities. Commentary on the approach to using <i>branches</i> and/or <i>subsidiaries</i> in different geographies.</p> <p>For each key geography that represents material revenues, profits or activity for the <i>firm</i>:</p> <ul style="list-style-type: none"> <li>• a list of <i>branches</i> and <i>subsidiaries</i>; and</li> <li>• a description of the business undertaken in each <i>branch</i> or <i>subsidiary</i>; and</li> <li>• key business metrics and summary P&amp;L and balance sheets on a solo basis, where applicable.</li> </ul>  |
| 2   | <b>Business model</b>  |  |
| 2.1 | <i>Core business lines</i>                                   | <p>Give an overview of the <i>firm's</i> business model. Identify the business lines which are core to the <i>group's</i> operations and profitability and explain their activities. Highlight if a <i>branch</i> or <i>subsidiary</i> is material in the local market or critical to the <i>group</i>.</p> <p>For each <i>core business line</i>, the analysis should include the following.</p>  |

**3 Capital and funding**

**3.1 Capital allocation and mobility**

- An explanation of the main operations with P&L and balance sheet for each business line.
- The locations where the business line operates and corresponding analysis, eg, geographic breakdown of revenue, total operating costs, impairments, profit before tax and assets, as well as the client base and jurisdictions by level of activity. Provide an overview of the *branch* network and any services provided to *clients, customers* or other market participants.
- For each material *branch* or *subsidiary*, provide an indication of the exposures to each counterparty or *group* of connected counterparties that constitute a material part of that entity's total exposures.
- Provide an indication of the franchise value of each business line, eg, where a business line provides networks, international linkages or access to markets which are critical for the overall franchise of the *firm*.
- An explanation of the governance structure and division of powers between *group* HQ and *core business lines*.
- An explanation of how the business line is organised within the *group*, including a high-level overview of the interaction with other areas and service areas (provide metrics, eg, revenue, P&L where material cross-selling occurs). Is the business line standalone or highly interwoven with the rest of the *group*?

For each material legal entity:

- the amount of capital required to support each material legal entity;
- the amount of capital currently allocated to each entity;
- an explanation of the method of capital provision to each entity; and
- details of any maintenance and/or repatriation back to the ultimate parent entity (dividends, coupons, maturity cash flows, etc).

Details of at least the following should be supplied for material legal entities:

- the minimum capital required by each legal entity to meet the thresholds set by regulators;
- an analysis of capital by legal entity on a regulatory basis split into components (CET1, AT1, Tier 2); and
- an analysis of capital by legal entity on an accounting basis (permanent share capital, P&L reserves, other reserves, preference shares, subordinated debt and other intermediate capital etc).

An explanation of the sources of capital raised for each legal entity, including sources external to the *group*.

Quantification of capital which is surplus to regulatory requirements by each entity and in aggregate.

Information regarding any restriction on transfers of capital to other *group* entities (dividends, capital contributions, repayments etc) and, in particular, any factors that mean surplus capital held in any entity is not transferable. For each entity, details of material holdings in other *financial institutions*.



|     |                                |   |
|-----|--------------------------------|---|
| 3.2 | Treasury function              | <p>An explanation of how the treasury function is organised.</p> <p>An indication of how quickly capital could be transferred to or from an entity if required and the procedures involved.</p>   |
| 3.3 | Funding                        | <p>An overview of funding relationships in the <i>group</i>, including the main sources of funding for each material entity and intra-<i>group</i> flows of funding split across (i) secured and unsecured and (ii) short-term and long-term categories. [2] <i>Branches</i> and <i>subsidiaries</i> which are material in intra-<i>group</i> funding should be highlighted.</p> <p>A list of current material intra-<i>group</i> balances.</p> <p>Details of where there are current and potential impediments to the transfer of liquidity between entities or jurisdictions.</p> <p>A summary of other funding sources not captured elsewhere. Examples include:</p> <ul style="list-style-type: none"> <li>• off balance sheet funding; and</li> <li>• other sources, including covered bonds, securitisation, repos and other short-term secured financing.</li> </ul>   |
| 3.4 | Intra- <i>group</i> guarantees | <p>An overview of intra-<i>group</i> guarantees, including:</p> <ul style="list-style-type: none"> <li>• how, why and when intra-<i>group</i> guarantees are used;</li> <li>• the types of guarantees extended (eg, limited, unlimited guarantees) and the parties extending and receiving guarantees.</li> <li>• the total exposures under intra-<i>group</i> guarantees, categorised into different types;</li> <li>• an overview of when guarantees can be enforced (including cross-defaults or events of default triggered by resolution);</li> <li>• how intra-<i>group</i> guarantees are priced;</li> <li>• a list of the most material intra-<i>group</i> guarantees; and</li> <li>• a list of the entities that use, the entities sighted, and the underlying amounts of contracts that contain “Specified Entity” or similar clauses.</li> </ul>   |
| 3.5 | Other financial dependencies   | <p>An overview of all other material intra-<i>group</i> financial dependencies or exposures, including contingent exposures.</p>  |
| 3.6 | Encumbrances                   | <p>For each material legal entity, an overview of which assets on the balance sheet are encumbered as at the last year-end. Highlight if they are intra-<i>group</i> or external encumbrances.</p> <p>Information should also be provided on a <i>group</i> basis for <i>UK</i> headquartered <i>group</i>. For international <i>firms</i> headquartered outside the <i>United Kingdom</i>, operating through <i>UK subsidiaries</i>, information should be provided at the <i>UK</i> consolidated <i>group</i> level.</p> <p>Details of what proportion of each asset class is encumbered and in what manner including:</p> <ul style="list-style-type: none"> <li>• the proportion which is not subject to any encumbrance;</li> <li>• the proportion encumbered through overcollateralisation; and</li> <li>• an outline of the <i>firm's</i> practice on overcollateralisation.</li> </ul> <p>Provide an analysis of assets subject to encumbrance by type of instrument, including an approximate split across: securitisations, covered bonds, repo, collateral for OTC derivatives exposure, collateral placed at central banks and any other encumbrances (description of nature and magnitude of other encumbrances should be provided).</p> |

**4 Activities and operations**

**4.1 Access to financial market infrastructure (FMI)**

The analysis should also include an assessment of the split of encumbrances between short-term and long-term encumbrances

A brief overview of the *firm's* access to financial market infrastructure (payment schemes, central counterparties etc), including indirect access to key FMIs. Provide the legal entities that have this access and which entities within the *group* rely on this.

To what extent does the *firm* provide market access services/clearing services to third parties globally? Please provide the number of customers.

To what extent, globally, does the *firm* rely on other *firms* for these services?

What agreements govern these relationships and how will they be affected in a resolution?

If relevant and not covered under 2.1, provide an overview of global payments and clearing and settlement business, including a high-level summary on key products/services provided, types of clients serviced, geographical location of business and the FMIs relied upon.

**4.2 Risk-management practices**

An overview of the *firm's* booking practices by asset class. Does the *group* manage risk centrally from one entity (please provide main booking hubs by asset class)? To what extent is risk back-to-backed? Give an overview of the *firm's* margining and collateral management for internal trades. Provide information on any remote booking practices. Provide information on the quantum of risk booked into each material entity.

Give an overview of the use of unregulated affiliates globally for booking trades.

**4.3 Counterparty risk management**

Give an estimate of trades which are booked through an exchange or a central counterparty (CCP), trades booked with a bilateral third party and the *firm's* approach to counterparty risk management. This should include a broad overview on collateral management and the use of netting, including master netting agreements.

**4.4 Critical shared services**

A summary of how operations are organised in the *firm* or *group*. Provide a high-level summary (including charts where appropriate) of how critical shared services [3] are provided across legal entities, business lines and jurisdictions. At a minimum, split critical services into Treasury, Risk Management, Finance and Operations (this list is not exhaustive). These are services that are crucial to the functioning of the *core business lines* of the *firm*.

Please consider, at a minimum (including outsourced services and joint ventures), IT services, staff, premises, licenses and intellectual property. Briefly summarise whether there are contracts which govern the provision of services across business lines, entities and jurisdictions.

Provide a brief overview of internal support functions, such as accounting and tax, internal audit and compliance, and human resources. Provide an indication of scale and the location of these functions, including those located outside the *United Kingdom*.

Please provide a summary of any pension arrangements within the *group*, including in which legal entity pension liabilities and administration reside. How fully-funded is any pension scheme?

[1] Where a data item is not applicable to a firm or qualifying parent undertaking it should indicate this in its submission of resolution plan information.

[2] Short-term refers to tenor of less than 1 year.

[3] For the purpose of these *rules*, a critical shared service has the following elements:

(i) an activity, function or service is performed by either an internal line, a separate legal entity within the *group* or an external provider;

(ii) that activity, function or service is performed for one or more business lines or legal entities of the *group*; and

(iii) the sudden and disorderly failure or malfunction would lead to the collapse of or present a serious impediment to the performance of, *critical functions*.

**Part B: Economic functions**

| Economic function(s)         |  | Economic scale metrics   |
|------------------------------|--|--|
| Capital Markets & Investment | Trading<br>Derivatives (required report see Table 1) | <p>(Monetary amounts should be in millions of GBP (£m), unless otherwise stated, to standardise comparison. Where a different currency is used, please provide the exchange rate to be used.)</p> <ul style="list-style-type: none"> <li>• Total amount of notional outstanding</li> <li>• Total number counterparties</li> </ul> <p>For both derivatives positions and derivatives counterparties, split the reports according to the method by which the derivatives are traded or cleared/ settled, ie, (i) exchange traded, (ii) OTC cleared through CCPs and (iii) OTC settled bilaterally.</p> |
|                              | Trading portfolio (required report see Table 2)      | <ul style="list-style-type: none"> <li>• Balance-sheet values by asset class</li> <li>• Risk-weighted exposure amounts</li> </ul>  |
|                              | Other<br>Asset management                            | <ul style="list-style-type: none"> <li>• Amount of assets under management</li> <li>• Total number client accounts</li> <li>• Total client money balances</li> </ul>   |
|                              |  | <p>For each of the metrics above, please provide the following information.</p> <ul style="list-style-type: none"> <li>• The legal entity and jurisdiction of clients. Segregate between institutional, retail and wealth management clients.</li> </ul>   |

**Wholesale Funding Markets**

Securities financing (required report see Table 3)

Securities lending

**Payments, clearing, custody and settlement [4]**

Payment services

- Estimates of *UK* market share, and identify any issues surrounding replacement of the *firm's* services by other providers.

For investment products, identify those that are eligible and not eligible for protection by the *UK Financial Services Compensation Scheme (FSCS)*. Please provide the number of customers and total value of account balances:

- up to the £50k covered by the *FSCS*

- above the £50k covered by the *FSCS*

- that are ineligible for protection by the *FSCS*.

- Balance sheet values plus aggregate values for collateral accepted and given

- Maturity profile

- Total number counterparties, including geographic distribution (number)

For each of the following activities, whether acting as lender or borrower:

- direct securities lending;

- third-party securities lending (non-custodian lending)

- agent lending (custodian lending);

provide:

- gross value of open transactions; and

- the total number of clients.

For all *UK* and material foreign payment systems [5] used, please provide:

- the legal entity which holds membership;

- transaction volumes (number, monthly/annual average, peak);

- transaction values (number, monthly/annual average, peak);

- flow volumes (monthly/annual average);

•number of agents (flow volumes for these provided separately); and

•market share ? provide estimate of UK market share, as well as overseas market shares where relevant. Please identify any issues surrounding replacement of the *firm's* services by other providers.

If required, could the *firm* transition from an affiliate (intra-group) network to a third-party correspondent network for payments and clearing? What timeline is required?

[4] The payments, clearing and settlement function is limited to those provided by firms to their clients.

[5] This refers to foreign payment systems in which the *firm* has direct access. Examples include, but not limited to BACS, CHAPS, Faster Payments, cheque clearing system, Fedwire and TARGET2.

**Table 1 - Derivatives (complete for each legal entity if firm performs this function)**

|                                     | Outstanding notional contract amounts (£m) |  |  | Total |
|-------------------------------------|--|--|--|-------|
|                                     | Exchange traded derivatives                | Other derivatives cleared through CCPs | Over-the-counter derivatives settled bilaterally |       |
| Equities                            |  |  |  |       |
| Sovereign credit                    |  |  |  |       |
| Non-sovereign credit products       |  |  |  |       |
| Rates                               |  |  |  |       |
| Foreign exchange                    |  |  |  |       |
| Commodities                         |  |  |  |       |
| Number of derivative counterparties |  |  |  |       |
|                                     | Exchange-traded derivatives                | Other derivatives cleared through CCPs | Over-the-counter derivatives settled bilaterally |       |

**Table 2 - Trading portfolio (complete for each legal entity if firm performs this function):**

|                               | Assets (£m)          |                      | Liabilities (£m)     |
|-------------------------------|----------------------|----------------------|----------------------|
|                               | Balance-sheet values | Risk-weighted assets | Balance-sheet values |
| Equities                      |                      |                      |                      |
| Treasury                      |                      |                      |                      |
| Sovereign credit              |                      |                      |                      |
| Non-sovereign credit products |                      |                      |                      |
| Rates                         |                      |                      |                      |
| Foreign exchange              |                      |                      |                      |
| Commodities                   |                      |                      |                      |

**Table 3 - Securities financing (complete for each legal entity if firm performs this function)**

|   |   |  |  |
|---|---|--|--|
| Reverse repurchase agreements and cash collateral on securities borrowed (£m) | Repurchase agreements and cash collateral on securities lent (£m) | Fair value of securities accepted as collateral under reverse repurchase agreements and securities borrowing transactions (£m) | Fair value of securities given as collateral under repurchase agreements and securities lending transaction (£m) |
|---|---|--|--|

**Table 4 - Table on economic functions split by legal entities**

Where a *firm's* parent organisation is a *UK* incorporated entity, *firms* should complete this table for all material legal entities and *branches* that form part of the *group*, both domestically and internationally, where the economic functions are those that have been identified in Part B above. Where a *firm's* parent organisation is incorporated outside the *United Kingdom*, *firms* should only complete this table for:

- *UK subsidiaries* (and any associated overseas *branches*); and
- *UK branches* of any overseas *subsidiaries*.

|  | Legal entity/<br>branch 1 (£mn) | Legal entity/<br>branch 2 (£mn) | Legal entity/<br>branch 3 (£mn) | Aggregate across<br>legal entities/<br>branches (£mn) |
|--|---------------------------------|---------------------------------|---------------------------------|---|
| <b>Where the <i>United Kingdom</i> is <i>Home State</i>, <i>firms</i> should provide information on all material legal entities/branches, even if they do not perform any activity in the <i>United Kingdom</i>.</b> |                                 |                                 |                                 |   |
| <b>Economic function 1</b><br>(eg. asset management)   |                                 |                                 |                                 |   |
| <b>Economic function 2</b><br>(eg. securities lending)   |                                 |                                 |                                 |   |
| <b>Where <i>United Kingdom</i> is <i>Host State</i>, <i>firms</i> should provide information on legal entities/branches relevant to the <i>United Kingdom</i> as stated above.</b>                                   |                                 |                                 |                                 |   |
| <b>Economic function 1</b>   |                                 |                                 |                                 |   |
| <b>Economic function 2</b>   |                                 |                                 |                                 |   |