centralis

# 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

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| 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 CENTRALIS GOVERNANCE, RISK & COMPLIANCE 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
    - Centralis Governance, Risk & Compliance 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). Centralis Governance, Risk & Compliance 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 CENTRALIS GOVERNANCE, RISK & COMPLIANCE TODAY TO ASSESS THE IMPACT OF THE NEW PRUDENTIAL REGIME ON YOUR FIRM

**Michael Chambers**
Group Head of Prudential

t. +44 (0)7984 510 535
e. michael.chambers@centralisgroup.com.