

# Bank of England PRA

## Solvent exit planning for non-systemic banks and building societies

Supervisory statement | SS2/24

March 2024

Effective from 1 October 2025



Bank of England | Prudential Regulation Authority

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# 1. Introduction

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- 1.1 This supervisory statement (SS) sets out the Prudential Regulation Authority's (PRA) expectations for non-systemic banks and building societies in the UK to prepare, as part of their business-as-usual (BAU) activities, for an orderly 'solvent exit'; and if needed, to be able to execute one.
- 1.2 This SS applies to a firm that is a non-systemic UK bank or building society ('firm'). For the purpose of solvent exit planning, the PRA defines this as a UK bank or building society that is: a) not subject to the Operational Continuity Part of the PRA Rulebook, or (b) not part of a global systemically important institution (G-SII) or an other systemically important institution (O-SII), according to Chapter 7 of the Recovery Plans Part of the PRA Rulebook.<sup>1</sup> Other firms that are not in scope of this SS may also find the expectations helpful in preparing themselves for the cessation of PRA-regulated activities.
- 1.3 A solvent exit means the process through which a firm ceases its PRA-regulated activities while remaining solvent.<sup>2</sup> The firm should transfer<sup>3</sup> or repay (or both) all deposits as part of its solvent exit.<sup>4</sup> In the firm's solvent exit planning, it should build in sufficient time and resources to support the firm in meeting liabilities when they fall due and in transferring and/or repaying all deposits. At a point after this, a solvent exit will end with the removal of deposit-taking activity from the firm's Part 4A permission, or with the cancellation of the firm's Part 4A permission (hereinafter referred to as the removal of the firm's Part 4A PRA permission).<sup>5</sup>
- 1.4 This SS sets expectations for both the preparations for and execution of a solvent exit. Chapter 2 sets out the PRA's expectations for how a firm should prepare for an orderly solvent exit as part of its BAU activities. A firm should produce a 'solvent exit analysis' to meet the expectations in this Chapter. Chapter 3 sets out the PRA's expectations for a firm to produce a 'solvent exit execution plan' when solvent exit becomes a reasonable

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<sup>1</sup> In the context of groups, it will fall to the firms which have the relevant Part 4A PRA permission and to which Chapter 7 of the Recovery Plans Part of the PRA Rulebook applies to comply with the expectations in this SS.

<sup>2</sup> In this SS, 'solvent' refers to a firm meeting liabilities when they fall due.

<sup>3</sup> See Part VII of the Financial Services and Markets Act 2000 (FSMA) for further details of control of business transfer.

<sup>4</sup> A solvent exit does not necessarily result in the liquidation of the firm, as it depends on the circumstances. If the firm is a building society, the transfer and/or repayment of all deposits will mean it ceases to meet the principal purpose test. Therefore, a building society should also take into account steps which are necessary for it to be dissolved under the Building Societies Act 1986.

<sup>5</sup> The exact timing and sequencing may depend on circumstances. On a case-by-case basis, the PRA may exercise its powers to vary or cancel a firm's Part 4A permission on the PRA's own initiative. See section 55J of FSMA.

prospect for a firm. It also sets out the PRA's expectations for how a firm should manage and monitor the execution of a solvent exit.

1.5 The expectations in this SS further the PRA's general objective to promote the safety and soundness of firms, helping to minimise the risks of a disorderly cessation of PRA-regulated activities. These expectations also support the PRA's secondary objective to facilitate effective competition, supporting a well-functioning and dynamic market in which new firms can enter and unviable firms can more easily leave with minimal disruption.

1.6 Solvent exit may not be an effective approach in all circumstances. Solvent exit planning is designed to complement the other ways in which a firm's failure may be managed: for example, a fast failure of a firm<sup>6</sup> may necessitate the exercise of stabilisation tools by the Bank of England as resolution authority, or may lead to insolvency procedures being invoked in relation to a firm.<sup>7</sup>

1.7 In meeting the expectations in this SS, a firm may draw on and adapt its work under other existing regulatory requirements, and should ensure that its solvent exit preparations are consistent with and viewed as complementary to its work in other areas such as recovery and resolution planning.

1.8 This SS complements, and should be read in conjunction, with:

- the Recovery Plans Part of the PRA Rulebook;<sup>8</sup>
- SS9/17 – Recovery planning;<sup>9</sup>
- the PRA's web page on 'Cancelling a firm's permissions';<sup>10</sup>
- the PRA's web page on 'Variation of permission';<sup>11</sup>
- the Financial Conduct Authority's (FCA's) web page on 'Cancelling an authorisation or registration'<sup>12</sup> and Handbook SUP 6 'Applications to vary and cancel Part 4A

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<sup>6</sup> 'Prudentialist – speech by Sam Woods', September 2021:

[www.bankofengland.co.uk/speech/2021/september/sam-woods-speech-at-mansion-house](https://www.bankofengland.co.uk/speech/2021/september/sam-woods-speech-at-mansion-house).

<sup>7</sup> The UK has modified insolvency procedures for deposit-takers. See Part 2 of the Banking Act 2009 for details of the Bank Insolvency Procedure; and section 90C of the Building Societies Act 1986 for the application to building societies.

<sup>8</sup> [www.prarulebook.co.uk/rulebook/Content/Part/211587/](https://www.prarulebook.co.uk/rulebook/Content/Part/211587/).

<sup>9</sup> December 2020: [www.bankofengland.co.uk/prudential-regulation/publication/2017/recovery-planning-ss](https://www.bankofengland.co.uk/prudential-regulation/publication/2017/recovery-planning-ss).

<sup>10</sup> [www.bankofengland.co.uk/prudential-regulation/authorisations/cancelling-firm-permissions](https://www.bankofengland.co.uk/prudential-regulation/authorisations/cancelling-firm-permissions).

<sup>11</sup> [www.bankofengland.co.uk/prudential-regulation/authorisations/variation-of-permission](https://www.bankofengland.co.uk/prudential-regulation/authorisations/variation-of-permission).

<sup>12</sup> [www.fca.org.uk/firms/authorisation/cancel](https://www.fca.org.uk/firms/authorisation/cancel).

permission and to impose, vary or cancel requirements'<sup>13</sup> which applies to firms, including dual-regulated firms; and

- the FCA's 'Wind-down Planning Guide' (WDPG),<sup>14</sup> TR22/1: 'Observations on wind-down planning: liquidity, triggers & intragroup dependencies',<sup>15</sup> and 'Investment Firms Prudential Regime implementation observations: quantifying threshold requirements and managing financial resources – concluding report' (such as section 4.3 Wind-down plans and section 6.6 Wind-down planning process)<sup>16</sup> which contain content and examples of good practice which firms may find helpful.

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<sup>13</sup> [www.handbook.fca.org.uk/handbook/SUP/6/1.html](http://www.handbook.fca.org.uk/handbook/SUP/6/1.html).

<sup>14</sup> [www.handbook.fca.org.uk/handbook/WDPG/1/?view=chapter](http://www.handbook.fca.org.uk/handbook/WDPG/1/?view=chapter).

<sup>15</sup> April 2022: [www.fca.org.uk/publications/thematic-reviews/tr22-1-observations-wind-down-planning-liquidity-triggers-intragroup-dependencies](http://www.fca.org.uk/publications/thematic-reviews/tr22-1-observations-wind-down-planning-liquidity-triggers-intragroup-dependencies).

<sup>16</sup> November 2023: [www.fca.org.uk/publications/multi-firm-reviews/ifpr-implementation-observations-concluding-report](http://www.fca.org.uk/publications/multi-firm-reviews/ifpr-implementation-observations-concluding-report).

## 2. Preparing for a solvent exit in advance

2.1 This Chapter sets out the PRA's expectations for how a firm should prepare for an orderly solvent exit<sup>17</sup> as part of its BAU activities. These expectations apply regardless of how unlikely or distant a prospect solvent exit may seem to the firm. If and when the execution of a solvent exit becomes a reasonable prospect, the firm should produce a 'solvent exit execution plan' as described in Chapter 3.

2.2 A firm should produce a 'solvent exit analysis' document to demonstrate that the firm meets the expectations in this Chapter. The solvent exit analysis should include, at a minimum, the below contents, which are elaborated on in the rest of this Chapter:

- solvent exit actions
- solvent exit indicators
- potential barriers and risks
- resources and costs
- communication
- governance and decision-making
- assurance

2.3 The level of detail in the solvent exit analysis should be proportionate to the nature, scale, and complexity of the firm.<sup>18</sup> A firm may find it helpful to include the solvent exit analysis as a discrete section in its recovery plan, but may set out the solvent exit analysis separately if the firm finds it appropriate.

2.4 In meeting the expectations in this Chapter, a firm should take account of plausible circumstances that could lead to it needing to execute a solvent exit (see Box A for illustrative examples). A firm may draw on and adapt scenarios developed under the PRA's recovery planning expectations<sup>19</sup> to inform it of such circumstances.

<sup>17</sup> Chapter 7 of the Recovery Plans Part of the PRA Rulebook.

<sup>18</sup> For example, a smaller firm with a simple business model may produce a shorter solvent exit analysis than a larger, more complex firm, given that the smaller firm may have a smaller range of solvent exit indicators, a more limited number of solvent exit actions, and simpler governance arrangements.

<sup>19</sup> Chapter 2 of the Recovery Plans Part of the PRA Rulebook; and '(a) Design' under '(iv) Scenario testing' of SS9/17.

**Box A**

A firm may execute a solvent exit for a range of reasons. These include:

- the firm facing financial issues, such as economic, market, or idiosyncratic stress (eg difficulty in securing capital investment, an unviable business model, significant financial loss);
- the firm facing non-financial issues, such as a major governance failure, or loss of critical IT infrastructure with no signs of timely recovery;
- the firm no longer meeting the threshold conditions for authorisation under FSMA as a deposit-taker and having no viable strategy for returning to compliance within a reasonable timeframe; and/or
- the firm deciding to shift its business strategy or priorities away from deposit-taking.

Regardless of the underlying reasons, a firm should base its preparations for a solvent exit on the prospect that it may need to execute a solvent exit in either:

- stressed circumstances, eg where access to capital, funding or liquidity is difficult (firms should note that solvent exit may not be an effective approach for a fast failure of a firm); or
- non-stressed circumstances, eg where a firm has made a strategic decision to cease deposit-taking activities due to insufficient returns, or to better enable it to develop business opportunities in other sectors.

**Solvent exit actions**

2.5 A firm should set out in its solvent exit analysis the actions that would be needed to cease its PRA-regulated activities while remaining solvent ('solvent exit actions'). These will likely comprise several of the firm's recovery options (eg selling businesses or assets, transferring liabilities),<sup>20</sup> augmented and amended to facilitate the firm to complete a solvent exit. A firm's solvent exit actions should include the transfer and/or repayment of all deposits.

2.6 A firm should set out in its solvent exit analysis the timeline over which the solvent exit actions could be executed, and the extent to which the timing is dependent on internal

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<sup>20</sup> See SS9/17 for details.

and external factors. To meet this expectation, a firm may draw on and adapt the analysis of timelines for recovery options under the PRA's recovery planning expectations.<sup>21</sup>

## Solvent exit indicators

2.7 A firm should identify and monitor indicators that would inform it about when it may need to initiate a solvent exit and whether the execution of a solvent exit is likely to be successful. A firm should set out these indicators in its solvent exit analysis. The calibration of indicators should be forward-looking and set such that they can provide sufficient warning to the firm to produce a solvent exit execution plan and to execute a solvent exit<sup>22</sup> while the firm still has the necessary financial and non-financial resources. These indicators should include financial and non-financial metrics in quantitative and/or qualitative terms.

2.8 A firm should monitor the projected and actual levels of these indicators, as well as their trend. These indicators, alongside other relevant information,<sup>23</sup> should support clear and timely decision-making regarding a solvent exit.

2.9 To meet the expectations in paragraphs 2.7 and 2.8, a firm may draw on and adapt its existing management information framework, and indicator framework developed under the PRA's recovery planning expectations,<sup>24</sup> without necessarily creating and monitoring a new set of indicators.

## Potential barriers and risks

2.10 A firm should set out in its solvent exit analysis the potential barriers and risks to the execution of a solvent exit, including those that are market-wide and firm-specific (see Box B for illustrative examples).

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<sup>21</sup> See '(d) Timelines' under '(i) Recovery options' of SS9/17.

<sup>22</sup> See Chapter 3 for details.

<sup>23</sup> See paragraph 2.22 of this SS.

<sup>24</sup> See '(iii) Indicators' of SS9/17.

**Box B**

Examples of potential barriers and risks to a firm's execution of a solvent exit include:

- a loss of key staff that are needed to complete a solvent exit;<sup>25</sup>
- a complex legal and corporate structure which complicates the execution of solvent exit actions;
- certain off-balance sheet liabilities, which may extend beyond the anticipated timeline for executing a solvent exit. Examples include long property leases, contract termination penalties, pension fund contributions and contingent liabilities (such as costs related to litigation or enforcement actions against the firm);
- the existence of untraceable/uncontactable customers, which may delay the completion of a solvent exit, and the potential need to set up contingency arrangements (eg establishing a trust for remaining customers) that would enable a firm to complete a solvent exit. Such arrangements may also apply to unusable accounts, such as those awaiting probate or subject to financial sanctions;
- negative reactions from stakeholders, such as a potential depositor run;<sup>26</sup>
- potential complexities arising from the use of deposit aggregators, which may complicate a firm's ability to collate information about depositors, and the arrangements in place to terminate contractual agreements with the aggregators;
- the provision of services by the firm that cannot be easily stopped or substituted by another firm. This may include services provided to vulnerable customers, or a particular community or sector, whose customers may face difficulty in switching to alternative providers, potentially delaying the completion of a solvent exit; and
- a change in market conditions which reduces the sale value of assets that the firm would need to fund a solvent exit.

2.11 A firm should assess how the identified barriers and risks could affect the outcome and effectiveness of the firm's solvent exit actions. The firm should take reasonable steps in BAU to mitigate or remove any material barriers or risks. The firm should identify whether any remaining barriers or risks could result in an unsuccessful solvent exit.

<sup>25</sup> See also the 'Communication' section in this Chapter.

<sup>26</sup> See also the 'Communication' section in this Chapter.

2.12 A firm should set out, in its solvent exit analysis, the potential dependencies that a decision to execute a solvent exit may rely upon. These may include, but are not limited to, securing requisite advice from external specialists, and any activities (such as producing valuations) that would have to precede such a decision. To meet this expectation, a firm may draw on and adapt the dependencies analysis conducted under the PRA's recovery planning expectations.<sup>27</sup>

2.13 A firm should set out in its solvent exit analysis the anticipated impacts of a decision to execute a solvent exit, including how depositors and the wider market may react.<sup>28</sup>

### Resources and costs

2.14 A firm should set out in its solvent exit analysis the financial resources, including capital, funding, and liquidity, needed to execute a solvent exit. This may include:

- an assessment of the minimum sale value of assets or portfolios needed to enable a successful solvent exit;
- a breakdown of the firm's assets or portfolios into those it would need to sell, transfer, or hold to maturity; and
- a breakdown of the firm's assets or portfolios into those which could be sold in a secondary market, and those for which this is unclear.

2.15 The firm should take into account that the solvent exit itself is likely to lead to additional costs. In addition to costs to cover possible losses (or 'haircuts') on the sale of assets or portfolios below book value, these costs may include fees for specialist services, redundancy and retention payments, contract termination penalties, and pension fund deficits. The firm should also identify the absolute minimum level of financial resources needed, below which there would be no reasonable prospect of successfully executing a solvent exit.<sup>29</sup>

2.16 A firm should set out in its solvent exit analysis the non-financial resources needed to execute a solvent exit, including the cost of maintaining these resources throughout the execution of a solvent exit. Non-financial resources may include: access to external specialist services or advice, a firm's key staff, operational and outsourcing

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<sup>27</sup> See '(e) Dependencies' under '(i) Recovery options' of SS9/17.

<sup>28</sup> See also the 'Communication' section in this Chapter.

<sup>29</sup> If the firm anticipates use of the Bank of England's lending facilities (eg Discount Window Facility), see more details in the 'Bank of England Market Operations Guide': [www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide](https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide).

arrangements, support from other group companies, premises, IT infrastructure, and certain data.<sup>30</sup>

2.17 In meeting the expectations in paragraphs 2.14 to 2.16, the firm should set out how it could maintain access to the resources needed throughout the execution of a solvent exit. The firm should also take account of the likely resources needed to mitigate or remove any barriers or risks, including managing any negative impacts of a decision to execute a solvent exit.<sup>31</sup>

## Communication

2.18 A firm should set out in its solvent exit analysis the internal and external stakeholders that may be impacted by a solvent exit. These may include regulators, depositors, customers, creditors, shareholders, staff, outsourced service providers, and other market participants. To meet this expectation, a firm may draw on and adapt the communication plan developed under the PRA's recovery planning expectations.<sup>32</sup>

2.19 A firm should set out in its solvent exit analysis how and when it would communicate to stakeholders, both before and during the execution of a solvent exit. A firm should assess how different stakeholders may react to the firm's decision to initiate a solvent exit. In particular, a firm should assess how it would manage and mitigate any negative impacts of a stakeholder's reaction to the firm's solvent exit (eg potential depositor runs, resignation of key staff, demands for full and final settlement from creditors).

## Governance and decision-making

2.20 A firm should set up clear governance arrangements, with a named executive accountable, for:

- the firm's BAU preparations for a solvent exit, including the review and approval of the solvent exit analysis;
- escalation and decision-making regarding a solvent exit, including whether a solvent exit execution plan should be produced, and whether, how and when the firm would initiate a solvent exit;<sup>33</sup> and

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<sup>30</sup> Examples of data include those that would be needed to repay depositors or enable the transfer of deposits to a third party (eg the firm's single customer view (SCV) file).

<sup>31</sup> See also the 'Communication' section in this Chapter.

<sup>32</sup> See '(ix) Communication plan' of SS9/17.

<sup>33</sup> See Chapter 3 for details.

- monitoring the execution of a solvent exit, including whether the firm should take further action to facilitate the completion of a solvent exit, or whether a solvent exit is no longer feasible or appropriate given the firm's circumstances.<sup>34</sup>

2.21 A firm may adopt the governance arrangements developed under the PRA's recovery planning expectations<sup>35</sup> to meet the expectations in paragraph 2.20.

2.22 A firm should ensure that it has the capabilities to produce adequate and appropriate information, within a reasonable amount of time, to inform decisions regarding a solvent exit. The firm should be able to refresh relevant data (eg balance sheet, profitability, exit valuations, anticipated costs); be able to conduct appropriate analysis; and be able to make realistic projections of the firm's capital, funding, and liquidity for the anticipated timeline over which a solvent exit would be executed.

2.23 If a firm anticipates using external specialists to meet the expectations in paragraph 2.22, the firm should be prepared to procure them within a reasonable amount of time. The firm should also ensure that the external specialists would have access to the data needed.

2.24 A firm should be able to make timely decisions, with necessary approvals,<sup>36</sup> regarding the execution of a solvent exit, including whether a solvent exit should be initiated. The firm should take account of relevant information and solvent exit indicators when it makes decisions.

## Assurance

2.25 A firm should undertake adequate assurance activities for its solvent exit preparations as described in this Chapter. These assurance activities can be performed internally, or externally as the firm considers appropriate.<sup>37</sup> The firm should review and update the solvent exit analysis whenever a material change has taken place that may affect its preparations for a solvent exit, and at least once every three years.<sup>38</sup> The accountable executive should ensure that the solvent exit analysis is approved in accordance with the firm's governance arrangements.<sup>39</sup> The accountable executive should also confirm that

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<sup>34</sup> See paragraph 3.11 of this SS for details.

<sup>35</sup> See '(viii) Governance' of SS9/17.

<sup>36</sup> Examples are approvals from: the home regulator if the firm is a subsidiary of a non-UK group; its parent if the firm is a subsidiary; and its members if the firm is a building society.

<sup>37</sup> Examples of assurance activities include a review by parties such as internal audit or external specialists; and obtaining sufficient challenge from the firm's governance body (including non-executive directors) on the solvent exit analysis.

<sup>38</sup> Chapter 7 of the Recovery Plans Part of the PRA Rulebook.

<sup>39</sup> See the 'Governance and decision-making' section in this Chapter.

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the firm meets the expectations in this SS. The firm should be able to provide to the PRA on request the current version of its solvent exit analysis.<sup>40</sup>

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<sup>40</sup> On a case-by-case basis, the PRA may seek its own assurance of a firm's solvent exit analysis and/or solvent exit execution plan (see Chapter 3 for details), which may be by use of reports by skilled persons under section 166 of FSMA. See also Chapter 7 of the Recovery Plans Part of the PRA Rulebook.

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## 3. Producing a solvent exit execution plan and executing a solvent exit

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3.1 This Chapter sets out the PRA's expectations that apply when a solvent exit execution plan is needed, and during a firm's execution of a solvent exit.

3.2 The arrangements described in the 'Governance and decision-making' section in Chapter 2 apply when a firm produces a solvent exit execution plan and executes a solvent exit.

### Producing a solvent exit execution plan

3.3 The PRA expects a firm to produce a solvent exit execution plan when there is a reasonable prospect that the firm may need to execute a solvent exit (which could be informed by its solvent exit indicators<sup>41</sup> and other relevant information), or when the firm is requested by the PRA to produce a solvent exit execution plan.<sup>42</sup> The firm's board of directors, or other appropriate senior governance committee or group, should provide sufficient challenge on the firm's solvent exit execution plan, and review and approve it. The firm should meet commitments it makes to the PRA to provide its solvent exit execution plan to the PRA in an appropriate timescale.

3.4 The PRA expects a firm to include in its solvent exit execution plan sufficient detail to inform itself and the PRA of how it will complete the cessation of its PRA-regulated activities. Annex A provides a non-exhaustive list of contents the PRA would expect a firm to set out in its solvent exit execution plan.

3.5 The PRA expects a firm to ensure that its solvent exit execution plan is appropriate for its business model, structure, operations, risk strategy, and the circumstances leading to the initiation of a solvent exit. A firm should use its solvent exit analysis, prepared during BAU,<sup>43</sup> as the starting point for its solvent exit execution plan. A firm should support any assumptions underpinning its solvent exit execution plan (such as the timeline for repaying depositors) with appropriate evidence.

3.6 The PRA expects a firm to set out in its solvent exit execution plan how it will monitor, and respond to, any emerging barriers and risks throughout the execution of a solvent

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<sup>41</sup> See the 'Solvent exit indicators' section in Chapter 2.

<sup>42</sup> For example in the exercise of powers under FSMA to impose and vary requirements on firms either by agreement or on the PRA's own initiative.

<sup>43</sup> See Chapter 2 for details.

exit. The barriers and risks identified in the solvent exit analysis<sup>44</sup> should be updated to ensure they remain complete, relevant, and current for the firm's solvent exit execution plan.

3.7 The PRA expects a firm to set out in its solvent exit execution plan details of the financial and non-financial resources needed to execute a solvent exit. A firm should take account of the costs of mitigating or removing barriers and risks to the solvent exit, including costs to mitigate any negative impacts of its decision to execute a solvent exit.<sup>45</sup> A firm should ensure its assessment of the resources needed is supported by:

- appropriate analysis, such as sensitivity analyses of factors that may impact the resources needed, and an analysis of any balance sheet items which may be difficult to transfer or sell after the main deposit and lending books have been disposed of;<sup>46</sup> and
- realistic exit valuations of assets and liabilities, including appropriate adjustments to their book value.<sup>47</sup>

3.8 The PRA expects a firm to set out in its solvent exit execution plan details of how it will maintain access to, and monitor the adequacy of, the financial and non-financial resources needed throughout the execution of a solvent exit.

3.9 The PRA expects a firm to set out in its solvent exit execution plan a clear and detailed communication plan for stakeholders impacted by the solvent exit.<sup>48</sup>

### During the execution of a solvent exit

3.10 The PRA expects a firm to make the PRA aware of its decision to initiate a solvent exit. A firm should keep the PRA,<sup>49</sup> and other stakeholders as appropriate, informed throughout the execution of a solvent exit. A firm should, in a prompt and timely manner, make its PRA supervisor aware if there arise risks to or concerns about the successful completion of a solvent exit.

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<sup>44</sup> See the 'Potential barriers and risks' section in Chapter 2.

<sup>45</sup> See also the 'Communication' section in Chapter 2.

<sup>46</sup> Examples include deposits with untraceable/uncontactable customers; and small and niche lending books.

<sup>47</sup> Assumptions underpinning accounting valuations conducted in BAU may no longer apply during the execution of a solvent exit, especially once a solvent exit has been publicly announced. Timing of asset sales may also impact the sale value of assets. This may result in asset sales which fail to provide adequate resources to repay liabilities.

<sup>48</sup> See the 'Communication' section in Chapter 2.

<sup>49</sup> Fundamental Rule 7: 'A firm must deal with its regulators in an open and cooperative way and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice'.

- 3.11 The PRA expects a firm to assess on an ongoing basis whether its solvent exit actions are likely to succeed and whether they remain feasible and appropriate.<sup>50</sup> A firm should assess whether it needs to take further actions to facilitate the completion of a solvent exit. Consistent with the duties that directors owe to a company and its creditors under the Companies Act 2006 and case law, a firm should also determine whether and when insolvency procedures should be invoked (ie when it appears to the firm that a solvent exit will no longer be successful).
- 3.12 The PRA expects a firm to monitor on an ongoing basis the projected and actual levels and trends of those solvent exit indicators which remain applicable,<sup>51</sup> and the implementation of the solvent exit execution plan, to inform the firm's decision-making.
- 3.13 The firm should plan for the submission of an application to the PRA to have its Part 4A PRA permission removed, taking account of the timeline for making the application as described on the PRA's web pages.<sup>52</sup>
- 3.14 A firm must continue to comply with the PRA's threshold conditions, rules, and other regulatory requirements throughout the execution of a solvent exit. A firm should assess proactively and on an ongoing basis whether it may fall short of any legal or regulatory obligations during the execution of a solvent exit and, in line with Fundamental Rule 7, immediately alert the PRA if this might be the case.

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<sup>50</sup> For example, a solvent exit may no longer be feasible if barriers to a solvent exit cannot be mitigated, or the asset value is lower than expected, which may lead to insolvency procedures being invoked in relation to a firm. A solvent exit may also no longer be appropriate if, for example, changed market conditions make the firm's business model viable again, or if the firm finds a new investor and opts for restructuring instead of ceasing PRA-regulated activities.

<sup>51</sup> See the 'Solvent exit indicators' section in Chapter 2.

<sup>52</sup> See PRA's web pages on 'Cancelling a firm's permissions' and 'Variation of permission' for further details. If the solvent exit involves the cessation of FCA-regulated activities, or activities authorised by non-UK authorities, the firm should also assess whether other regulatory approvals are required and inform relevant authorities as appropriate. Firms' attention is drawn in particular to FCA's web page on 'Cancelling an authorisation or registration' and Annex 4.5 of FCA's Handbook SUP 6 'Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements' regarding guidance on deposit-taking, which is relevant to firms, including dual-regulated firms.

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## Annex A – Solvent exit execution plan

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The following is a non-exhaustive list of contents that the PRA would expect a firm to set out in its solvent exit execution plan.<sup>53</sup>

- Actions and timelines for the solvent exit, from the point of initiation to the removal of the firm's Part 4A PRA permission. This includes actions that the firm will take to identify, and transfer or repay, deposits; sell assets; and transfer or repay other liabilities (if applicable).
- Identification and mitigation (or removal) of barriers and risks to the solvent exit. The firm should update the barriers and risks identified in its solvent exit analysis, prepared during BAU,<sup>54</sup> to reflect the circumstances which lead to the initiation of a solvent exit. The firm should also include how it will identify, monitor, and respond to emerging barriers and risks throughout the execution of the solvent exit.
- Communication plan for stakeholders impacted by the solvent exit. These include, but are not limited to: regulators, depositors, customers, creditors, shareholders, staff, outsourced service providers, and other market participants. This should include anticipated reactions from different stakeholders, how such reactions could affect the solvent exit, and how the firm will respond to stakeholder reactions. Examples of negative reactions include potential depositor runs, resignation of key staff, defaults by customers, demands for full and final settlement from creditors, withdrawal of services from outsourced service providers, and abrogation of contracts by contractual counterparties.
- Detailed action plan for the execution of the solvent exit, such as:
  - the identification, and transfer or repayment, of deposits
  - dealing with customer complaints
  - dealing with existing contractual commitments
  - the sale or transfer of all or part of the business, assets, and liabilities
  - the vacation of premises and disposal of fixed assets

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<sup>53</sup> This non-exhaustive list has been drawn up to be consistent with relevant parts of the FCA's WDPG where possible, albeit that is aimed at FCA solo-regulated firms.

<sup>54</sup> See Chapter 2 for details.

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- communication with stakeholders
  - any actions and formalities to comply with applicable legal and regulatory requirements, such as directors' duties and shareholders' rights under company law, data protection law, employment law, insolvency procedures, and relevant FCA rules and guidance including consumer duty
- Assessment of resources needed to complete the execution of the solvent exit and how the firm will monitor and maintain access to these throughout the execution of the solvent exit, covering:
    - financial resources, including capital, funding, and liquidity,<sup>55</sup> to absorb the full costs of the solvent exit and meet all liabilities to depositors (and other creditors as applicable), with realistic exit valuations of assets and liabilities and appropriate analysis conducted (such as sensitivity analyses of factors that may impact the resources needed, and an analysis of any balance sheet items which may be difficult to transfer or sell after the main deposit and lending books have been disposed of)
    - non-financial resources, including access to external specialist services or advice; the firm's key staff; operational and outsourcing arrangements; support from other group companies; premises; IT infrastructure; and certain data (eg SCV file)
  - Governance arrangements, including roles and responsibilities in making the formal decision to initiate the solvent exit, as well as in managing and monitoring the execution of the solvent exit.
  - Organisational structure, operating model, and internal processes.

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<sup>55</sup> This includes whether the firm anticipates the use of the Bank of England's lending facilities (eg Discount Window Facility). See the 'Bank of England Market Operations Guide' for further details.