

Dear Sir/Madame,

In recent weeks, an increasing number of Newgate clients have received requests from the FCA to provide information regarding their 'wind-down plan', should the firm cease regulated activities. This is part of the FCA's continued focus on the financial resilience of firms stemming from the COVID 19 pandemic and an everchanging economic environment.

The request of information from the FCA is in line with their recent updates to the guidance on how firms should be assessing their financial resources (FG20) as well as the anticipated requirement for all firms to formally document a 'wind-down' plan/assessment as part of the new UK prudential regime (DP20) expected to come into force in Q2 2021.

### **What is the difference between a Business Continuity Plan (BCP) and a wind-down plan?**

Most firms will have a BCP in place or will have been asked to provide a BCP as part of their authorisation process. The BCP focuses on the firm's ability to continue to function or recover despite an adverse scenario (global pandemic, technical disruptions etc.). The Firm's underpinning assumptions are that it will continue to conduct its activities and therefore the BCP is a question of resilience.

A wind-down plan on the other hand deals with situations in which the firm's regulated activities and business model are no longer viable or the firm makes a strategic decision to exit their regulated business. The firm's assumption is therefore that it can no longer continue providing regulated activities and in wind-down planning, a firm considers how it may cease its regulated activities with minimal adverse impact on its clients, counterparties, or the wider market.

An effective wind-down plan includes:

- Identifying the scenarios that could lead to the firm no longer being viable;
- Identifying who will be affected if the firm does wind-down;
- Operational analysis for winding down – what steps need to be taken to wind-down;
- Estimated time and costs involved in winding down;
- Resource Assessment – the resources needed to complete the steps identified in the operational analysis;
- Communication plan – The stakeholders that need to be notified that the firm is winding-down and the best methods for communicating with them

The wind-down plan should be a standing agenda item for the Board/senior management to periodically review and assess.

**We strongly advise our clients to have a wind-down plan in place now.**



NEWGATE  
COMPLIANCE

**For more information regarding the wind-down plan and how we at Newgate can assist your firm with remaining fully compliant, as well as displaying a proactive approach to the FCA's updates (FG20 & DP20), please reach out to your consultant.**

Kind Regards,

The Newgate Compliance Team