

Supervisory Statement | SS9/17

Recovery planning

July 2020

(Updating December 2017)



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

SUPERSEDED





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1 Introduction

1.1 This supervisory statement (SS) sets out the Prudential Regulation Authority's (PRA's) expectations on the content of recovery plans and group recovery plans (jointly referred to as 'recovery plans').

1.2 The SS is relevant to UK banks, building societies, PRA-designated investment firms and qualifying parent undertakings ('firms') to which the Recovery Planning Part of the PRA Rulebook applies.

1.3 This SS complements and should be read in conjunction with:

- the Recovery Planning Part of the PRA Rulebook;
- the Commission Delegated Regulation (EU) 2016/1075;
- the European Banking Authority (EBA) 'Guidelines on the range of scenarios to be used in recovery plans';¹
- the EBA 'Guidelines on the minimum list of qualitative and quantitative recovery plan indicators';² and
- the EBA 'Recommendation on the coverage of entities in a group recovery plan'.³

1.4 This SS reflects the PRA's current expectations and may be revised as recovery planning becomes further embedded in firms' risk management practices.

1.5 Recovery planning is a key component of the regulatory reform agenda introduced by the PRA following the financial crisis of 2007-2008. It addresses the risk that the management of firms concentrate disproportionately on growth opportunities at the expense of managing downside risk. It advances the PRA's general objective to promote the safety and soundness of the firms it regulates.

1.6 The PRA expects firms to undertake recovery planning so that they are ready for periods of financial stress, can stabilise their financial position and can recover from financial losses. Firms should have a number of recovery options, and maintain and test their plans. Governance of the plan should be clearly defined and firms should have effective processes to identify and report the risks affecting their ability to recover. Recovery planning is a prescribed responsibility under the Senior Managers Regime⁴ and firms are responsible for their own recovery plans. This SS is designed to help firms with this work and sets out the PRA's expectations.

1.7 Firms should not treat recovery planning as a regulatory compliance exercise. When the PRA assesses a recovery plan it focuses on: whether there is evidence that the plan could be used; whether a firm has realistically quantified the impact and timelines of specific recovery options; and whether the firm's board and senior management can demonstrate how they would execute the plan.

1 Available at www.eba.europa.eu/documents/10180/760136/EBA-GL-2014-06+Guidelines+on+Recovery+Plan+Scenarios.pdf.

2 Available at www.eba.europa.eu/documents/10180/1064487/EBA-GL-2015-02+GL+on+recovery+plan+indicators.pdf.

3 Available at www.eba.europa.eu/documents/10180/1770344/EBA-Rec-2017-02+%28Recommendation+on+coverage+of+entities+in+group+recovery+plans%29.pdf.

4 See Allocation of Responsibilities 4.1(10).

1.8 Recovery plans should contain the information set out in the Recovery Planning Part and detailed in this SS. Subsidiaries of non-EU parents should follow the approach set out in Chapter 3.

1.9 The PRA recognises that some aspects of recovery planning are less developed across the industry than others, and it will take firms more time to meet the PRA's expectations in these areas. Firms should therefore meet the following expectations⁵ by 30 June 2019:

- full separability analysis for disposal options (paragraph 2.30(i));
- modelling of capital and liquidity profiles in each scenario (paragraph 2.66);
- full analysis of funding needs by currency in each scenario (paragraph 2.68); and
- integration of liquidity contingency plans (contingency funding plans) (paragraph 2.93).

1.10 The PRA expects firms to meet all other expectations set out in the SS by 30 June 2018, or by the firm's first annual update of their recovery plan following publication of this SS, whichever is later.

2 Key recovery plan components and considerations

2.1 Effective recovery planning makes a firm more resilient to financial stress. A recovery plan should include both a firm's risk management framework for monitoring, and recovery options for responding to, a range of stress scenarios. These recovery options should help the firm to restore itself to a stable and sustainable condition. Each aspect of the plan should be underpinned by detailed analysis and justification.

2.2 This chapter sets out the PRA's expectations relating to the minimum elements to be contained in a recovery plan as well as general considerations firms should take into account when developing their recovery plans. It covers:

- (i) recovery options;
- (ii) recovery capacity;
- (iii) indicators;
- (iv) scenario testing;
- (v) recovery plan information template;
- (vi) fire drills;
- (vii) playbooks and structure of recovery plans;
- (viii) governance;
- (ix) communication plan;

⁵ Introduced pursuant to Consultation Paper 9/17 'Recovery Planning', June 2017: www.bankofengland.co.uk/prudential-regulation/publication/2017/recovery-planning.

- (x) the relevance of the recovery plan to the firm;
- (xi) the interaction between group and subsidiary plans;
- (xii) the approach to recovery planning for groups containing a ring-fenced body (RFB); and
- (xiii) the interaction with other relevant regimes and requirements.

2.3 While the PRA expects all firms to meet these expectations, in the interests of proportionality the degree of detail and analysis in a recovery plan should reflect the complexity and size of the firm. Firms should follow this principle in relation to all aspects of this SS.

2.4 For firms with simple business models, the PRA recognises that recovery options may be limited in number, but nevertheless expects firms to give careful thought to identifying possible options, including a sale of the whole business. For small firms with very simple business models, whose key prudential metrics have not changed materially year on year, the firm's governing body may decide at its annual review that the information, plans and triggers from the previous year continue to be appropriate. Additional information in relation to the approach that smaller and simpler firms should take in respect of certain aspects of recovery planning is included where relevant in this SS.

(i) Recovery options

2.5 Recovery options are the measures available to a firm to help restore its financial position during, or following, a stress. Consideration of such options before a stress occurs is an essential component of a firm's preparedness and greatly increases the probability that a firm will be able to recover.

2.6 Firms should include in their plans a sufficiently broad range of recovery options to maximise the chance that there will be implementable options in different types of stress. Plans should not be confined to easily implementable recovery options. Firms should also consider more radical options which might include selling strategic assets and fundamentally changing the firm's structure and business model. The PRA expects firms to explain how their recovery plan would be used to restore the financial position and viability of the firm during, or following, a stress.

2.7 In general, firms should not limit the coverage of their recovery plan to make it applicable to only extreme stresses. Including only the recovery options that would likely be implemented at a late stage in a firm's deterioration provides only a partial view to the firm's senior management - and to the PRA⁶ - of the range of options available to the firm. The feasibility of later stage options may also depend on actions that might have been taken earlier in the stress.

2.8 In assessing the credibility of recovery options, firms should include in their recovery plan the factors that could reduce the likelihood of success or the effectiveness of options in restoring the firm's financial position in, or following, a stress. For example, prior experience in executing a recovery option should be included where relevant, together with information on the circumstances which might render recovery options unavailable.

⁶ In the event of a financial stress, firms should expect the PRA to use its recovery plan: (i) to understand how the firm will respond; and (ii) in assessing the firm's recoverability and long term viability.

2.9 Firms should also detail how such issues could be mitigated. As discussed below (see '(ii) Recovery capacity'), firms should also identify any preparatory measures that could be taken to improve the credibility and effectiveness of individual recovery options and detail a plan to conduct these.

(a) Choice of options

2.10 The choice of recovery options should be suitable for the business model of the firm and be based on realistic assumptions using high-quality analysis. The PRA expects firms to choose options – including disposal options – which are implementable in an actual stress and provide sufficient benefit to be worthwhile. However, firms should also identify options that may not be currently easy to execute, for example those that may have permanent structural implications, including those which would likely be contemplated in extremely stressed circumstances. The necessary actions to make such options more credible are discussed below under '(ii) Recovery capacity'.

2.11 Firms should state if there are recovery options that were considered but dismissed, and if so include a clear explanation as to why they were dismissed.

2.12 Firms should clearly explain where executing options would cause a fundamental change in their business model and strategy and/or a fundamental shift in the scale of their activities.

2.13 Firms should explain under which circumstances each option would be used. The plan should also set out situations where each option would not be credible, for example due to market conditions or because options are mutually exclusive.

(b) Quantification and impact

2.14 There are three separate, but related, issues covered in this SS relating to quantifying the impact of recovery options:

- the general approach to assessing and quantifying the impact of each recovery option in isolation (covered in this section 'Quantification and impact');
- the assessment of the combined impact of all options that could currently credibly be realised together under different types of stress, considering the dependencies between options (covered in '(ii) Recovery capacity' below); and
- the selection of the subset of options that would likely be chosen to respond to specific stresses (covered under '(iv) Scenario testing' below).

2.15 The PRA expects firms to detail and explain the expected impact of each recovery option in the analysis included in the recovery plan. The analysis should be of sufficient quality for the PRA to assess whether the impacts are credible.

2.16 The options should support the recovery of the firm without making the post-recovery business model unviable. Firms should provide evidence that they have considered the impact of the option on the firm and, if applicable, the wider group. This should include quantitative, operational and business model impacts, including the impact on the franchise, ratings, ongoing business operations, the reaction of providers of funding (such as wholesale unsecured creditors) and support functions. The execution of each option should be credible. Firms should consider the systemic implication of each option – and potential combinations of options – on both the UK and international financial systems.

2.17 The financial impact of recovery options should be quantified – as a minimum – in terms of the Common Equity Tier 1 (CET1) Ratio, Leverage Ratio and Liquidity Coverage Ratio (LCR) percentage point and relevant nominal impacts, and the impact on the balance sheet and profitability. The quantification of recovery option benefits should be submitted on a post-tax basis. Firms should include a central quantification, but it is acceptable to include a potential range of impacts for each metric if the assumptions made are justified. For example, firms should explain the different stress conditions under which these estimates could arise.

2.18 It is important that firms provide sufficient quantitative and qualitative evidence to support the quantification of the expected benefits of their recovery options in different types of stress. The quantification should be realistic and take into account past experience of the firm or of peers where applicable.

2.19 Firms should consider the valuation approach for disposal options as well as actual sale values achieved in precedent transactions for similar entities. Firms are expected to be conservative in valuing their disposals by including appropriate price adjustments to reflect a reasonable discount to reflect the distress level. They should document and explain their valuation methodology and the underlying assumptions.

2.20 Asset sale and disposal options should detail potential purchasers (as a minimum by type) and the realistic discount required to achieve a sale, taking into account different market conditions. The PRA expects firms to assess the availability of investors and buyers, and to set out why they might be interested.

2.21 Where a merger or sale of the whole firm is a relevant recovery option, the PRA expects firms to start with a fair valuation of the balance sheet and explain the risks inherent in that valuation linking to the scenario tests it undertakes (see '(iv) Scenario testing' below). Note the PRA does not expect firms to commission a valuation specifically for the purposes of recovery planning.

2.21A Firms should consider the options available to them to raise liquidity by encumbering assets in each stress scenario. When quantifying the impact of such actions, firms should consider the full range of potential secondary impacts, including on the cost and stability of its other sources of funding (eg wholesale unsecured) and on the firm's credit rating. Firms' assessments should be sensitive to the characteristics of each stress scenario and the types of assets that the firm could encumber. For each scenario, firms should articulate how the evolving profile of asset encumbrance compares against their tolerance for the risks that encumbrance poses. Firms should identify how they plan to return their levels of asset encumbrance to within appetite following the stress. Firms should consider how the evolving profile of asset encumbrance can affect their recovery strategy (eg cost of issuing new capital) in a scenario where the firm is aiming to restore both its liquidity and capital position.

(c) Impact on resolvability

2.22 Firms should include in their recovery plans the impact of taking recovery options – and groups of recovery options – on subsequent resolution. For example, firms should consider how recovery options would impact the existing barriers to resolution, the viability of the business model, the ability to provide or support critical functions (CFs) and the potential implications of recovery options on post-resolution restructuring.

2.23 Work done by firms on recovery and resolution should be consistent and viewed as complementary. This includes the interactions between recovery and resolution planning,

structural reform and operational continuity in resolution. For example, actions taken primarily for resolution planning may also facilitate recovery planning. On the other hand, firms should recognise and explain where recovery options might impinge on resolvability, for example the sale of a subsidiary that is providing critical services to other entities within the group.

2.24 In planning and explaining preparatory measures necessary to increase the credibility of certain recovery options, firms should explicitly consider how they can reduce or mitigate the impact of recovery options on resolvability.

(d) Timelines

2.25 Firms should include the timelines over which recovery options could be implemented.

2.26 The PRA expects firms to distinguish between the time needed to execute an option and the time needed to realise its benefits. The execution time is the time to prepare and implement the recovery options and includes governance processes and relevant regulatory approvals, among other things. The time to realise the benefits is generally the time up to the point at which any part of the financial impact is first achieved. But the recovery plan should also provide a timeline showing how the estimated benefits of each recovery option will accrue over time where the benefit is not instantaneous.

2.27 For all recovery options, firms should detail:

- the main phases of implementation and the steps necessary to effect the recovery option, including governance for the approval to execute recovery options. All steps should be documented in detail, including critical factors which might affect the timeframe for each phase. Recovery plans should include fully worked up execution plans for each disposal option;
- how the potential barriers to execution could impact the proposed timelines – in both idiosyncratic and market wide stresses. Barriers may relate to interconnectedness or legal, regulatory, operational, or business impediments. It is important that firms consider the credibility of options rather than favouring options only because they appear to be executable in the shortest timeframe; and
- measures to reduce the implementation time – recovery option and scenario testing should help firms consider the end-to-end process for executing recovery options. This should identify impediments and steps which could be taken to reduce timeframes eg setting up a data room to include information required for disposals. More detail on preparatory measures is included under '(ii) Recovery capacity' below. Preparatory measures are also discussed in the Commission Delegated Regulation (EU) 2016/1075 covering the content of recovery plans.

(e) Dependencies

2.28 The PRA expects firms to detail and explain the dependencies between recovery options and clearly identify where recovery options are mutually exclusive (the interaction between recovery options at group and subsidiary levels is covered under '(xi) Interaction between group and subsidiary plans' below).

2.29 In detailing the selection of recovery options, firms should set out operational dependencies and impacts. Firms should also detail whether recovery options are dependent on third parties. This includes identifying where operational, technical, and financial support

from third parties is required to execute recovery options. Firms should highlight key regulatory and legal issues with executing each option, and actions that would be necessary to mitigate these risks.

2.30 For disposal options, the recovery plan should:

- (i) explain the interconnectedness of businesses and the feasibility of separating them from the wider group, identifying measures that would be required to make this easier and considering any impact on continued provision of critical services. Firms should include a separability analysis to consider how the business would be impacted by the separation. The recovery plan should clearly describe issues with financial interconnectedness⁷ that could hinder the disposal and identify how these should be addressed;
- (ii) describe any third-party consent, approvals or notices required and any contractual obstacles that might restrict the disposal, explaining the steps that would be required to overcome these;
- (iii) comment on potential competition issues and how these would be mitigated;
- (iv) assess whether the disposal changes the tax status of the remaining business;
- (v) describe any significant pensions or HR issues that would need to be dealt with and how these would be overcome; and
- (vi) explain what due diligence information would need to be available and explain how the information would be quickly assembled, whether there would be any barriers to sharing it and how these would be overcome.

(f) Central bank liquidity facilities

2.31 The Bank of England's presumption is that all banks and building societies that meet the PRA's Threshold Conditions for authorisation may sign up to the Sterling Monetary Framework and have full access to borrow from the facilities for which they have signed up.⁸

2.32 Firms should include in their recovery plans an operational plan for accessing central bank liquidity facilities, both at the Bank of England and overseas.

2.33 When planning the use of central bank liquidity facilities as recovery options, firms should:

- (i) familiarise themselves with the purpose of those facilities;
- (ii) consider the circumstances in which they would need to access those facilities and discuss options with the Bank of England at an early planning stage;
- (iii) test the operational aspects of their plan for accessing central bank facilities with the relevant authorities (including by carrying out periodic test trades with central banks where required, internal testing of the speed of collateral processing and taking actions to address any specific central bank requirements and to mitigate any other hurdles);

⁷ In line with Commission Delegated Regulation (EU) 2016/1075 Article 7(1)(c)(i).

⁸ June 2015: www.bankofengland.co.uk/markets/Documents/money/publications/redbook.pdf.

- (iv) raise cash from a representative portfolio of the assets they would expect to receive from the use of central bank facilities (eg gilts if using the Bank of England's Discount Window Facility), whether by lending bonds in the market or through repo;
- (v) undertake an analysis of eligible assets and the drawing capacity against these; and
- (vi) ensure that an appropriate amount of assets are pre-positioned.

2.34 In the recovery plan, the firm should identify the range of recovery options (other than central bank liquidity support) that, over time, would allow the firm to repay any central bank liquidity support received.

2.35 Firms should clearly detail the assumptions they have made about managing foreign currency risks, including the currency of possible outflows. Firms should:

- (i) detail their potential funding needs by currency in different jurisdictions;
- (ii) detail possible foreign currency swap lines that firms might use to meet these outflows;
- (iii) detail all central bank facilities to which the firm has access that could potentially meet these outflows (providing detail of the nature of these facilities, eg auctions or bilateral);
- (iv) estimate the eligible collateral and drawing capacity by currency for each central bank facility identified, including a high-level breakdown of prepositioned assets; and
- (v) demonstrate that they have sufficient options to repay these funds (in their respective currencies) and strengthen their liquidity positions in order to regain access to private markets.

(g) Wind down analysis

2.36 A trading book wind down is likely to be a consideration in recovery planning for all firms with a large trading book. A wind down of parts of the banking book (or of the whole firm) may also be a consideration for some firms, including those with limited recovery options.

2.37 Firms may contact their supervisors to clarify whether this analysis is required and to obtain further guidance. Firms that have done such analysis should consider including the wind down of certain portfolios as recovery options.

(ii) Recovery capacity

2.38 It is important that firms understand the total financial benefits they could credibly realise in a range of stresses if they need to do so (ie their 'recovery capacity').⁹ The total recovery capacity should include the benefits of all options that could be realised together under different types of stress. This is different from scenario testing, where firms consider which options would likely be selected in response to the specific conditions in the different scenarios.

⁹ As per Article 12(3) of Commission Delegated Regulation (EU) 2016/1075, the overall recovery capacity of the entity or entities covered by a recovery plan is the extent to which the recovery options allow that entity or those entities to recover in a range of scenarios of severe macroeconomic and financial stress.

2.39 The PRA expects firms to provide a self-assessment of their existing and potential recovery capacities. Recovery capacity should be quantified in terms of CET1, Leverage Ratio and LCR percentage points and relevant nominal amounts for each scenario included in the plan (see '(iv) Scenario testing' below) and the plan should clearly detail the timelines over which these benefits could be realised. The PRA considers the following to be an appropriate methodology for calculating recovery capacity:

- (i) total recovery capacity is calculated individually for each stress scenario included in the firm's recovery plan;
- (ii) to assess the firm's existing total recovery capacity for a scenario, the firm should first identify all its currently-available recovery options that could credibly be used to respond to the scenario. The depth of analysis included should be proportionate to the size and complexity of the firm;
- (iii) for each of these credible options, the firm should establish the expected impact and its timeline, considering the likely actions of peers during the stress;
- (iv) the firm should define the most impactful and credible combination of these options that could be invoked to respond to the stress. The credibility of the combination of options should consider the dependencies between options (including operational dependencies) and the viability of the post-recovery business model;
- (v) the firm should sum up the expected impact of each of the options that feature in this combination. The result is the firm's existing total recovery capacity for the specific scenario. Firms should show how the recovery capacity accumulates over time;
- (vi) firms should consider factors that could reduce the likelihood of successful use of the recovery option and how these could be mitigated. If a firm plans either to make changes to improve the effectiveness of its recovery options, or to establish new recovery options, it should calculate its potential recovery capacity; and
- (vii) the firm can calculate its potential recovery capacity by following the same method used to calculate the existing recovery capacity, but now including the impact of options that depend on the planned changes or improvements referred to in (vi), above. Potential recovery capacity should be shown separately to current recovery capacity.

2.40 It is acceptable for firms to include a range of potential impacts and timelines for each recovery option for this exercise (and hence a range of recovery capacities), but for the purposes of scenario testing (see '(iv) Scenario testing' below) a conservative point estimate should be used.

2.41 As part of the PRA's assessment of a firm's recovery plan, the PRA will use the firm's analysis of its recovery options together with the PRA's own assessment to estimate the firm's current recovery capacity in different scenarios.

2.42 The PRA expects firms to ensure they have sufficient credible options to restore their capital and liquidity positions to appropriate levels in, or following, a stress. In assessing the capacity of these options, firms should take into account the likely actions of peers in a stress. For example, firms should assess whether their ability to issue equity will be diminished in a market wide stress. See also '(iv) Scenario testing' below.

2.43 Firms should detail the preparatory measures that could increase the number and scale of credible recovery options, and the credibility/effectiveness of the recovery plan overall. The firm should also document preparatory measures already taken and the timeline, plan, and cost for implementing the others. Preparatory measures might include:

- measures necessary to increase the scale of any capital issuance;
- measures necessary to overcome legal impediments to the transfer of own funds/repayment of assets or liabilities within the group;
- measures necessary to facilitate the sale of assets or business lines; and
- structural changes to the group necessary to increase the credibility and effectiveness of the recovery plan.

2.44 Preparatory measures are also discussed in the Commission Delegated Regulation (EU) 2016/1075.

(iii) Indicators

2.45 An effective indicator framework maximises the chance that the firm is alerted to an oncoming stress with sufficient notice to implement – and realise the benefits of – any necessary recovery options. The trigger of an indicator should be used as a prompt to consider the situation and whether it is appropriate to take any actions; for example it might trigger the convening of a senior decision-making committee. To allow firms flexibility in their response, the trigger of an indicator should not be used as an automatic trigger for a predefined set of management actions.

2.46 The PRA considers that firms should monitor the same set of metrics as part of the contingency planning framework and the recovery planning framework in order to provide a consistent approach to monitoring risk across the firm. The PRA expects indicator frameworks to be integrated into the firm's risk management practices. Firms should ensure they have a coherent process for monitoring indicator metrics within their management information framework. Firms should set out the governance surrounding the monitoring of indicators and associated escalation procedures. See also '(viii) Governance' below.

2.47 Firms are expected to identify a range of indicators which identify the signs of emerging stress. Firms should include a broader range of indicators than regulatory capital and liquidity ratios and include internal quantitative and qualitative metrics from the firm's overall risk management framework. Firms should include early warning indicators to identify emerging signs of stress and to indicate different stages of stress as implied by a particular metric. The calibration of indicators should be sufficiently sensitive to alert the firm to stress and sufficiently forward looking to allow time for recovery options to be taken. Once the final indicator for a particular metric is triggered, there should be sufficient time to implement the remaining (potentially more difficult to implement and franchise damaging) recovery options.

2.48 As well as capturing group level performance, indicators should reflect significant legal entities, key business lines and specific geographies in which the firm operates. Market-based and/or macroeconomic indicators may be useful in this respect.

2.49 Firms should monitor projected outcomes and trends as well as actual results as part of the indicator framework. Potential deviations from the firm's target operating range may warn of a potential stress through declining current and forecast performance ratios and deviation

from budget. Monitoring the change in key metrics can be useful where it is difficult to define a single point in time where escalation is needed. The rate of change of metrics during the first stages of stress may also be a useful predictor of the potential speed of deterioration in a stress.

2.50 The EBA has published final 'Guidelines on the minimum list of qualitative and quantitative recovery plan indicators'.¹⁰ The PRA expects firms to follow these guidelines alongside the expectations set out in this SS.

2.51 The PRA expects firms to explain and justify the calibration of the indicators in their recovery plans. This should be based on the following factors:

- The range of credible recovery options available to the firm. Significant and credible later stage options that could be implemented quickly and easily would make the calibration of indicators to trigger later in a stress less of a concern. If a firm includes a recovery option in its recovery plan that is deemed a more extreme version of a 'business as usual' type action (for example, more extreme cuts to a specific cost), then the firm should consider whether the full benefit of this option is likely to be achievable in later stage recovery. Part of the benefit might have been realised earlier in the stress. Firms should consider the range of stress severities for which options might be used to ensure consistent application and reduce the risk of double counting the option's benefit later in the same stress.
- The expected time required to execute recovery options, taking into account governance arrangements, regulatory approvals required in all relevant jurisdictions and operational impediments to execution. Firms which rely on options that are likely to take time to implement should have indicators calibrated accordingly, to allow sufficient advance warning.
- The firm's risk appetite and risk tolerance. Where the firm has defined a risk appetite and/or risk tolerance for a particular indicator metric, indicators should be calibrated relative to these levels so that recovery options can be deployed to reduce the chance that the firm breaches its risk tolerance (or to explicitly acknowledge that the board might change the firm's tolerance in specific defined circumstances). Note that the PRA does not expect firms to define risk appetites where none exist for certain indicator metrics. Firms should justify the calibration of capital and liquidity indicators in relation to the relevant buffers.

2.52 Firms should take account of the potential impact of automatic maximum distributable amount (MDA) restrictions on the ability to implement recovery options and should calibrate their capital indicators accordingly.

(iv) Scenario testing

2.53 Scenario testing is important for demonstrating that the recovery plan is suitable for use in a range of different types of stress, and testing how different elements of the plan (such as indicators, governance and options) would interact in these stresses.

¹⁰ Firms are expected to consider and include all qualitative and quantitative indicators set out in the EBA minimum requirements or to explain the decision not to include any of these indicators. Firms should also include indicators in addition to the minimum requirements. Firms may contact their supervisor to discuss appropriate indicators and any proposal to exclude indicators set out in the EBA minimum requirements.

2.54 The PRA expects all global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) to include analysis of at least four scenarios in their recovery plans. All other firms should include at least three scenarios.

2.55 The EBA has published 'Guidelines on the range of scenarios to be used in recovery plans'. The PRA expects firms to follow these guidelines alongside the expectations set out in this SS.

2.56 The PRA expects firms to take the following aspects into account when conducting scenario testing:

(a) Design

2.57 Firms should use scenarios that are relevant to the firm's business model and are sufficiently severe to test the plan. The range of scenarios included should be adequate to test the plan.

2.58 The firm should define and justify its point of near failure and scenarios should be sufficiently severe to take the firm to this point, providing they are plausible.¹¹ The PRA recognises there are some firms with very large capital and/or liquidity resources which make it difficult to design plausible scenarios that would take the firm to the point of near failure. In these cases the firm should design its scenarios to test its recovery plan to the maximum extent possible. In all cases, firms should consider how the scenario relates to risk appetite and the depth, duration and speed of stress. The PRA expects firms to clearly demonstrate which indicators are triggered in the scenarios and at what point they would be triggered.

2.59 Firms should clearly set out the detail of each scenario to explain the size of the impact on the firm and relevant context (eg macroeconomic environment) that might impact on the firm's ability to execute – or affect the benefits of – recovery options needed to respond to the stress. The firm should consider the impacts (both immediate and future) on capital, liquidity, risk profile, profitability and franchise. This includes any impacts that each scenario is likely to have on the stability of the firm's funding profile, for example as a result of increasing levels of asset encumbrance. There should be an explanation in each scenario of the dependencies that arise from the stress, identifying how that stress could feed through to impact different business lines, including CFs.

2.60 Firms are encouraged to ensure their approach to scenario testing is consistent with – and leverage – their existing stress testing capabilities, such as those used for the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP). Where relevant, this can include work done for previous Bank of England concurrent stress test exercises (further detail on the interaction between these regimes is included in '(xiii) Interaction with other relevant regimes and requirements' below). However, firms should ensure scenarios included in their recovery plan are relevant and sufficiently severe for testing the recovery plan.

(b) Use of scenarios for testing the plan

2.61 The scenario testing should be used to improve the consistency of different parts of the recovery plan (ie options, indicators, governance arrangements etc) and demonstrate that the plan is credible as a whole. Where the scenario testing identifies deficiencies in the plan, these

¹¹ Firms are encouraged to make use of reverse stress testing exercises where these have been conducted.

should be corrected before submission to the PRA. In exceptional cases where this cannot be done before submission to the PRA, firms should specify when the issues will be rectified. Firms should document the process of improving the plan using scenario testing in an appendix to the recovery plan.

2.62 The scenario testing should help assess the range of financial and non-financial factors that could impact the firm's ability to recover from different types of stress. For example, the firm should consider its ability to execute recovery options in terms of management and specialist resource, the dependencies between options, how actions of other firms might affect the ability to recover, and the potential impact of market conditions.

2.63 The quantitative impact of the stress on relevant indicators should be detailed for each scenario, showing how the indicator metrics change over the course of the stress. The scenarios should demonstrate where in the business the impact of the stress would first be observed. If the scenario testing shows that the calibration and/or selection of indicators would have meant the firm was not alerted to take action in the scenario with sufficient time to implement recovery options and recover, the firm should refine the calibration and/or selection of indicators before submitting the plan to the PRA. Firms should include quantitative analysis consistent with their modelling capabilities, supplementing this with qualitative analysis as appropriate.

2.64 The scenario testing should show the time it would take for escalation and decision making processes to be conducted and for recovery options to be executed. This should include explanations of the process for choosing options and how the firm would ensure accountability through the execution timeline.

2.65 Firms should explain which recovery options would be used in each of the scenarios and demonstrate that the recovery options are appropriate for restoring the firm to viability. The scenarios should map which recovery options would be used and in which order.¹² The options should be tailored to each stress with justification of the selection of recovery options and the quantum of benefits that can be realised for each selected option under each type of stress. Firms should consider the dependencies between options, internal resource constraints and external factors that might affect the feasibility of options.

2.66 Firms should model the capital and liquidity profiles (over time) under each stress scenario, showing these both in the absence of and with the recovery options deployed in the scenario. Firms should present charts of these capital and liquidity profiles, clearly showing the point at which early warning and recovery indicators would be triggered and the accrual of the benefits of each selected recovery option over time (from the point at which the first benefits are realised) to demonstrate that sufficient benefits can be realised in time to recover. The assumptions and details behind these illustrations should be fully explained in the plan.

2.67 Firms should also include an estimate of the impact of each scenario on profitability, business model, franchise, core business lines and CFs.

2.68 Firms should include a granular breakdown of liquidity needs, where appropriate by currency, in each stress over time. Firms should consider the options for obtaining (and if appropriate repaying) these funds. As part of this, firms should project relevant metrics of their asset encumbrance throughout each scenario, and consider appropriately the impact that

¹² The PRA recognises that the nature of each stress is different and this analysis does not commit the firm to taking any particular actions in a real life stress.

increasing levels of asset encumbrance might have on the stability and cost of their funding profile in a stress.

2.69 Firms should identify the point at which they consider themselves out of recovery and explain the viability of the business model post-stress. Firms should consider the impact on the franchise and future profitability.

(v) Recovery plan information template

2.70 For complex and lengthy recovery plans, the PRA expects firms to consolidate a core set of recovery plan information and data into one consistent template. This will aid, but not replace, the assessment, comparison and benchmarking of recovery plans by the PRA. Firms should ensure this core information is appropriately considered and justified in their recovery plan. Firms with shorter, less complex recovery plans may find the completion of the template useful for comparing their options, but should contact their supervisor to determine whether the PRA expects the template to be submitted with their recovery plan.

2.71 Relevant firms should submit with their recovery plan the completed Excel template available in the Appendix. If there is a good reason why any data in the spreadsheet are not included in the firm's recovery plan, this should be clearly explained.

(vi) Fire drills

2.72 Fire drill exercises are 'live' simulation type exercises where firms act out key parts of a response to a designed scenario. This is a useful way to test the effectiveness of the recovery plan in a 'live' situation. The PRA expects each firm to carry out at least one fire drill exercise on its recovery plan prior to each submission of the recovery plan to the PRA, subject to a minimum of one fire drill taking place every three years. The PRA determines the frequency with which firms should submit their recovery plan on a firm-by-firm basis, with larger firms tending to submit their plans on an annual cycle.

2.73 Fire drill exercises should be overseen by the board and involve the senior people who would be required to use the relevant parts of the plan and take decisions in an actual stress.

2.74 Such exercises may evolve over time as recovery planning becomes more embedded in the organisation, but each exercise could include one or more of the following:

- testing the governance arrangements. This might include assembling the right people at short notice and understanding whether they can use the recovery plan to take strategic decisions. This would test the usefulness of the 'playbook' (see '(vii) Playbooks and structure of recovery plans' below);
- examination of the operational aspects of implementing specific recovery options and the firm's resources for executing more than one option at the same time;
- testing the communication plans and interaction with different stakeholders, including regulators; and
- testing the management information capabilities of the firm and whether adequate information can be produced to support the decisions associated with the indicator framework and for invoking the recovery plan.

2.75 Firms should use the findings of these exercises to improve their plans and demonstrate how the arrangements set out would work in practice. Firms should incorporate a self-assessment of their fire drill exercise into the next update of their recovery plan. This should include detail about the design and planning of the scenario used (this may or may not be one of the scenarios included in the scenario testing of the plan), a report on how the exercise unfolded, and lessons learnt for the development of the recovery plan. Based on the identified shortcomings and recommendations, the institution should improve the relevant parts of its recovery plan and identify preparatory measures (as defined above) to improve the recoverability of the firm, where relevant. The fire drill should be conducted with sufficient time before submission to reflect lessons learnt in the recovery plan and remediate identified deficiencies.

(vii) **Playbooks and structure of recovery plans**

2.76 The PRA expects recovery plans to be structured so that they are readily usable by both boards and the specific business areas of firms that would need to use them. It is important that the board can quickly navigate and understand the recovery plan as they will be taking the key decisions in a stress.

2.77 Firms whose recovery plan is not sufficiently succinct and easy to navigate to be useful in a stress should produce a concise implementation guide or 'playbook' for implementing their plan. If in doubt, firms may contact their supervisor to discuss whether they should produce a playbook. A playbook should be short enough to be digestible, and easy for senior management to use in a stress. It should serve as an accessible document that could be easily used, enabling recovery options to be quickly implemented in a stress. A playbook could contain the following information, but the approach should be highly tailored to the firm in question and refined through testing:

- A general guide on how to navigate the different parts of the recovery plan and the linkages between those parts.
- Information on governance, including:
 - what management needs to do and when;
 - the internal people/areas involved;
 - governance arrangements for implementing the plan and taking key decisions, including the interaction with risk appetite and the relationship between group and subsidiary plans; and
 - key decision criteria for selecting recovery options.
- Information on strategic analysis and overall recovery capacity, including:
 - the indicator framework;
 - the key recovery options, timelines, dependencies, as determined by the analysis contained in a later part of the plan, and potential recovery packages for different types of stress; and
 - sufficient justification of the credibility of the available options to give the board comfort as to the plan's usefulness.

- Relevant information on executing recovery options, for example, if there are key operational considerations, regulatory approvals required, or pertinent communication and disclosure plans.

2.78 The detailed analysis, evidence and testing supporting the credibility of the information included in the playbook could be included in the main body of the plan or in annexes. The PRA recognises that some content produced by firms for recovery planning will be more useful in the production of the plan, and for the PRA in assessing the credibility of the plan, than for the firm in a time of stress. Such content can be included in annexes to the plan.

(viii) **Governance**

2.79 Effective governance arrangements are crucial for: (a) the implementation of the recovery plan; and (b) the production, review and sign off of the recovery plan.

(a) Governance associated with implementation of the recovery plan

2.80 Firms should include in their recovery plans a sufficiently clear description of escalation and decision-making processes relevant to the recovery plan, as part of the firm's wider risk management framework. Firms should detail who is responsible for taking what decisions and when. This should ensure effective action is taken in a timely manner and should include procedures to be followed during recovery, including identification of the key people involved and their roles and responsibilities.

2.81 Governance procedures for the firm's communication plan (see '(ix) Communication plan' below) should be captured by the recovery plan and be consistent with the governance procedures for invoking the recovery plan itself. They should also be consistent with the firm's wider corporate governance for communications. Where this is not the case, the differences should be explained.

2.82 A firm's recovery plan should clearly state at what point the PRA would be informed of the firm's situation and the engagement that the firm would expect to have with its supervisor(s).

(b) Governance associated with the production, review and sign off of the recovery plan

2.83 Recovery planning is a prescribed responsibility under the Senior Managers Regime (SMR) (further details on the SMR are included in '(xiii) Interaction with other relevant regimes and requirements' below).

2.84 The PRA expects firms to:

- provide evidence that the firm's board of directors, or other appropriate senior governance committee or group, has provided sufficient challenge on the recovery plan, reviewed and approved it. The board should set out its view of the extent to which the recovery plan is credible and executable in a severe stress and an explanation of that view. For larger firms, the head of stress testing should be involved in the review and sign off of the plan;
- detail in the plan how the preparation of the recovery plan links to the firm's existing risk management framework and how it is integrated into risk management processes (including management information systems) and/or the firm's crisis management framework;

- provide a self-assessment of their recovery plan, ideally through a review agreed by the internal audit committee. The PRA expects this review to take place prior to submission to the PRA and the relevant report to be provided with the submission of the recovery plan;
- be prepared to discuss the recovery plan (and changes made to it) and playbook if relevant, at continuous assessment meetings between the PRA and senior individuals from the firm, and at a presentation to the PRA following submission;
- demonstrate that the areas of the business that would be involved in the execution of particular recovery options were involved in producing and reviewing the relevant parts of the recovery plan. The PRA expects the plan as a whole to be internally consistent and properly integrated;
- demonstrate that sufficiently senior individuals were involved and engaged with the production, review and sign off of the plan;
- demonstrate that sufficiently senior individuals were involved and engaged with the production, review and sign off of the playbook, where produced;
- demonstrate that sufficiently senior individuals were involved and engaged with the fire drill exercise(s) and were able to use the plan;
- be prepared to discuss the recovery plan and its relevance to the concurrent stress test when presenting the concurrent stress test submission to the PRA (for relevant firms only); and
- clearly detail any material changes to the recovery plan (including reasons for changes) or actions taken since the firm's last recovery plan submission.

(ix) **Communication plan**

2.85 The recovery plan should include a communication plan to ensure that there is a clear strategy for managing the dissemination of timely and appropriate information to stakeholders (both internal and external) during the firm's recovery process. In particular, firms should consider how they will manage any negative market reaction to recovery options, mitigate the potential impact of recovery options on the firm's financial position and franchise, and detail how the approach seeks to minimise the impact on the financial system more widely.

2.86 There should be a clear implementation plan for communications, tailored to each recovery option. Scenario testing should explain how the communications strategy would mitigate risks associated with the implementation of recovery options.

(x) **Relevance of the recovery plan to the firm**

2.87 The PRA expects firms to demonstrate that their recovery plan appropriately reflects their business model, structure, operations and risk strategy. Firms should include granular diagrams detailing the legal structure of the group, showing, as a minimum, significant legal entities and the full ownership structure of any entities that have been included as disposal options. In line with Commission Delegated Regulation (EU) 2016/1075, firms should identify core business lines and CFs for the purposes of recovery planning and map these to legal entities or branches.

2.88 Where a firm has included in its resolution pack information of this sort (as described in Article 7 of the Commission Delegated Regulation (EU) 2016/1075), a firm can cross refer to that information in its recovery plan, but should provide sufficient detail in the recovery plan such that it includes information that would be needed in a stress and is needed to make the plan coherent. Firms should also ensure that sufficient detail is included in their resolution pack submission in order to cross refer to that information.

(xi) Interaction between group and subsidiary plans

2.89 The PRA expects firms that are parent entities of an international group to demonstrate how they have covered different entities in other jurisdictions in their group recovery plan. It is important for firms to understand dependencies, both financial and non-financial, between group entities.

2.90 In this respect, the PRA expects firms to comply with the EBA 'Recommendation on the coverage of entities in a group recovery plan'.

2.91 If there are individual recovery plans in place (this is most likely to be the case for entities outside the EU), the firm should ensure the consistency of recovery options, indicator frameworks and governance arrangements between group and legal entity level plans, and reflect the interdependencies between the group and legal entity levels. The approach should reflect the firm's business model and the risks posed by subsidiaries to the group and vice versa. However, as a minimum, firms should ensure that:

- the main dependencies and risks of implementing recovery options at the subsidiary level on the group are captured in the group plan, particularly where the subsidiary relies on the parent for financial support as a recovery option; and
- group and subsidiary recovery plans reference recovery options by one entity that could have a significant impact on the other.

(xii) Approach to recovery planning for groups containing a ring-fenced body (RFB)

2.92 The expectations in SS8/16 'Ring-fenced bodies (RFBs)'¹³ apply to firms with RFB sub-groups. Firms should ensure that the recovery plan for a group that includes an RFB adequately reflects the RFB sub-group, as set out below. Firms should:

- identify the recovery options available for the RFB sub-group and how the use of these options would support the RFB and RFB sub-group but also affect group entities outside the RFB sub-group (and how this would be consistent with ring-fencing requirements);
- describe how any financial support from the group would be provided if this would be required to effect any of the recovery options;
- define how the use of recovery options by entities outside the RFB sub-group could impact the RFB and the RFB sub-group, for example how the RFB sub-group would maintain continuity of operational services provided by another group entity in the event of a sale of an entity or entities outside the RFB sub-group;
- define the risk appetite and indicators relating to the RFB sub-group;

13 February 2017: www.bankofengland.co.uk/prudential-regulation/publication/2016/ring-fenced-bodies-ss.

- perform scenario testing relating to at least one scenario impacting the RFB sub-group, giving examples of how the recovery options would work in practice; and
- explain who owns the plan and who is responsible for its design, implementation, and execution. Firms should explain how the governance procedures between the RFB sub-group and group entities outside the sub-group would work in a stress. Information should be provided on co-ordination in cases where any action within the RFB sub-group could have an impact on group entities outside the sub-group and vice versa.

(xiii) Interaction with other relevant regimes and requirements

(a) Relationship with liquidity contingency plan (contingency funding plan), ICAAP and ILAAP documents

2.93 Firms are strongly encouraged to combine their liquidity contingency plan¹⁴ (also known as a contingency funding plan) and their recovery plan into one integrated document. This would ensure that the firm has a coherent process for being alerted to and addressing a liquidity stress and helps to ensure a coherent risk management framework. The PRA recognises that there may be some instances when it is necessary to maintain separate documents (eg due to requirements of local regulators), but expects this to be the exception and that any separate documents should be consistent with each other.

2.94 When integrating the two documents, firms should ensure that no content is lost which could hinder the response to a liquidity stress, particularly relating to the implementation of 'earlier stage' liquidity options. If a firm decides to maintain two different documents and processes, the recovery plan should clearly explain the rationale for doing so and how the two documents and processes interact in terms of indicators, recovery options and governance. These arrangements should also be informed by the results of firms' liquidity stress testing, as detailed in the ILAAP document. Regardless of firms' arrangements, they should be cross-referenced, where appropriate, in the ILAAP document. The PRA expects to review these arrangements as part of its review of firms' liquidity management.

2.95 The PRA expects that firms' ICAAP, ILAAP, recovery plan, and (where relevant) concurrent stress test documents to be consistent with each other. For example, similar scenarios in two documents should have broadly similar impacts (there may be exceptions) and the recovery plan should include all management actions proposed in other documents. Where these documents are produced by different people in the organisation, the PRA expects them to effectively co-ordinate to consider related documents together.

(b) Interaction with the concurrent stress test

2.96 In line with the guidance to banks and building societies involved in concurrent stress testing,¹⁵ relevant firms should ensure that the strategic management actions they submit for the concurrent stress test are part of, or consistent with, their recovery plan. In stress testing, the Bank of England will ordinarily only accept actions that meet the expectations set out in this SS, to reflect the strong link between banks' strategic management actions and their recovery plans. Firms should ensure the level of detail provided in these submissions is sufficient for the PRA to assess the credibility of management actions.

¹⁴ Internal Liquidity Adequacy Assessment 12 sets out the requirements a firm needs to meet in relation to its liquidity contingency plan.

¹⁵ Available at www.bankofengland.co.uk/stress-testing.

(c) *Responsibilities under the Senior Managers Regime*

2.97 Firms are reminded that recovery planning is a prescribed responsibility under the SMR which means that there should be a named executive at each firm that is accountable for the recovery plan and resolution pack and for overseeing the internal processes regarding their governance.¹⁶ Firms should identify the accountable executive director responsible for the firm's recovery plan and for acting as the firm's contact point with the authorities on its recovery plan. The PRA has observed that this is typically the CEO, CFO or CRO. The PRA will hold this person accountable for the quality of the recovery plan, for the plan being structured so as to be usable by senior executives and board members in a stress, for making improvements to the recovery plan (including in response to the PRA's feedback) and for the firm's engagement with the PRA on recovery planning issues.

3 Recovery planning for UK subsidiaries of non-EU parents

3.1 In recognition of the continued improvements of global recovery planning, the PRA is clarifying its expectations¹⁷ for UK subsidiaries of non-EU parents. This is not a fundamental change to the PRA's expectations on recovery planning but rather an overview of how the PRA expects requirements relevant to UK entities¹⁸ to be met in the context of global cross-border groups.

3.2 The PRA recognises that a co-ordinated and consistent approach to recovery planning within a banking group is essential for the stabilisation of the group as a whole. As such, the group plan is considered critical to understanding overall recovery and the PRA places high importance on having sight of this. Group recovery plans provide details on group structure, CFs and arrangements to facilitate group recovery. The PRA recognises that recovery plans for UK subsidiaries of global groups should be considered within that group context and are most credible when they are consistent with recovery options proposed within the group plan and there are clear governance procedures which link the UK plan and local recovery options to those at group level.

3.3 The recovery plan for a UK subsidiary of a non-EU parent entity should be consistent with any group recovery plan. The level of detail and analysis provided by firms should be proportionate to their size and complexity. The following principles summarise the PRA's expectations as to how Chapter 2 should be applied to these firms:

- (i) The plan should include a summary of the UK entity business and descriptions of UK CFs: the UK plan should provide a sufficient overview of the UK business and any CFs that are specific to the UK entity. Where the PRA is in receipt of the global recovery plan, the PRA does not expect a description of the group or details on the group strategy and footprint. For smaller firms where the PRA is not in receipt of a group plan, the PRA would expect to see a high level description of the group strategy and global footprint.
- (ii) The plan should include UK specific scenarios: firms should follow the guidance set out in Chapter 2 (iv) in designing scenarios, but for UK subsidiaries of non-EU parents, the PRA would expect to see at least one scenario specific to a stress in the UK entity and one scenario in relation to a macroeconomic stress which impacts the UK entity. For O-SIIs,¹⁹

¹⁶ See Allocation of Responsibilities 4.1(10).

¹⁷ As set out in the previous SS on recovery planning, SS18/13 'Recovery planning', which is superseded by this SS.

¹⁸ As set out in paragraph 1.3 of this SS.

¹⁹ As defined by the EBA Guidelines on the criteria for the assessment of Other Systemically Important Institutions (O-SIIs) - pursuant to Article 131(3) of Directive 2013/36/EU.

the PRA expects to have sight of the group recovery plan which should contain additional scenarios which set out and test the group's recovery capacity. For smaller subsidiaries of non-EU parents, the PRA expects at least the two scenarios listed above.

- (iii) The plan should include UK specific recovery options: the PRA recognises that as subsidiaries of international groups, firms may have a more limited set of recovery options at the level of the UK subsidiary and that parental support may be the most credible recovery option. However, the PRA expects firms to consider what additional options are available at the level of the UK subsidiary and set out its recovery options against the expectations set out in Chapter 2 (i) (b), (c), (d), (e), (f), (g) and (ii). For O-SIIs the PRA expects these options to be consistent with what is proposed in the group plan.
- (iv) The plan should be consistent with solvent wind down work done by the firm: UK subsidiaries of non-EU banks participating in the PRA's solvent wind down work should ensure the assumptions made in the firm's recovery plan are consistent with those made in the solvent wind down submission (to the extent that the wind down of certain portfolios are included as recovery options or if the recovery plan scenario(s) align with that of the solvent wind down work).
- (v) The plan should include UK specific recovery indicators: the PRA expects UK subsidiaries to have a local recovery indicator framework which is appropriate to the UK business and in line with the expectations set out in Chapter 2 (iii).
- (vi) The plan should include a UK governance framework for monitoring the indicators and taking action where appropriate. For UK subsidiaries of non-EU parents, in meeting expectations set out in Chapter 2 (viii), the PRA expects firms to set out when decisions would be escalated to group level. In addition, the PRA expects UK subsidiaries of non-EU parents to meet requirements set out in Chapter 2 (xiii) (c) in relation to responsibilities under the SMR.
- (vii) UK subsidiaries of non-EU parents should also consider the guidance on fire drills and playbooks set out in Chapter 2 (vi) and (vii). In some cases, the PRA may explicitly ask firms to undertake more detailed work on UK playbooks as part of their UK recovery planning work. Firms should contact their supervisor to discuss whether this applies.
- (viii) The PRA expects recovery plans to be consistent with other regulatory submissions; firms should meet the expectations set out in Chapter 2 (xiii) (a).

Appendix: Recovery plan information template

As outlined in Chapter 2 (v), relevant firms should submit with their recovery plan the completed Excel template available at www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss917app1.xlsx.

SUPERSEDED

Annex: SS9/17 updates

This appendix details changes made to SS9/17 following its initial publication in December 2017.

27 July 2020

This SS was updated following publication of Policy Statement (PS) 18/20 'Asset encumbrance'.²⁰ The changes update the PRA's expectations to include how firms should consider risks associated with asset encumbrance for the purpose of their recovery planning.

Minor formatting changes have also been made to the SS to improve readability, including removing blank pages and footnote numbering.

SUPERSEDED

²⁰ July 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/asset-encumbrance>.