



UK Investment Firm Prudential Regime (IFPR)

Getting ready for 1 January 2022

Regulatory Update: Part 4 of 4

The information provided is not an exhaustive statement of all the potentially applicable requirements and conditions, and is not intended to be a substitute for detailed analysis of the IFPR rules.

[dwfgroup.com](https://www.dwfgroup.com)



IFPR Overview

Background to the IFPR

- The IFPR is the UK variant of the EU's Investment Firms Regulation and Directive (IFR/IFD) which was implemented on 26 June 2021.
- The IFPR replaces the Capital Requirements Regulation/Directive (CRR/CRD) for UK investment firms (including CAD-exempt firms), given the CRR was more designed for the banking sector.
- Building on FG20/1 Assessing Adequate Financial Resources, the FCA link its *financial adequacy* Threshold Conditions to the requirements of the IFPR.

Timeline for implementation

- The final IFPR rules set out in the legal instruments – [FCA 2021/38](#) and [FCA 2021/39](#). FCA have also published [FG21/5: General guidance on the application of ex-post risk adjustment to variable remuneration](#). A third policy statement is due to be published by the end of 2021, before the IFPR implementation date of 1 January 2022.
- Firms are advised to start collecting data for IFPR one month before implementation, i.e. from 30 November 2021.
- DWF's overview of the technical changes arising as a result of the introduction of the IFPR is summarised through a series of four regulatory change updates.

IFPR: 12 key areas for consideration by firms

1. Firm categorisation
2. Capital resources
3. Capital requirements
4. Liquidity requirements
5. Financial Threshold Conditions
6. Regulatory reporting & Disclosures
7. Group reporting & consolidation
8. Risk Management
9. Governance
10. Remuneration
11. [FCA rulebook and supervisor processes](#)
12. [Other new requirements](#)

The IFPR is implemented on 1 January 2022.

IFPR changes

FCA Rulebook and supervisory processes

New FCA Supervisory intervention points:

- As part of the Supervisory Review and Evaluation Process (SREP) FCA include new metrics including an Early Warning Indicator (Capital), Threshold Requirements (Capital & Liquidity) and Wind-down Trigger (Capital and Liquidity).
- A new Prudential Sourcebook: the implementation of the IFPR will see the introduction of the new prudential sourcebook MIFIDPRU within the FCA Handbook. MIFIDPRU will cover all the rules applicable to UK MiFID investment firms. The proposed MIFIDPRU rules are found within CP20/24 and CP21/7.
- Public Disclosures: Detail of requirements can be found in the CP21/26.
- Remuneration Code: There will be three firm categories for the IFPR Remuneration Code. **Basic** remuneration Requirements, **Standard** Remuneration Requirements or **Extended** Remuneration Requirements.
- The majority of firms will fall under the **Basic**, or **Standard** categories.

Other potential impact areas

The impact areas and requirements for the three firm remuneration categories under IFPR is as follows:

Requirement	Basic	Standard	Extended
• Remuneration policy	Yes	Yes	Yes
• Governance	Yes	Yes	Yes
• Fixed and variable remuneration	Yes	Yes	Yes
• Restrictions on variable remuneration	Yes	Yes	Yes
• Performance assessment	N/A	Yes	Yes
• Ex-ante & ex-post risk adjustment	N/A	Yes	Yes
• Non-performance related variable remuneration	N/A	Yes	Yes
• Other	N/A	Yes	Yes
• Pay out in shares	N/A	N/A	Yes
• Deferral and vesting	N/A	N/A	Yes
• Discretionary pension benefits	N/A	N/A	Yes
• Remuneration committees	N/A	N/A	Yes

Next steps

Take action..

The following steps should be considered right now by Boards and Senior Management:

1. Understand the final IFPR rules set out in the legal instruments [FCA 2021/38](#) and [FCA 2021/39](#). Also, see if [FG21/5: General guidance on the application of ex-post risk adjustment to variable remuneration](#) applies to your firm.
2. Establish an IFPR Steering Committee/Working Group to manage change across the business
3. Map all aspects of policies and procedures that are affected by changes as a result of the IFPR
4. Draw up a timeline/road map for implementation
5. Ensure that the new rules for compliance are fully understood across the first and second line and that that staff are trained on the new Prudential sourcebook
6. Engage with us to assist with your preparations and avoid costly mistakes

Seeks professional input..

It is important that investment firms such IFPRU, BIPRU, or exempt CAD firms, plan for IFPR now and understand the full extent of the changes required cross the business.

Contact us for :

- Advice
- A gap analysis
- An impact analysis
- Assistance with capital planning
- Detailed implementation support

Contact us..



Andrew Jacobs

Head of Regulatory Consulting
Andrew.Jacobs@dwf.law



Charlie Bailie

Senior Manager, Regulatory Consulting
Charlie.Baillie@dwf.law



DWF is a leading global provider of integrated legal and business services.

Our Integrated Legal Management approach delivers greater efficiency, price certainty and transparency for our clients.

We deliver integrated legal and business services on a global scale through our three offerings; Legal Advisory, Mindcrest and Connected Services, across our eight key sectors. We seamlessly combine any number of our services to deliver bespoke solutions for our diverse clients.

© DWF 2021, all rights reserved. DWF is a collective trading name for the international legal practice and multi-disciplinary commercial business comprising DWF Group plc and all of its subsidiaries and subsidiary undertakings of which, the entities that practice law are separate and distinct law firms. Please refer to the Legal Notices page on our website located at dwfgroup.com for further details. DWF's lawyers are subject to regulation by the relevant regulatory body in the jurisdiction in which they are qualified and/or in which they practise. This information is intended as a general discussion surrounding the topics covered and is for guidance purposes only. It does not constitute legal advice and should not be regarded as a substitute for taking legal advice. DWF is not responsible for any activity undertaken based on this information and makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability or suitability of the information contained herein.

dwfgroup.com