

Implementing the IFPR

Your Step-by-Step Guide

What do firms need to do?

Investment firms need to work fast to prepare for the introduction of the FCA's new prudential regime – the Investment Firms Prudential Regime (IFPR). The implementation date is 1 January 2022 so there is no time to lose.

Step 1

IFPR classification

The existing prudential categories will cease to exist under IFPR. You will need to assess against a series of thresholds to determine whether you are a small and non-interconnected (SNI) firm (lower IFPR impact) or a non-SNI firm (higher impact). These must be assessed on a Group Consolidation level.

Action: Design a process to monitor each relevant threshold, including the required timing and frequency.

Step 2

Capital adequacy – “own funds requirement”

All IFPR firms will be subject to the higher of the tiered Permanent Minimum Required (PMR) which depends on your investment services and activities, or a Fixed Overheads Requirement (FOR). Non-SNI firms will also be subject to K-Factors.

Action: Determine your PMR, calculate your FOR and ensure you make provisions before the end of the year to meet any increase.

Step 3

Liquidity – basic liquid asset requirement

Adequate liquidity won't be new to a large proportion of IFPR firms. All firms will be required to hold an amount of liquid assets equal to one third of their FOR (and 1.6% of the total amount of any guarantees provided to clients where it applies). It is worth noting that CPMI firms are already subject to a more stringent liquidity regime.

Action: Factor in this new liquidity calculation within your internal controls and monitor cash flow closely. We would encourage firms to engage with their accountants on this item.

Step
4

Prudential group consolidation

SNI and Non-SNI firms alike will be caught by group consolidation. In simple terms, you must establish which entities within your group fall within your consolidated group. It starts from the highest UK parent entity and will include its subsidiaries and “connected undertakings” both inside and outside the UK. The UK parent entity will be subject to consolidated FOR based on all entities in the consolidated group, and liquid assets requirements. Firms may apply to the FCA to use the Group Capital Test where the structure is “simple” enough.

Action: Identify and assess your consolidated group against the SNI/Non-SNI thresholds. Determine whether you can and wish to make use of the Group Capital Test – firms must apply by 31 January 2022.

Step
5

Risk management – the Internal Capital and Risk Assessment (ICARA) process

The evolution of the ICAAP but now applicable to all firms, the ICARA is intended to be the centrepiece of your risk management process and will cover:

- identification, monitoring and mitigation of harms
- business model planning and forecasting
- recovery and wind-down planning, and
- assessing the adequacy of financial resource

Action: Understand the changes required under the ICARA and build from your experience and expertise from formulating your ICAAP.

Step
6

Remuneration policy

The FCA will create a single remuneration code for all IFPR firms, replacing BIPRU and IFPRU RemCodes. The good news is that SNI’s need only implement basic remuneration requirements.

Action: Update existing remuneration policy and process and ensure you have captured all material risk takers.

Step
7

Public disclosures

Most firms will already be familiar with the need to publicly disclose certain information. The nature of the disclosures will be largely based on SNI/ Non-SNI status, meaning smaller SNIs will not have to include details on risk management or its own funds details.

Action: Determine the extent of your disclosure obligations as well as the timings.

About us*

We are IQ-EQ, a leading investor services group employing over 3,600+ people across 24 jurisdictions worldwide, and thus one of the largest independent global providers of trust services. We bring together that rare combination of global expertise with a deep understanding of the needs of our clients. We have the know how and the know you to support fund managers, global companies, family offices and private clients.

Key contacts

To find out how we can help you meet the new requirements, please contact one of the team. They would be delighted to speak with you.



Andrew Shrimpton
Chairman, Compliance
Consulting

E andrew.shrimpton@iqeq.com
T +44 207 397 5469
M +44 7850 727 728



Jack Standen
Director, Funds

E jack.standen@iqeq.com
T +44 207 397 5489
M +44 739 287 9148



Rachel Aldridge
Managing Director, Regulatory
& Compliance Solutions

E rachel.aldridge@iqeq.com
T +44 207 397 5450
M +44 796 942 0840



Michael Strug
Director Compliance Consulting

E michael.strug@iqeq.com
T +44 203 991 6624
M +44 747 190 4151

*Information correct as of 1 September 2021

This document is provided for information purposes only and does not constitute legal, tax, investment, regulatory, accounting or other professional advice. For more information on the legal and regulatory status of IQ-EQ companies please visit www.iqeq.com/legal-and-compliance

IQ EQ RegCom (UK) Limited is a compliance services firm registered in England and Wales No 07277134. Sapia Partners LLP is a limited liability partnership registered in England and Wales No OC354934 authorised and regulated by the Financial Conduct Authority, FCA FRN 550103. G10 Capital Limited is a limited company registered in England and Wales No 09224491 authorised and regulated by the Financial Conduct Authority, FCA FRN 648953.

Reference: HM302_19102021
© IQ-EQ 2021

Find out more
www.iqeq.com

Follow us
 