

INVESTMENT FIRM PRUDENTIAL REGIME

The new prudential framework for investment firms brings in fresh standards on capital, liquidity, reporting, consolidation, governance, risk, remuneration and disclosure.

The Investment Firm Prudential Regime (IFPR), developed by the European Commission (EC) and to be adopted by the FCA, will apply to all MiFID investment firms from 1st January 2022. The IFPR is intended to be simpler and more proportionate to a firm's operations than the existing bank-like regulations. The result being that the vast majority of investment firms will be required to adapt their approach to prudential regulation.

THE CHALLENGE

The phrase "simpler and more proportionate" was originally a cause for rejoice among investment firms. The unshackling from the banking regime was expected to warrant lower capital requirement and less onerous governance standards and reporting obligations.

Many firms have questioned whether the end-product does indeed meet with the original objectives. For many firms the burdens will be significantly higher than now and for others there is at least a transition to manage from one regime to another.

Most notably, some firms will be required to hold significantly more capital than under the existing regime.

Further, for many firms, the IFPR introduces a new obligation to conduct an ongoing Internal Capital Adequacy and Risk Assessment (ICARA) process, to document the ICARA in a formal report at least annually, and to make certain public disclosures. This is no small task, particularly for firms whose regulatory framework has, to date, been relatively light-touch.



Copyright © 2020 Wheelhouse Advisors. All rights reserved

HOW WE CAN HELP

Wheelhouse Advisors has a wide range of solutions designed to help you with your IFPR obligations. Our expert prudential team can help you navigate and understand the new rules and provide guidance on the requirements contained within the European Directives and Regulations, FCA Handbooks and regulatory technical standards from European authorities.

- **IFPR impact assessment** – we conduct a full analysis of how the IFPR will affect your business. We provide a detailed report clearly outlining the implications specific to your firm, including those subject to change based on rules yet to be finalised and highlights of the key areas your firm should focus on to become IFPR-ready.

INVESTMENT FIRM PRUDENTIAL REGIME

- **Financial projections** – understanding the evolving financial impact of the new regime on a forward-looking basis is as important as understanding the direct impact today. We can work with you to build robust financial projections based on known or reasonably foreseeable events on the horizon so that you can see how the requirements might change over time.
- **ICARA process** – we have significant experience assisting clients with designing, implementing and documenting their internal capital and risk assessment processes. We have incorporated industry guidance and best-practice into our approach over many years, which means that we have been practising as standard much of what is now mandated in the new enhanced ICARA process rules. Therefore, we believe are ideally placed to assist your firm in ensuring it has a fit-for-purpose ICARA in place for when the IFPR goes live.
- **Regulatory reporting** – we currently look after the regulatory reporting for many firms on a multitude of different reporting frameworks. Whilst this will be harmonised under the IFPR, at present two key elements of the new regulatory reporting regime are unknown; (i) whether the FCA will implement a lighter regime with an annual frequency for some firms; and (ii) whether the reporting will be integrated within the FCA’s GABRIEL system or if it will require third-party software. We will continue to track developments and will bring our experience to bear in developing an industry-leading solution.

WHY WHEELHOUSE ADVISORS

We can support your business in the way that suits your requirements best. We will work with you to scope a project and relationship based on your needs, not the other way around. We will provide you with access to prudential expertise that will help you identify, assess and document major sources of change driven by the IFPR and manage them going forward.

Our consultants can advise you on how to best prepare for the new Investment Firm Prudential Regime and assist with the ongoing obligations that result from it.

