



Crisis management: recent experience and lessons learned

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Objectives

- Limited license firms (outside the scope of RRD)
- Why wind-down planning is important
- Share experiences (lessons learned)
- Strengthen your firm's arrangements

Why have a wind down plan?

- Corporate governance – good practice
- FCA objectives – market integrity
- Capital planning – wind down costs included in ICAAP assessments
- 10 non RRD firm Prudential Crisis Management Groups since June 2014

Causes of recent crises

- Poor governance
- Business model
 - e.g. high leverage
- Operational risk
 - e.g. operational dependencies, external suppliers
- External factors
 - e.g. market turbulence
- Events

Lessons learned

- Wind down costs in ICAAP frequently not underpinned by a plan
- Costs often inadequate / inaccurate
- Overly optimistic – assumptions not tested
- Communications
- Slow to recognise
- Slow to act

What is a wind down plan?

"A wind down plan considers firm resolution, not recovery. It should leave management confident that, in the event of firm closure, the firm will have sufficient resources (human, technical, and financial) and appropriate time and arrangements to wind down the business with little or no detriment to consumers or the integrity of the UK financial system."

What a wind down plan should cover

- Scenarios - what could cause the firm to fail?
- Triggers / indicators - to facilitate timely action
- Assumptions - tested
- Costs
- Governance - who makes decisions and when
- Communications

Issues most frequently overlooked

- Need for additional professional services
- Insolvency practitioner fees
- Special retention packages for key staff
- Cost of “keeping the lights on”
 - e.g. utilities and website maintenance
- Holistic communications strategy
 - clients, staff, regulator, suppliers / service providers, media, and other key stakeholders

“Plan for what it is difficult while it is easy, do what is great while it is small.”

- [Sun Tzu](#), [The Art of War](#)