Recovery plan submission –   
suggested format for firms or groups   
subject to simplified obligations

August 2015

In this document we provide a suggested recovery plan submission template for:

* IFPRU 730k firms that are non-significant, and
* qualifying parent undertakings of an RRD group that includes a non-significant IFPRU 730k firm that prepare firm-level or group-level recovery plans on a simplified obligations basis

Please note that firms are free to develop their own report structure and are not required to adopt the format suggested in this template.

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You can download this recovery plan submission template from the FCA RRD website: <https://www.fca.org.uk/firms/markets/international-markets/eu/rrd>

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**Abbreviations and glossary**

|  |  |
| --- | --- |
| **CA** | Competent Authority – in the UK, the FCA and PRA are individually designated as competent authorities |
| **EBA** | European Banking Authority |
| **EEA** | European Economic Area |
| **FCA** | Financial Conduct Authority |
| **FRN** | Firm Reference Number, the unique number by which a firm is registered |
| **LEI** | Legal Entity Identifier, the unique number by which a legal entity or structure is registered |
| **RRD** | Directive 2013/59/EU, or Recovery and Resolution Directive |
| **RTS** | Regulatory Technical Standards |
| **PRA** | Prudential Regulation Authority |
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1. Overview

Introduction

This document provides a suggested template for firms to submit individual and group recovery plans subject to simplified obligations to us, the FCA. Firms and qualifying parent undertakings are not required to adopt this format when submitting their recovery plan to us for review. However, adopting this template may be convenient for firms and qualifying parent undertakings, and may lead to fewer follow-up requests from us. We expect there to be a fair degree of variation in the length and format of submissions since firms’ and groups’ business and risk profiles differ and the plan should be proportional to the size, nature and complexity of the firm’s or group’s business.

Use of this template is **not** a substitute for being aware of the relevant rules in IFPRU 11.

You can refer to supplementary documents such as policies, risk-management frameworks and processes by using appendices.

Who does this apply to?

The suggestions provided by this document are targeted at:

* non-significant IFPRU firms subject to the requirement in IFPRU 11.2.7R for an individual recovery plan subject to simplified obligations, and
* firms and qualifying parent undertakings that are subject to the requirement in IFPRU 11.3.9R for a group recovery plan subject to simplified obligations

This document is **not** intended to be used by:

* firms and qualifying parent undertakings that are not subject to simplified obligations for their individual or group recovery plan, and
* firms and qualifying parent undertakings that are required to submit a group recovery plan to a competent authority other than the FCA

What do you need to do next?

All firms and qualifying parent undertakings should review our rules in IFPRU 11 on recovery plans. You should establish how these new rules will affect your business and the changes you need to make.

We remind firms that the EBA has published guidelines and technical standards on recovery plans. Firms should be aware of these when preparing their own recovery plans (see Annex 1 for some useful references).[[1]](#footnote-1)

1. Suggested submission template

*Notes for completing the following submission template:*

* *for text between triangular brackets, <>, chose the appropriate option and delete the alternative*
* *text between square brackets [] indicates the information you should insert*
* *numbered paragraph text provides guidance on what should be included in each section of the Recovery Plan*

<Individual / Group> Recovery Plan for [Insert Entity / Group Name]

<Entity / Group> identifier <FRN/LEI> [insert FRN or LEI]

Recovery Plan reporting reference date: [insert date].

Unless otherwise noted, values are presented in [insert currency and units e.g. USD thousands]

Executive summary

Provide a summary of key elements in the recovery plan (IFPRU 11.2.7R(1) or IFPRU 11.3.9R(1)).

Material changes

List all material changes since the last recovery plan submission. Leave blank on first submission (IFPRU 11.2.7R(7) or IFPRU 11.3.9R(7)).

Description of legal and financial structures

Describe the entity / entities covered by the plan.

Describe the legal and financial structures of the firm (in individual recovery plans) or the group members covered by the plan (in group recovery plans).

You must include a summary identification of core business lines and critical functions (IFPRU 11.2.7R(3) or IFPRU 11.3.9R(3)). Core Business Lines and Critical Functions are defined terms in the Glossary in the FCA Handbook.[[2]](#footnote-2)

When completing this template for an RRD group, you may consider it helpful to map the core business lines, critical functions and legal entities in a tabular format. A possible format is presented below.

### *Figure 1 - sample table*

**Material legal entity X**

**Material legal entity Y**

**Material legal entity Z**

**Material branch**

**Non- material legal entity or branch**

**Core business line 1**

**Core business line 2**

**Non-core business line 3**

*e.g. 70% of assets*

*e.g. 28% of assets*

*e.g. 2% of assets*

A

Critical function

A

Critical function

B

Non-critical function

B

Non-critical function

B

Non-critical function

C

Non-critical function

D

Critical function

E

Non-critical function

H

Critical function

G

Non-critical function

Governance arrangements

Describe the firm’s (in individual recovery plans) or the group’s (in group plans) governance arrangements. You must include:

how the recovery plan is integrated into the corporate governance of the firm or the group (for example, how the recovery plan was developed), and

the firm’s or the group’s overall risk management framework (IFPRU 11.2.7R(2) or IFPRU 11.3.9R(2))

Recovery strategy/options[[3]](#footnote-3)

List and describe recovery options, including:

capital and liquidity actions required to maintain or restore the viability and financial position of the firm (in individual recovery plans) or the group (in group recovery plans)

arrangements and measures to conserve or restore the firm’s own funds (in individual recovery plans) or the own funds of each RRD institution in the group on an individual and consolidated basis (in group recovery plans) (IFPRU 11.2.7R(4) or IFPRU 11.3.9R(4)), and

an assessment of the expected timeframe for implementing recovery options(IFPRU 11.2.7R(5) or IFPRU 11.3.9R(5))

Note that when identifying recovery options a firm (in individual recovery plans) or a firm or qualifying parent undertaking (in group recovery plans) should consider a range of severe macroeconomic and financial stress scenarios relevant to the firm or group’s specific conditions (see IFPRU 11.2.9G or IFPRU 11.3.11G for more information)[[4]](#footnote-4).

Summarise the overall recovery capacity of the firm (in an individual recovery plan) or (in a group recovery plan) the overall capability of the group to restore its financial position following a significant deterioration. You must include:

the risks associated with recovery options

an analysis of any material impediments to the effective and timely execution of the recovery plan, and

whether and how material impediments could be overcome (IFPRU 11.2.7R(6) or IFPRU 11.3.9R(6))

If the recovery plan includes the use of central bank facilities, the firm (in an individual recovery plan) or the firm or qualifying parent undertaking (in group recovery plans) must include an analysis of how and when the firm (in an individual plan) or members of the group (in group recovery plans) may apply for the use of central bank facilities and identify those assets which would be expected to qualify as collateral (IFPRU 11.2.11R or IFPRU 11.3.13R).

Describe the measures which the firm could take if it has infringed an RRD early intervention condition (in individual recovery plans) or which the group could take if any RRD institution in the group infringes an RRD early intervention condition (in group recovery plans), or (in individual or group recovery plans) is likely to infringe one of those conditions in the near future (IFPRU 11.2.7R(9) or IFPRU 11.3.9R(9)).

Implementation strategy

Describe preparatory measures the firm or group has taken, or plans to take, to implement the recovery plan (IFPRU 11.2.7R(8) or IFPRU 11.3.9R(8)).

Additional material information

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) where this information is material to the firm or group’s business (IFPRU 11.2.8G and IFPRU 11.3.10G).

Recovery indicators

List and explain the recovery plan indicators and the points which identify when the firm (in individual recovery plans) or a firm, qualifying parent entity or another group member (in group recover plans) may take appropriate actions in the plan.[[5]](#footnote-5)

Explain how recovery indicators are monitored (IFPRU 11.2.12R to 11.2.13G or IFPRU 11.3.14R to 11.3.15G).

Suggested appendices

The management body must assess and approve the individual recovery plan before submitting it to the FCA (IFPRU 11.2.16R or IFPRU 11.11.3.18R). It would therefore be useful to indicate who has approved the current version. A possible template is below.

Current version approved by:

|  |  |  |
| --- | --- | --- |
| [Board] | [Date] | [Accountable member] |
| [Other committee ] | [Date] | [Accountable member] |
| [Other committee] | [Date] | [Accountable member] |

We review recovery plans and where we have questions concerning your recovery plan it is useful to know which individuals have been involved in the development and maintenance of the plan. A suggested way of presenting that information is below.

|  |  |  |  |
| --- | --- | --- | --- |
| Name | Job title | Team / Department / Business area | Role in Recovery Plan (development, improvement, validation, approval, etc.) |
|  |  |  |  |
|  |  |  |  |

1. Annex 1: List of useful resources

*Please note that this is not a comprehensive list of relevant FCA and or EBA materials.*

FCA Handbook (see IFPRU 11)

[http://[www.handbook.fca.org.uk/handbook/ifpru/](http://www.handbook.fca.org.uk/handbook/ifpru/)](http://www.fshandbook.info/FS/html/FCA/IFPRU/11)

FCA RRD website:

<https://www.fca.org.uk/firms/markets/international-markets/eu/rrd>

FCA RRD Consultation Paper:

<http://www.fca.org.uk/your-fca/documents/consultation-papers/cp14-15>

FCA RRD Policy Statement:

<https://www.fca.org.uk/news/ps15-02-recovery-and-resolution-directive>

RRD Directive:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0059&from=EN>

EBA Regulatory Technical Standard (RTS) on the content of recovery plans:

<http://www.eba.europa.eu/documents/10180/760167/Draft+RTS+on+content+of+recovery+plans.pdf>

EBA (final draft) RTS on the assessment of recovery plans:

<http://www.eba.europa.eu/documents/10180/760181/EBA-RTS-2014-12+Draft+RTS+on+assessment+of+recovery+plans.pdf>

EBA comparative report on the approach to determining critical functions and core business lines in recovery plans:

<http://www.eba.europa.eu/documents/10180/950548/EBA+Report+-+CFs+and+CBLs+benchmarking.pdf>

EBA guidelines on the minimum list of qualitative and quantitative recovery plan indicators:

<http://www.eba.europa.eu/documents/10180/1064487/EBA-GL-2015-02+GL+on+recovery+plan+indicators.pdf/4bf18728-e836-408f-a583-b22ebaf59181>

Guidelines on the range of scenarios to be used in recovery plans:

<http://www.eba.europa.eu/documents/10180/760136/EBA-GL-2014-06+Guidelines+on+Recovery+Plan+Scenarios.pdf>

1. Although the specific draft regulatory technical standard on the content of recovery plans does not directly apply to firms subject to simplified obligations, the fundamental recovery plan content that we require from firms subject to simplified obligations has some alignment with the headings and terminology in the draft RTS on recovery plans. This enables firms to use the draft RTS as a guide when completing different recovery plan concepts. [↑](#footnote-ref-1)
2. Core Business Lines means “business lines and associated services which represent material sources of revenue, profit or franchise value for an RRD institution or an RRD group.” (Note: article 2(1)(36) of RRD)

   Critical Functions means ‘activities, services or operations the discontinuance of which is likely, in one or more EEA States, to lead to the disruption of essential services to the real economy or to disrupt financial stability due to the:

   (a) size;

   (b) market share;

   (c) external and internal interconnectedness;

   (d) complexity; or

   (e) cross-border activities,

   of an RRD institution or RRD group, particularly bearing in mind the substitutability of those activities, service or operations.’ [Note: article 2(1)(35) of RRD] [↑](#footnote-ref-2)
3. We remind firms and qualifying parent undertakings that they must demonstrate to the FCA that carrying out its (group) recovery plan is reasonably likely to maintain or restore the viability and financial position of the firm/RRD institutions in the group, taking into account the preparatory measures that the firm/group has taken or plans to take; and its (group) recovery plan is reasonably likely to be carried out quickly and effectively in situations of financial stress, and avoids, to the maximum extent possible, any significant adverse effect on the financial system (see IFPRU 11.2.17R or IFPRU 11.3.19R for the complete text). [↑](#footnote-ref-3)
4. Please note the EBA has issued Guidelines on the range of scenarios to be used in recovery plans. See Annex 1. [↑](#footnote-ref-4)
5. When identifying recovery indicators reference should be made to the EBA guidelines on the minimum list of qualitative and quantitative recovery plan indicators. [↑](#footnote-ref-5)