CASE STUDY

IFPR – Assessing the impact of the FCA's new prudential regime

How an exempt-CAD firm with a simple group structure gained clarity on their capital requirements and strategic options in light of the new regulations

UNLOCKED £200K OF ELIGIBLE CAPITAL

IDENTIFIED STRATEGIC OPPORTUNITY

PROVIDED REGULATORY ASSURANCE

ADVISED ON GROUP STRUCTURE

CLIENT CHALLENGE

Our client were aware of the impending changes to the FCA's prudential regime (IFPR) but, as an exempt-CAD firm, sought expert insight to fully understand the challenges and opportunities that they could expect.

In particular, the firm required an expert view on changes to their:

- Capital requirements
- Group status
- Approach to risk assessment
- Regulatory reporting

The firm's arrangements consisted of:

- c$25bn AUM
- Two UK entities
- US owner

Our client needed their new supplier to:

- Utilise existing data
- Provide capital and liquidity requirements calculations (estimated for conditions within the new prudential regime)
- Report on entity structuring permutations
- Provide platform for ongoing risk assessment and reporting under ICARA

OUR SOLUTION

- Reviewed available data and, in lock-step with the firm's audit cycle, collated relevant insights
- Provided an impact assessment report containing:
  - Firm categorisation under the new regime
  - Quantitative, fact-based calculations for capital and liquidity requirements under the IFPR, with clarity on glidepath related to transitional periods
  - Pillar 2 assessment requirements and regulatory reporting requirements
  - Group consolidation status

WHAT BENEFITS DID WHEELHOUSE ADVISORS BRING?

The firm received a comprehensive, data- and fact-based report assessing the impact of the IFPR on their business, covering but not limited to:

- Capital requirements:
  - Under IFPR, the firm's capital requirements will be 10x present-day requirements
  - Wheelhouse Advisors mitigated the impact through the identification of existing capital that can become eligible under the IFPR
  - Have also informed the client that as their business grows, other calculations will come into effect
- Pillar 2 assessment:
  - As an exempt-CAD firm, there was no prior experience of undertaking capital risk assessments (eg: ICAAP). Wheelhouse Advisors informed the firm that they should set aside appropriate time to address the requirement for an ICARA under the new regime. This is likely to be a labour intensive aspect
- Group consolidation:
  - Evidenced that reporting on a consolidated basis may be beneficial. Advised that further benefits may be realised upon the completion of a 'group capital test' as an alternative to the full consolidated supervision approach

Contact wheelhouse advisors today to assess the impact of the new prudential regime on your firm

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Or visit www.wheelhouse-advisors/com.ifpr for more information on the IFPR