

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.