

**PRA RULEBOOK: CRR FIRMS AND NON-AUTHORISED PERSONS: RECOVERY PLAN
INSTRUMENT 2015**

Powers exercised

- A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 137G (the PRA's general rules);
 - (2) section 137T (general supplementary powers);
 - (3) section 192J (rules requiring provision of information by parent undertakings); and
 - (4) section 192JB (rules requiring parent undertakings to facilitate resolution).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.
- C. The PRA exercises the following powers in the Act to make those terms in the Glossary that are used in this instrument in rules applicable to qualifying parent undertakings:
- (1) section 192J (rules requiring provision of information by parent undertakings);
 - (2) section 192JB (rules requiring parent undertakings to facilitate resolution); and
 - (3) section 137T (general supplementary powers).

Pre-conditions to making

- D. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. In accordance with section 137J of the Act (Rules about recovery plans: duty to consult), the PRA consulted the Treasury and the Bank of England. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms and Non-Authorised Persons: Recovery Plan Instrument 2015

- E. The PRA makes the rules in Annex A, Annex B and Annex C to this instrument.
- F. The Recovery and Resolution Part of the PRA Rulebook is deleted.

Commencement

- G. This instrument comes into force on 19 January 2015.

Citation

- H. This instrument may be cited as the PRA Rulebook: CRR Firms and Non-Authorised Persons: Recovery Plan Instrument 2015

By order of the Board of the Prudential Regulation Authority

15 January 2015

Annex A**PRA RULEBOOK - GLOSSARY**

Insert the following new definitions into the Glossary Part of the PRA Rulebook:

BRRD

means Directive 2014/59/EU of the European Parliament and the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU , and Regulations (EU) No 1093/2010 and (EU) No 648/2012 of the European Parliament and of the Council.

BRRD undertaking

means a *CRR firm* or a *qualifying parent undertaking* of a *CRR firm*.

MiFID II

means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast).

MiFIR

means Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012.

qualifying parent undertaking

has the meaning given in section 192B of *FSMA*.

Annex B

Amendments to the Interpretation Part of the PRA Rulebook

In this Annex new text is underlined and deleted text is struck through

1 APPLICATIONS AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to a *firm* and a *qualifying parent undertaking*.

Annex C

In this Annex, the text is all new and is not underlined.

Part

Recovery Plans

Chapter content

1. APPLICATION AND DEFINITIONS
2. RECOVERY PLANS
3. GROUP RECOVERY PLANS
4. REVIEW OF RECOVERY PLAN AND GROUP RECOVERY PLAN
5. GOVERNANCE
6. RECOVERY PLAN AND GROUP RECOVERY PLAN INDICATORS

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to a *BRRD undertaking*.

1.2 In this Part, the following definitions shall apply:

Article 1(1)(b) entity

means a *financial institution* that is established in an *EEA State* when the *financial institution* is a *subsidiary* of a *credit institution* or *investment firm*, or of an *Article 1(1)(c) entity* or an *Article 1(1)(d) entity*, and is covered by the supervision of the *parent undertaking* on a *consolidated basis* in accordance with Articles 6 to 17 of *CRR*.

Article 1(1)(c) entity

means a *financial holding company*, *mixed financial holding company* or *mixed activity holding company* that is established in an *EEA State*.

Article 1(1)(d) entity

means a *parent financial holding company in an EEA State*, an *EEA parent financial holding company*, a *parent mixed financial holding company in an EEA State* or an *EEA parent mixed financial holding company*.

competent authority

means a public authority or body officially recognised by national law which is empowered by national law to supervise *institutions* as part of the supervisory system in operation in the *EEA State* concerned or the European Central Bank with regard to the specified tasks conferred on it by Article 4 of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

conditions for early intervention

means where an *institution* infringes or is likely in the near future to infringe the requirements of the *CRR*, *CRD*, *MiFID II* or any of Articles 3 to 7, 14 to 17 and 24, 25 and 26 of *MiFIR*.

EEA consolidating supervisor

means a *competent authority* responsible for the exercise of supervision on a *consolidated basis* of:

- (1) an *EEA parent institution*; or
- (2) *institutions controlled by an EEA parent financial holding company* or an *EEA parent mixed financial holding company*.

EEA parent financial holding company

means a *parent financial holding company in an EEA State* which is not a *subsidiary* of an *institution* authorised in any *EEA State* or of another *financial holding company* or *mixed financial holding company* set up in any *EEA State*.

EEA parent institution

means a *parent institution in an EEA State* which is not a *subsidiary* of another *institution* authorised in an *EEA State* or of a *financial holding company* or *mixed financial holding company* set up in any *EEA State*.

EEA parent mixed financial holding company

means a *parent mixed financial holding company in an EEA State* which is not a *subsidiary* of an *institution* authorised in any *EEA State* or of another *financial holding company* or *mixed financial holding company* set up in any *EEA State*.

EEA parent undertaking

means an *EEA parent institution*, an *EEA parent financial holding company* or an *EEA parent mixed financial holding company*.

extraordinary public financial support

means *State aid*, or any other public financial support at supra-national level, which, if provided for at national level, would constitute *State aid*, that is provided in order to preserve or restore the viability, liquidity or solvency of an *institution* or *Article 1(1)(b) entity*, *Article 1(1)(c) entity*, *Article 1(1)(d) entity* or of a group of which such an *institution* or entity forms part.

group recovery plan

means a group recovery plan drawn up by a *BRRD undertaking* in accordance with Chapter 3.

management body

means a *BRRD undertaking's* body or bodies, which are appointed in accordance with national law, which are empowered to set the *BRRD undertaking's* strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the *persons* who effectively direct the business of the *BRRD undertaking*.

own funds requirement

means the requirements laid down in Articles 92 to 98 of the *CRR*.

parent financial holding company in an EEA State

means a *financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

parent mixed financial holding company in an EEA State

means a *mixed financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

parent institution in an EEA State

means an *institution* authorised in an *EEA State* which has an *institution* or *financial institution* as a *subsidiary* or which holds a participation in such an *institution* or *financial institution*, and which is not itself a *subsidiary* of another *institution* authorised in the same *EEA State* or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

parent undertaking

has the meaning given in Article 4(1)(15) of the *CRR*.

recovery plan

means a recovery plan drawn up by a *firm* in accordance with 2.

significant branch

means a *branch* of an *institution* that would be designated as being significant in accordance with Article 51(1) of the *CRD*.

State aid

means any aid granted by an *EEA State* or through an *EEA State's* resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, and which affects trade between *EEA States*.

- 1.3 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

2 RECOVERY PLANS

- 2.1 This Chapter applies to a *firm* that is not part of a *group* subject to consolidated supervision pursuant to Articles 111 and 112 of the *CRD*.

[Note: Art. 5(1) of the *BRRD*]

- 2.2 A *firm* must draw up and maintain a *recovery plan* providing for measures to be taken by the *firm* to restore its financial position following a significant deterioration of its financial situation.

[Note: Art. 5(1) of the *BRRD*]

- 2.3 A *firm* must submit its *recovery plan* to the *PRA*.

[Note: Art. 6(1) of the *BRRD*]

- 2.4 A *firm* must provide its *recovery plan* to the *PRA* by online submission through:

- (1) email; or
- (2) the appropriate systems made available to *firms*.

- 2.5 A *recovery plan* must not assume any access to or receipt of *extraordinary public financial support*.

[Note: Art. 5(3) of the *BRRD*]

- 2.6 A *recovery plan* must include, where applicable, an analysis of how and when the *firm* may apply, in the conditions addressed by the plan, for the use of central bank facilities and must identify those assets which would be expected to qualify as collateral.

[Note: Art. 5(4) of the BRRD]

- 2.7 The *recovery plan* must include the information set out in Section A of the Annex to the BRRD.

[Note: Art. 5(5) of the BRRD]

- 2.8 A *recovery plan* must include possible measures which could be taken by the *firm* where the *conditions for early intervention* are met.

[Note: Art. 5(5) of the BRRD]

- 2.9 A *recovery plan* must include appropriate conditions and procedures to ensure the timely implementation of recovery actions as well as a wide range of recovery options.

[Note: Art. 5(6) of the BRRD]

- 2.10 A *recovery plan* must contemplate a range of scenarios of severe macroeconomic and financial stress relevant to the *firm's* specific conditions including system-wide events and stress specific to individual legal persons and to *groups*.

[Note: Art. 5(6) of the BRRD]

- 2.11 A *firm* must demonstrate to the PRA that the *recovery plan* meets the requirements set out in this Chapter and the following criteria:
- (1) the implementation of the arrangements proposed in the *recovery plan* is reasonably likely to maintain or restore the viability and financial position of the *institution* or of the *group*, taking into account the preparatory measures that the *institution* has taken or has planned to take;
 - (2) the *recovery plan* and specific options within the *recovery plan* are reasonably likely to be implemented quickly and effectively in situations of financial stress and avoiding to the maximum extent possible any significant adverse effect on the financial system, including in scenarios which would lead other *institutions* to implement *recovery plans* within the same period.

[Note: Art. 6(1) of the BRRD]

3 GROUP RECOVERY PLANS

- 3.1 This Chapter applies to a BRRD *undertaking* which is:
- (1) an EEA parent *undertaking* unless the FCA is the EEA consolidating supervisor of its *group*; or
 - (2) a *firm* controlled by an EEA parent financial holding company or an EEA parent mixed financial holding company if:
 - (a) the EEA parent financial holding company or EEA parent mixed financial holding company is not incorporated in the UK and does not have a place of business in the UK; and

(b) the *PRA* is the *EEA consolidating supervisor* of the *firm*.

3.2 If the *EEA consolidating supervisor* is the *PRA*, a *BRRD undertaking* must draw up a *group recovery plan* and submit the *group recovery plan* to the *PRA*. If the *EEA consolidating supervisor* is not the *PRA*, a *BRRD undertaking* that is a *qualifying parent undertaking* must make arrangements to ensure that a *group recovery plan* is drawn up and submitted to the *EEA consolidating supervisor*.

[Note: Art. 7(1) of the *BRRD*]

3.3 The *group recovery plan* must consist of a recovery plan for the *group* headed by the *EEA parent undertaking* as a whole.

[Note: Art. 7(1) of the *BRRD*]

3.4 A *BRRD undertaking* which is required by 3.2 to submit the *group recovery plan* to the *PRA* must provide its *recovery plan* to the *PRA* by online submission through:

- (1) email; or
- (2) the appropriate systems made available to *BRRD undertakings*.

3.5 The *group recovery plan* must identify measures that may be required to be implemented at the level of the *EEA parent undertaking* and each individual *subsidiary*.

[Note: Art. 7(1) of the *BRRD*]

3.6 The *group recovery plan* must aim to achieve the stabilisation of the *group* as a whole, or any *institution* of the *group*, when it is in a situation of stress so as to address or remove the causes of the distress and restore the financial position of the *group* or the *institution* in question, at the same time taking into account the financial position of other *group* entities.

[Note: Art. 7(4) of the *BRRD*]

3.7 The *group recovery plan* must include arrangements to ensure the coordination and consistency of measures to be taken at the level of the *EEA parent undertaking*, at the level of an *Article 1(1)(c) entity* or *Article 1(1)(d) entity*, as well as measures to be taken at the level of a *subsidiary* and, where applicable, in accordance with the *CRD* at the level of a *significant branch*.

[Note: Art. 7(4) of the *BRRD*]

3.8 The *group recovery plan* must include the elements specified in 2.6 – 2.9. The *group recovery plan* must include, where applicable, arrangements for intra-group financial support adopted pursuant to an agreement for intra-group financial support that has been concluded in accordance with Articles 19 – 26 of the *BRRD* or Group Financial Support 2 – 8.

[Note: Art. 7(5) of the *BRRD*]

3.9 The *group recovery plan* must include a range of recovery options setting out actions to address a range of scenarios of severe macroeconomic and financial stress relevant to the *group's* specific conditions including system-wide events and stress specific to individual legal persons and to *groups*.

[Note: Art. 7(6) of the *BRRD*]

- 3.10 For each scenario, the *group recovery plan* must identify whether there are obstacles to the implementation of recovery measures within the *group*, including at the level of individual entities covered by the plan, and whether there are substantial practical or legal impediments to the prompt transfer of *own funds* or the repayment of liabilities or assets within the *group*.

[Note: Art. 7(6) of the BRRD]

- 3.11 A *BRRD undertaking* that is a *firm* must demonstrate to the *PRA* that the *group recovery plan* meets the requirements set out in this Chapter and the following criteria:
- (1) the implementation of the arrangements proposed in the *group recovery plan* is reasonably likely to maintain or restore the viability and financial position of the *group* or of an individual *subsidiary* in the *group*, taking into account the preparatory measures that the individual *subsidiary* has taken or has planned to take; and
 - (2) the *group recovery plan* and specific options within the *group recovery plan* are reasonably likely to be implemented quickly and effectively in situations of financial stress and avoiding to the maximum extent possible any significant adverse effect on the financial system, including in scenarios which would lead other *institutions* to implement *group recovery plans* within the same period.

[Note: Art. 6(1) of the BRRD]

- 3.12 A *BRRD undertaking* that is a *qualifying parent undertaking* must make arrangements to ensure it is demonstrated to the *EEA consolidating supervisor* that the *group recovery plan* meets the requirements set out in this Chapter and the following criteria:
- (1) the implementation of the arrangements proposed in the *group recovery plan* is reasonably likely to maintain or restore the viability and financial position of the *group* or of an individual *subsidiary* in the *group*, taking into account the preparatory measures that the individual *subsidiary* has taken or has planned to take; and
 - (2) the *group recovery plan* and specific options within the *group recovery plan* are reasonably likely to be implemented quickly and effectively in situations of financial stress and avoiding to the maximum extent possible any significant adverse effect on the financial system, including in scenarios which would lead other *institutions* to implement *group recovery plans* within the same period.

[Note: Art. 6(1) of the BRRD]

4 REVIEW OF RECOVERY PLAN AND GROUP RECOVERY PLAN

- 4.1 This Chapter applies to a *BRRD undertaking* which is required to draw up a *recovery plan* or *group recovery plan* under 2 or 3.
- 4.2 A *BRRD undertaking* that is a *firm* must:
- (1) review its *recovery plan* or *group recovery plan* at least once a year; and
 - (2) keep its *recovery plan* or *group recovery plan* up to date, which includes ensuring that it is updated to reflect any change to the legal or organisational structure of the *firm* or *group*, its business or its financial situation, which could have a material effect on, or necessitates a change to, the *recovery plan* or *group recovery plan*.

[Note: Art. 5(2) of the BRRD]

- 4.3 A *BRRD undertaking* that is a *qualifying parent undertaking* must make arrangements to ensure that:
- (1) its *group recovery plan* is reviewed at least once a year; and
 - (2) its *group recovery plan* is kept up to date, which includes ensuring that it is updated to reflect any change to the legal or organisational structure of the *group*, its business or its financial situation, which could have a material effect on, or necessitates a change to, the *group recovery plan*.

[Note: Art. 5(2) of the *BRRD*]

- 4.4 A *firm* must notify the *PRA* of any material changes made to its *recovery plan* promptly and, in any event, within one month of making any such change.
- 4.5 A *BRRD undertaking* which is required by 3.2 to submit a *group recovery plan* to the *PRA* must notify the *PRA* of any material changes made to its *group recovery plan* promptly and, in any event, within one month of making any such change.

5 GOVERNANCE ARRANGEMENTS

- 5.1 This Chapter applies to a *BRRD undertaking* which is required to draw up a *recovery plan* or a *group recovery plan* under 2 or 3.
- 5.2 A *firm* which is required to draw up a *recovery plan* must, taking into account the nature, scale and complexity of its business, establish and maintain appropriate internal processes regarding the governance of its *recovery plan* and must:
- (1) ensure that its *management body* oversees, assesses and approves the *recovery plan* before the *firm* submits the *recovery plan* to the *PRA*;
 - (2) ensure that its audit committee periodically reviews the *recovery plan*; and
 - (3) nominate an executive *director* who is a member of the *firm's management body* to have responsibility for the *recovery plan* and for overseeing the internal processes regarding its governance.
- 5.3 A *BRRD undertaking* which is required to draw up a *group recovery plan* must, taking into account the nature, scale and complexity of its business and the business of other members of its *group*, establish and maintain appropriate internal processes regarding the governance of the *group recovery plan* and must:
- (1) ensure that its *management body* oversees, assesses and approves the *group recovery plan* before the *BRRD undertaking* submits the *group recovery plan* to the *EEA consolidating supervisor*;
 - (2) ensure that its audit committee periodically reviews the *group recovery plan*; and
 - (3) nominate an executive *director* who is a member of the *BRRD undertaking's management body* to have responsibility for the *group recovery plan* and for overseeing the internal processes regarding its governance.

[Note: Art. 5(9) and 7(7) of the *BRRD*]

6 RECOVERY PLAN AND GROUP RECOVERY PLAN INDICATORS

- 6.1 This Chapter applies to a *BRRD undertaking* which is required to draw up a *recovery plan* or *group recovery plan* under 2 or 3.
- 6.2 A *recovery plan* and a *group recovery plan* must include a framework of indicators established by the *BRRD undertaking* which identifies the points at which appropriate actions referred to in the *recovery plan* or *group recovery plan* may be taken.

[Note: Art. 9(1) of the BRRD]

- 6.3 The indicators may be of a qualitative or quantitative nature relating to the *firm's* or the *group's* financial position and must be capable of being monitored easily.

[Note: Art. 9(1) of the BRRD]

- 6.4 A *BRRD undertaking* must have in place appropriate arrangements for the regular monitoring of the indicators.

[Note: Art. 9(1) of the BRRD]

- 6.5 A *firm* must notify the *PRA* without delay if it decides to take action under its *recovery plan* or *group recovery plan* or if it decides to refrain from taking action.

[Note: Art. 9(1) of the BRRD]

- 6.6 A *BRRD undertaking* that is a *qualifying parent undertaking* must:
- (1) notify the *PRA* without delay if it (or any member of its *group*) decides to take action under the *group recovery plan* or to refrain from taking action and the *PRA* is the *EEA consolidating supervisor*; and
 - (2) make arrangements to ensure the *EEA consolidating supervisor* is notified without delay if it (or any member of its *group*) decides to take action under the *group recovery plan* or to refrain from taking action and the *PRA* is not the *EEA consolidating supervisor*.