

# Investment Firm Prudential Regime

## What do you need to do?

December 2021



# Supporting you on your IFPR journey

Dear Client,

As a firm, we have been tracking the development of the Investment Firm Prudential Regime ("IFPR") throughout the multiple publications by the Financial Conduct Authority. The IFPR regime aims for a more proportionate approach to the prudential regulations of investment firms in the UK. It broadly aligns with the European equivalent, which, although it followed an earlier implementation date, the FCA were heavily involved in prior to the UK's departure from the EU.

We have summarised the key changes arising from the IFPR on the remaining slides. Some of these concepts will be familiar and some will be new, we hope the content allows for a deeper understanding of how the changes apply to your firm and the different areas of change.

We are happy to take any of your questions and provide support with any challenges you face as you aim to implement the requirements.

Best wishes,

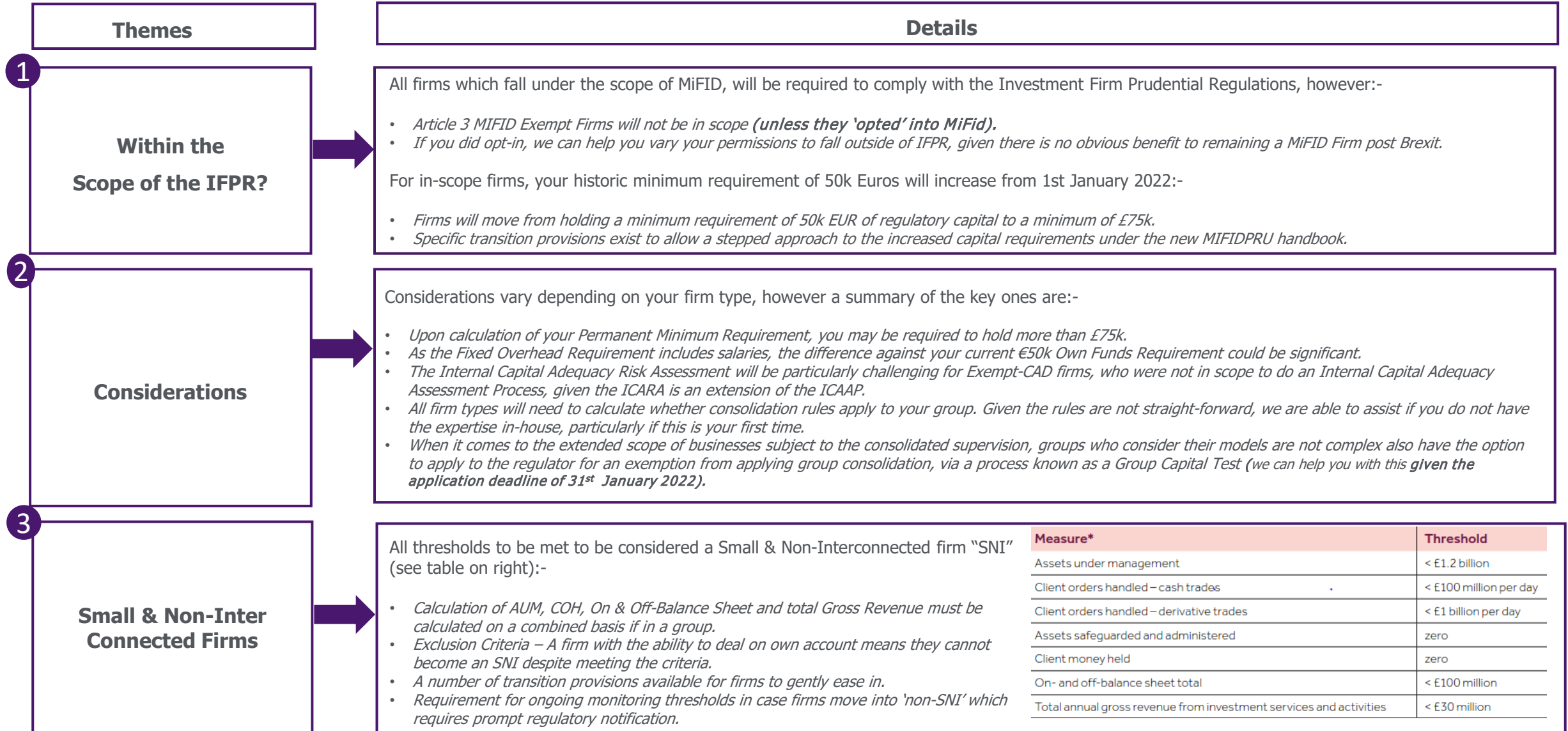
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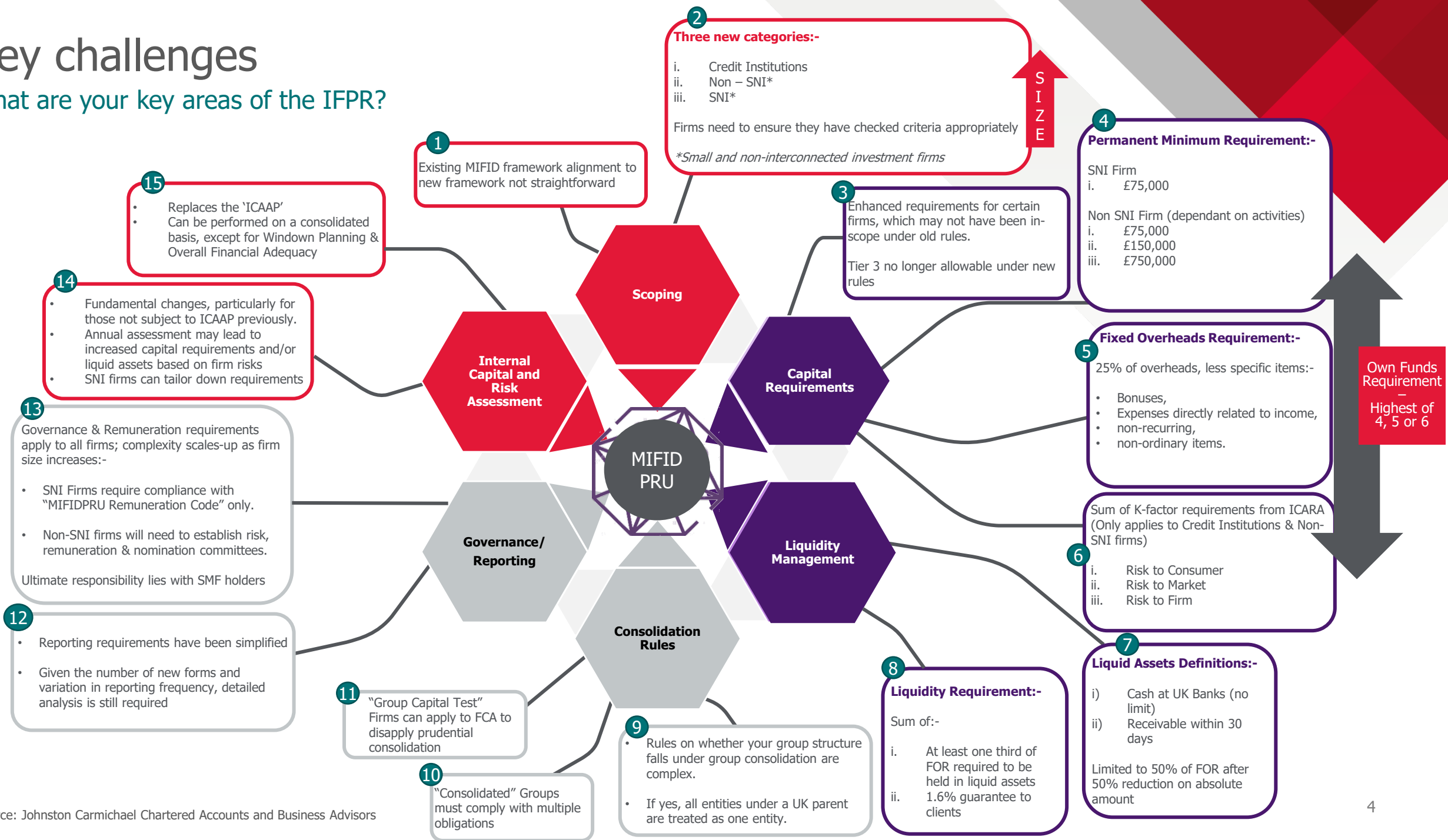
# How do the new rules apply to you?

The below are the key areas of consideration as you determine your compliance requirements with IFPR...



# Key challenges

What are your key areas of the IFPR?



# Investment Firm Prudential Regime

## What is ICARA and does it apply to us...?

ICARA stands for **I**nternal **C**apital & **A**dequacy **R**isk **A**ssessment and aims to replace the ICAAP and is the new approach to determining a firm's own fund requirements:-

- It applies to all firms within the Scope of the IFPR and required to be performed at least annually although SNI firms can be 'proportionate' in their approach.
- Integral to the firm's Risk Management framework, will require linking to existing Risk & Control Matrixes in order to ensure appropriate identification and monitoring of risk of Harm to Consumers, Markets & the Firm.
- Applicability of Risk Factors are dependant on each firm's business model.
- ICARA will need to be a continuous end to end process, demonstrate the controls, risk management and governance processes of the firm.
- Firms will need to review the adequacy of their ICARA process annually and report outputs to the FCA via a questionnaire.
- If there is a material change, an updated questionnaire requires to be sent to the governing body with 20 Business Days.
- Firm's will require to complete an ICARA document which will require governing body approval.

SREPS stands for **S**upervisory **R**evision and **E**valuation **P**rocess and is the process by which the regulator will monitor investment firms compliance with IFPR:-

- The regulator is moving away from minimum cycles to a more regular supervisory approach, supported through data collection of a number of key documents.
- The regulator will likely make their own assessment of the validity and accuracy of your approach within onward intervention if current calculations are not sufficient.

# Our team are here to help with any questions



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Scott has over 30 years' experience in financial services audit and assurance assignments and currently acts for a wide variety of financial institutions, including investment managers, funds, corporate financiers, brokerages and IFAs.

Scott's background is in audit with a big 4 practice, where he also worked with banks, listed groups and building societies.

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**Jack Elliott**

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Jack Elliot is a Senior Manager in Johnston Carmichael's Financial Services Audit and Assurance team. He is dedicated to working with FCA regulated firms and his particular focus is on Risk and Compliance.

Prior to joining Johnston Carmichael, Jack was a manager in Deloitte's Risk Advisory Team. He is a Chartered Accountant and holds a first-class law degree from the University of Edinburgh.

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