Chapter 3

The concept and process of wind-down planning

3.7 Operational analysis: what happens during the wind-down period?

3.7.1 G The wind-down period can be considered as a timeline along which steps are taken, from making the wind-down decision, all the way to the *FCA* cancelling the *firm's permission*. A wind-down plan may be subject to last-minute changes arising from unforeseen external or internal circumstances.

3.7.2 G These steps are effectively a function of, and in turn affect, a *firm's* entire business. A *firm* may find it useful to assess the following non-exhaustive list.

(1) The industry and the sector it operates in and the impact it may cause to the markets when it winds down.

(2) Who its *clients* are and what processes are in place to maintain *client* records.

(3) Dealing with *client complaints* and making adequate provisions for them, particularly post winding down.

(4) Legal and regulatory status (including *FCA permission*).

(5) Applicable legal, regulatory and insolvency requirements. These will include, among others, *directors'* duties under company law, data protection requirements, employment law and *FCA* filing requirements.

(6) Organisational structure and operating model.

(7) Internal processes, systems and human resources.

(8) Processes or systems that are interconnected and/or outsourced.

(9) Existing contractual commitments, such as with *employees* or third parties. In particular, there may be restrictions or penalty clauses for breaking contractual relationships.

(10) Possible sale of all or part of the business and any applicable regulatory processes that may impact the timeline, such as a change in control application. It should also consider whether any arrangements need to be made for the migration of *clients* and how this will be communicated to these *clients*.

(11) Orderly vacation of premises and disposal of fixed assets.

3.7.3 G

After conducting its assessment a *firm* can work out an outline of sequenced actions in a wind-down scenario and how long each action will take. The specifics will vary from *firm* to *firm* but some possible considerations include the following.

(1) How would the *firm* announce the wind-down decision and manage communication with stakeholders?

(2) How will the *firm* reconcile *clients'* business records and ensure their interests are not affected? For instance, a *firm* will have to return *client monies* and *client assets* during wind-down.

(3) How would the *firm* deal with *employee* redundancies?

(4) Who needs to be available to assist the winding down?

(5) What systems (e.g. IT systems) need to be available for the wind-down?

(6) When might the *firm* need to engage professional advisors, such as an insolvency practitioner, to support the wind-down process?

3.7.4 G

The *firm's governing body* will need to take ultimate ownership of, and accountability for, the timely implementation of the wind-down plan. However, for each step or activity this analysis identifies, it may be helpful to indicate who will be responsible for that particular task.

3.7.5 G

At the end of such an analysis, the *firm* will be better able to estimate the length of the wind-down period.