

Wind-down Planning Guidance

Financial Conduct Authority

RPC rating: **validated**

Description of the measure

In response to requests from industry practitioners, the Financial Conduct Authority (FCA) has compiled guidance on wind-down planning. This provides guidance on the actions and resources needed for a firm to close down a regulated business. The document is not prescriptive. Firms can choose to adopt the approach in the guidance, follow other available formats or devise their own.

Impacts of the measure

The FCA believes the measure will potentially impact approximately 1,600 firms. However, the FCA explains that the guidance does not impose any obligations on firms to have wind-down plans in place. The guidance is permissive in that it may allow some firms to make savings by constructing their own plans but does not require any action on the part of any firm.

In addition, the FCA believes that the guidance will generate savings for some firms, particularly crowd-funding firms and firms covered by the Capital Requirements Directive IV (banks, building societies and investment firms). The assessment states that it is customary for these firms to have wind-down plans or outline basic wind-down steps as part of their governance and financial planning processes. The FCA believes that this guidance will allow smaller firms to undertake wind-down planning without consulting professional advisors.

The FCA estimates that around 1,400 smaller firms could potentially achieve savings as a result of the guidance. Of these, around 70 firms will compile wind-down plans using the guidance in the first year and 30 per year subsequently. It estimates that each of these firms will make a saving of around £7,500 in professional fees. This is based on five days of a consultant's time at £1,500 per day. This results in a total benefit to business of £525,000 in year one and £225,000 subsequently.

The RPC verifies the estimated equivalent annual net direct benefit to business (EANDCB) of -£0.2million. This will be a qualifying regulatory provision that will score under the business impact target.

Quality of submission

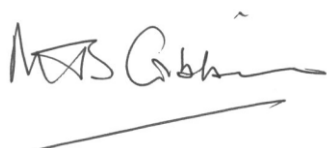
Given that the overall impact of the measure is low, the validation assessment provides sufficient information for the RPC to validate the savings to business. However, the assessment would have benefited from providing further evidence to support the estimates of the savings in professional fees and the number of firms that will achieve these savings.

Departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	−£0.2 million
Business net present value	£2.2 million

RPC assessment

Classification	Qualifying regulatory provision
EANCB – RPC validated ¹	−£0.2 million
Business Impact Target (BIT) Score ¹	−£1.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.