



## Part

# RECOVERY AND RESOLUTION

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## Chapter content

1. APPLICATION AND DEFINITIONS
2. RECOVERY PLANS
3. RESOLUTION PACK
4. REVIEW OF RECOVERY PLAN AND RESOLUTION PACK
5. GOVERNANCE ARRANGEMENTS

## Links

Legislation.gov.uk	<a href="http://www.legislation.gov.uk/">http://www.legislation.gov.uk/</a>
Eur-Lex	<a href="http://eur-lex.europa.eu/en/index.htm">http://eur-lex.europa.eu/en/index.htm</a>
CP 11/16 Recovery and Resolution Plans	<a href="http://www.fsa.gov.uk/library/policy/cp/2011/11_16.shtml">http://www.fsa.gov.uk/library/policy/cp/2011/11_16.shtml</a>
PS8/13 Recovery and Resolution Plans	<a href="http://www.bankofengland.co.uk/pr/Pages/publications/recoveryresolution.aspx">http://www.bankofengland.co.uk/pr/Pages/publications/recoveryresolution.aspx</a>
SS18/13 Recovery Supervisory Statement	<a href="http://www.bankofengland.co.uk/pr/Pages/publications/recoveryresolution.aspx">http://www.bankofengland.co.uk/pr/Pages/publications/recoveryresolution.aspx</a>
SS19/13 Resolution Supervisory Statement	<a href="http://www.bankofengland.co.uk/pr/Pages/publications/recoveryresolution.aspx">http://www.bankofengland.co.uk/pr/Pages/publications/recoveryresolution.aspx</a>

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## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Bank*;
- [(2) a *building society*; and
- [(3) a *UK designated investment firm*.

1.2 In this Part, the following definitions shall apply:

### *group*

means A and any *person* who is:

- (a) a *parent undertaking* of A;
- (b) a *subsidiary undertaking* of A;
- (c) a *subsidiary undertaking* of a *parent undertaking* of A;
- (d) a *parent undertaking* of a *subsidiary undertaking* of A;
- (e) if A or an undertaking in (a) or (d) is an incorporated friendly society, a body corporate of which that friendly society has joint control (as defined in section 13(9)(c) or (cc) of the Friendly Societies Act 1992);

### *recovery plan*

means a document containing information which:

- (a) relates to action to be taken to secure that, in the event of specified circumstances affecting the carrying on of business (or any part of the business) of a *firm*:
  - (i) the business of the *firm*; or
  - (ii) a specified part of that business;is capable of being carried on (whether or not by the *firm* and whether or not in the same way as previously);
- (b) would facilitate the carrying on of the business (or any part of the business) of a *firm* by any other *person*.

**[Note: This definition is based on the definition for 'recovery plan' in section 137J of the Act.]**

### *resolution pack*

means a document containing information which:

- (a) relates to action to be taken in the event of:
  - (i) circumstances arising in which it is likely that the business (or any part of the business) of a *firm* will fail; or

- (ii) the failure of the business (or any part of the business) of a *firm*;
- (b) would facilitate anything falling to be done by any *person* in consequence of that failure. An example of information within (b) is information that, in the event of that failure, would facilitate:
  - (i) planning by the *Treasury* in relation to the possible exercise of any of its powers under Part 1 of the Banking Act 2009; or
  - (ii) planning by the *Bank of England* in relation to the possible exercise of any of its powers under Part 1, 2 or 3 of that *Act*.

**[Note: This definition is based on the definition for ‘resolution plan’ in section 137K of the Act.]**

*senior personnel*

those *persons* who effectively direct the business of the *firm*, which could include a firm's *governing body* and other *persons* who effectively direct the business of the *firm*.

1.3 In this Part:

- (1) references to the taking of action include the taking of action by:
  - (a) the *firm*;
  - (b) any other *person* in the same *group* as the *firm*; and
  - (c) a *partnership* of which the *firm* is a member;
- (2) references to the business of the *firm* include references to the business of:
  - (a) any other *person* in the same *group* as the *firm*; and
  - (b) a *partnership* of which the *firm* is a member.

## 2 RECOVERY PLANS

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- 2.1 (1) Subject to (2), every *firm* must prepare and maintain an adequate *recovery plan*.
- (2) If a *group* has within it more than one *firm* to which this Part applies, only one of those *firms* needs to have a *recovery plan*, so long as that plan contains content for each *firm* in the *group* that complies with 2.3, 2.4, 2.5 and 2.6.
- 2.2 A *firm* must provide its *recovery plan* to the *PRA* by online submission through:
  - (1) email; or
  - (2) the appropriate systems made available to *firms*.
- 2.3 The *recovery plan* must set out the actions that could be taken to secure that:
  - (1) the business of the *firm*; or
  - (2) any part of the business of the *firm*,

is capable of being carried on and returned to a stable and sustainable condition (whether or not by the *firm* and whether or not in the same way as previously) if circumstances arise which adversely affect the carrying on of the business (or any part of the business) of the *firm*.

- 2.4 The *recovery plan* must contain a comprehensive range of options setting out actions that could be taken in a number of different scenarios and stresses, whether by:
- (1) the *firm* alone; or
  - (2) the *firm* in conjunction with other members of its *group*; or
  - (3) by another member of the *group*.
- 2.5 The *recovery plan* must, in particular, include:
- (1) the actions that could be taken to return the *firm* to adequate levels of capital and liquidity; and
  - (2) the applicable governance arrangements, and indicators when options in the *recovery plan* might be employed, and procedures to ensure the timely implementation of the actions.
- 2.6 A *firm* must notify the *PRA* as soon as it becomes aware that the *firm's recovery plan* indicators have been met.
- 2.7 A *firm's recovery plan* must take into account the wider business of the *group* of which the *firm* is a *member*.

**[Note: Art 74(4) of the CRD]**

### **3 RESOLUTION PACK**

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- 3.1 Every *firm* must prepare and maintain a *resolution pack*.
- 3.2 A *firm* must provide its *resolution pack* to the *PRA* by online submission through:
- (1) email; or
  - (2) the appropriate systems made available to *firms*.
- 3.3 (1) A *resolution pack* must contain information and analysis which would facilitate the taking of actions in the event that it is likely that the *firm* will fail, or in the event that the *firm* fails.
- (2) The *resolution pack* must, in particular, contain sufficient information and analysis to facilitate planning by the *Treasury*, the *Bank of England* or the *PRA* in relation to the possible exercise of any of their powers under the Banking Act 2009.
- 3.4 A *firm's resolution pack* must take into account the wider business of the *group* of which the *firm* is a *member*.

**[Note: Art 74(4) of the CRD]**

## **4 REVIEW OF RECOVERY PLAN AND RESOLUTION PACK**

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- 4.1 (1) Every *firm* must review its *recovery plan* at least once a year.
- (2) Every *firm* must keep its *recovery plan* and its *resolution pack* up to date, which includes ensuring that each is updated to reflect any material developments in the *firm's* business and in the business of any member of the *group*.
- 4.2 A *firm* must notify the *PRA* of any material changes made to its *recovery plan* and *resolution pack* promptly and, in any event, within one month of making any such change.

## **5 GOVERNANCE ARRANGEMENTS**

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- 5.1 A *firm* must, taking into account the nature, scale and complexity of its business and the business of other members of its *group*, establish and maintain appropriate internal processes regarding the governance of its *recovery plan* and *resolution pack*.
- 5.2 (1) A *firm's recovery plan* must be subject to oversight and approval by the *firm's governing body*.
- (2) A *firm's governing body* must be responsible for assessing, approving and overseeing the *firm's* arrangements in place to produce the *firm's resolution pack*. The *firm's* audit committee must periodically review these arrangements and the *recovery plan*.
- (3) A *firm* must nominate an executive *director* who is a member of the *firm's governing body* to have responsibility for the *recovery plan* and *resolution pack* and for overseeing the internal processes regarding their governance.



Part

## RECOVERY AND RESOLUTION

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Externally defined glossary terms

<b>Term</b>	<b>Definition source</b>
<i>Act</i>	<i>Schedule 1 Interpretation Act 1978</i>
<i>Bank of England</i>	<i>Schedule 1 Interpretation Act 1978</i>
<i>parent undertaking</i>	<i>s420 FSMA</i>
<i>partnership</i>	<i>s417(1) FSMA</i>
<i>person</i>	<i>Schedule 1 Interpretation Act 1978</i>
<i>subsidiary undertaking</i>	<i>s420 FSMA</i>
<i>the PRA</i>	<i>s417(1) FSMA</i>
<i>the Treasury</i>	<i>Schedule 1 Interpretation Act 1978</i>