

Chapter 11

Recovery and resolution



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 <i>firms</i> .
IFPRU 11.2.6 R	<i>Significant IFPRU firms</i> only.
IFPRU 11.2.7 R to IFPRU 11.2.8 G	<i>Non-significant IFPRU firms</i> only.
IFPRU 11.2.9 G to IFPRU 11.2.17 R	All <i>firms</i> .
IFPRU 11.2.18R (1)	<i>Significant IFPRU firms</i> only.
IFPRU 11.2.18R (2)	<i>Non-significant IFPRU firms</i> only.
IFPRU 11.2.18R (3)	All <i>firms</i> .
IFPRU 11.2.19 R	All <i>firms</i> .

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*]