

## Chapter 7

# Governance and risk management



Map of rules and guidance relating to the ICARA process

7.1	G	(1)	The table in this annex identifies the rules in MIFIDPRU 7 that impose obligations relating to the <i>ICARA process</i> and the <i>guidance</i> provisions corresponding to those <i>rules</i> .
		(2)	<i>MIFIDPRU investment firms</i> may find this annex helpful when designing and reviewing their <i>ICARA processes</i> to ensure that all mandatory requirements have been met.
		(3)	<i>Firms</i> should not use this table as a substitute for reading and applying the detailed <i>rules</i> and <i>guidance</i> in MIFIDPRU 7.

MIFIDPRU rule	Basic obligation	Associated guidance	Content of guidance
<b>MIFIDPRU 7.4: baseline ICARA obligations</b>			
MIFIDPRU 7.4.7R	The <i>overall financial adequacy rule</i>	MIFIDPRU 7.4.8G	Explanation of the link between the <i>overall financial adequacy rule</i> and the <i>ICARA process</i>
MIFIDPRU 7.4.9R	The requirement to operate an <i>ICARA process</i> to identify, monitor and, if proportionate, reduce all material potential harms relevant to the <i>firm</i>	MIFIDPRU 7.4.16G	<i>Guidance</i> on how <i>firms</i> should seek to mitigate the risk of potential harms
MIFIDPRU 7.4.10R	The requirement for the <i>ICARA process</i> to be proportionate to the nature, scale and complexity of the <i>firm's</i> business		
MIFIDPRU 7.4.11R	The requirement for the <i>ICARA process</i> to be internally consistent	MIFIDPRU 7.4.12G	Explanation of the <i>FCA's</i> expectations in relation to consistency and coherency of the <i>ICARA process</i>
MIFIDPRU 7.4.13R	The requirement to identify all material harms that may result from the <i>firm's</i> business	MIFIDPRU 7.4.14G	Explanation of the basic factors that will be relevant when identifying potential harms
		MIFIDPRU 7.4.15G	Cross-reference to additional <i>guidance</i> in MIFIDPRU 7 Annex 1R and MIFIDPRU 7 Annex 2R
		MIFIDPRU 7 Annex 1G	<i>Guidance</i> on assessing potential harms that is potentially relevant to all <i>firms</i>
		MIFIDPRU 7 Annex 2G	Additional <i>guidance</i> on assessing potential harms that is relevant for a <i>firm</i> that is

MIFIDPRU rule	Basic obligation	Associated guidance	Content of guidance
			<i>dealing on own account</i> or that has significant investments on its balance sheet
<b>MIFIDPRU 7.5: Capital and liquidity planning, stress testing, wind-down planning and recovery planning</b>			
MIFIDPRU 7.5.2R	Business model assessment and capital and liquidity planning requirements, including stress testing	MIFIDPRU 7.5.3G  MIFIDPRU 7.5.4G  MIFIDPRU 7 Annex 1.15G to 7 Annex 1.20G	<i>Guidance</i> referring to Finalised Guidance FG20/1  <i>Guidance</i> on stress testing obligations and reverse stress testing for <i>firms</i> with more complex businesses or operating models  Additional <i>guidance</i> on more in-depth stress testing and reverse stress testing
MIFIDPRU 7.5.5R	Recovery planning requirements	MIFIDPRU 7.5.6G	<i>Guidance</i> on issues that may be relevant when assessing potential recovery actions
MIFIDPRU 7.5.7R	Wind-down planning requirements	MIFIDPRU 7.5.8G	<i>Guidance</i> referring to the Wind-Down Planning Guide and Finalised Guidance FG20/1
MIFIDPRU 7.5.9R	Requirement to use wind-down analysis to assess levels of <i>own funds</i> and <i>liquid assets</i> required under <i>overall financial adequacy rule</i>	MIFIDPRU 7.5.10G	Explanation of the interaction between the <i>overall financial adequacy rule</i> and the <i>wind-down triggers</i>
<b>MIFIDPRU 7.6: Assessing and monitoring the adequacy of own funds</b>			
MIFIDPRU 7.6.2R	Requirement to produce a reasonable estimate of impact of potential harms on <i>own funds</i>	MIFIDPRU 7.6.4G	<i>Guidance</i> on how the assessment of potential harms interacts with the <i>own funds threshold requirement</i> and the <i>overall financial adequacy rule</i> and how the <i>firm</i> should conduct its assessment
MIFIDPRU 7.6.3R	Requirement to use assessment under MIFIDPRU 7.6.2R to assess if additional <i>own funds</i> required to meet <i>overall financial adequacy rule</i>	MIFIDPRU 7.6.6G  MIFIDPRU 7.6.7G	<i>Guidance</i> explaining the circumstances in which the <i>guidance</i> in MIFIDPRU 7.6.7G to MIFIDPRU 7.6.10G is relevant  <i>Guidance</i> on how a <i>non-SNI MIFIDPRU investment firm</i> should assess whether harms may be covered by its <i>own funds requirement</i>

MIFIDPRU rule	Basic obligation	Associated guidance	Content of guidance
		MIFIDPRU 7.6.8G	<i>Guidance on circumstances in which harms may not be covered by a non-SNI MIFIDPRU investment firm's own funds requirement</i>
		MIFIDPRU 7.6.9G	<i>Guidance on how an SNI MIFIDPRU investment should assess whether harms may be covered by its own funds requirement</i>
		MIFIDPRU 7.6.10G	<i>Guidance on how a firm's assessment of potential harms contributes to determining its own funds threshold requirement</i>
MIFIDPRU 7.6.5R	Requirement to meet <i>own funds threshold requirement</i> with specified types of <i>own funds</i>		
MIFIDPRU 7.6.11R	Notification requirements when a <i>firm's own funds</i> reach certain levels	MIFIDPRU 7.6.12G	<i>Guidance on the FCA's ability to set an alternative early warning indicator</i>
		MIFIDPRU 7.6.13G	<i>Guidance explaining how notifications under MIFIDPRU 7.6.11R interact with general notification obligations under Principle 11 or SUP 15.3</i>
		MIFIDPRU 7.6.14G and MIFIDPRU 7.6.15G	<i>Explanation of FCA's approach to intervention when firm's own funds reach certain levels</i>
<b>MIFIDPRU 7.7: Assessing and monitoring the adequacy of liquid assets</b>			
MIFIDPRU 7.7.2R	Requirement to produce reasonable estimate of <i>liquid assets</i> required by the <i>firm</i>	MIFIDPRU 7.7.3G	<i>Guidance on the interaction between the overall financial adequacy rule and the liquid assets that a firm must hold</i>
		MIFIDPRU 7.7.4G	<i>Guidance on how a firm should assess the liquid assets required for the ongoing operation of its business</i>
		MIFIDPRU 7.7.5G	<i>Guidance on the basic liquid assets requirement and how to determine the firm's liquid assets threshold requirement</i>

MIFIDPRU rule	Basic obligation	Associated guidance	Content of guidance
MIFIDPRU 7.7.6R	Requirement to meet <i>liquid assets threshold requirement with core liquid assets and non-core liquid assets</i>	MIFIDPRU 7.7.7G	General principles applicable to <i>non-core liquid assets</i>
MIFIDPRU 7.7.8R	Basic definition of <i>non-core liquid assets</i>	MIFIDPRU 7.7.9G	<i>Guidance</i> on exclusions for <i>non-core liquid assets</i>
MIFIDPRU 7.7.10R	Requirement to apply appropriate haircut to <i>non-core liquid assets</i>	MIFIDPRU 7.7.11G and 7.7.12G MIFIDPRU 7.7.13G	<i>Guidance</i> on minimum haircuts for <i>non-core liquid assets</i> <i>Guidance</i> on approach to applying haircuts to shares or units in collective investment undertakings
MIFIDPRU 7.7.14R	Notification requirements when a <i>firm's liquid assets</i> reach certain levels	MIFIDPRU 7.7.15G MIFIDPRU 7.7.16G and 7.7.17G	<i>Guidance</i> explaining how notifications under MIFIDPRU 7.6.14R interact with general notification obligations under <i>Principle 11</i> or SUP 15.3 Explanation of FCA's approach to intervention when <i>firm's liquid assets</i> reach certain levels
<b>MIFIDPRU 7.8: Reviewing and documenting the ICARA process</b>			
MIFIDPRU 7.8.2R	Requirement to review the <i>ICARA process</i> at least annually	MIFIDPRU 7.8.3G	<i>Guidance</i> on reviewing the <i>ICARA process</i> following a material change in the <i>firm's</i> business
MIFIDPRU 7.8.4R	Requirement for <i>firm</i> to notify the FCA of the submission date of the <i>firm's</i> MIF007 (ICARA assessment questionnaire) return	MIFIDPRU 7.8.5G	<i>Guidance</i> on interaction between the <i>firm's ICARA review</i> and its submission date for its MIF007 return
MIFIDPRU 7.8.6R	Requirement to submit MIF007 return following review of <i>ICARA process</i> due to a material change in the <i>firm's</i> business		
MIFIDPRU 7.8.7R	Requirement to document review of the <i>ICARA process</i> and minimum contents of review document		
MIFIDPRU 7.8.8R	Requirement for <i>firm's governing body</i> to review and approve the <i>ICARA document</i>	MIFIDPRU 7.8.9G	<i>Guidance</i> on the interaction between the obligations in COCON and the <i>ICARA process</i>
MIFIDPRU 7.8.10R	Record keeping requirements in relation to the <i>ICARA process</i>		

MIFIDPRU rule	Basic obligation	Associated guidance	Content of guidance
<b>MIFIDPRU 7.9: Firms forming part of a group</b>			
MIFIDPRU 7.9.2R	Requirement for any <i>firm</i> that forms part of a <i>group</i> to assess risks arising from that <i>group</i> or its other members	MIFIDPRU 7.9.3G	<i>Guidance</i> on the entities included within a <i>firm's</i> assessment of <i>group</i> risk
MIFIDPRU 7.9.5R	Ability of <i>investment firm group</i> to operate the <i>ICARA process</i> on a <i>group-level</i> basis	MIFIDPRU 7.9.4G	<i>Guidance</i> that an <i>investment firm group</i> is not required to operate an <i>ICARA process</i> on a <i>consolidated basis</i>
MIFIDPRU 7.9.6R	Disapplication of individual <i>ICARA process</i> requirement in relation to <i>MIFIDPRU investment firm</i> included in a <i>group ICARA process</i>		
MIFIDPRU 7.9.7R	Circumstances in which a <i>group ICARA process</i> cannot be used	MIFIDPRU 7.9.9G	<i>Guidance</i> on when the <i>FCA</i> may prohibit the use of a <i>group-level ICARA process</i> in relation to one or more <i>firms</i>
MIFIDPRU 7.9.8R	Application of requirements in MIFIDPRU 7.4 to MIFIDPRU 7.8 to an <i>investment firm group</i> operating a <i>group ICARA process</i>		
MIFIDPRU 7.9.10R	Ability to include multiple <i>firms</i> within one <i>ICARA document</i>	MIFIDPRU 7.9.11G	<i>Guidance</i> on when a single <i>ICARA document</i> can be used