



Fast Growing Firms



Self-Assessment Desk Aid



Fast Growing Firms. **Self Assessment Desk Aid**

Thank you for downloading our free self-assessment guide!

The FCA have conducted a multi-firm review of 25 FCA solo-regulated firms which had experienced fast growth over a 3-year period, and assessed the impact of this rapid growth on their financial and non-financial resources. The review focused on risk management practices, governance arrangements and adequacy of financial resources at firms across 3 business models. Whilst the review targeted the investment sector only, the FCA explicitly stated that '**our observations are relevant to all regulated firms that have grown rapidly or have plans to do so.**'

For most firms:

- Their risk management framework and governance arrangements have not kept pace with the growth in their business activities. While risk management practices at these firms may have been proportionate at authorisation, they had not evolved to scale with the business.
- Assessment of the adequacy of financial resources did not consider the growth in their underlying business resulting in financial resources assessments that were not commensurate with the size, business model and underlying risks.
- Wind-down plans were inadequate following the fast growth of these firms, increasing risk of harm in the event of firm failure. (read our full article here)

How to use the desk-aid?

The following pages have been prepared by our expert consultants to assist firms with reviewing their arrangements, support internal discussions and bring to front key risk areas identified by the FCA.

As always, should you require any further assistance, do not hesitate to contact us.

Area of Assessment	Criteria	Yes/No	Commentary
Business Model	Was the firm's growth sustainable and adequately planned?		
	Did firms consider the risks associated with intragroup dependencies for financial and non-financial transactions and outsourcing arrangements?		
	Did firms launch new products without due consideration of associated risks?		
Governance, Risk Management, and Non-Financial Resources	Did firms consider all regulatory requirements and guidance in their planning?		
	Were capital/liquidity assessments and wind-down plans reviewed regularly?		
	Did firms implement the 3 lines of defense model effectively?		
	Did firms rely solely on regulatory minimum thresholds for capital resource requirements?		
Adequacy of Financial Resources - Capital and Liquid Assets	Did firms perform adequate stress testing and scenario analysis?		
	Did firms calculate the formulaic regulatory requirements correctly?		
	Did firms understand their liquidity risks adequately?		
	Did firms perform meaningful liquidity stress tests?		
	Were some firms reliant on the group or parent for funding their activities?		
Wind-down Plans	Did firms have significant deficiencies in wind-down plans?		
	Did firms lack operational analysis and have inadequate resource assessment in their wind-down plans?		
	Did firms have clear wind-down triggers and realistic assessments of the time required to complete the wind-down?		
Did firms consider the impact of dependencies on other parts of the group?			

Area of Assessment	Criteria	Yes/No	Commentary
--------------------	----------	--------	------------

Expectations of Firms

Other Notes

Does the firm have robust plans in place to manage growth and unexpected stress?		
Has the firm updated its risk management framework and governance arrangements?		
Is the firm's assessment of adequacy of financial resources commensurate with the size, complexity, and forecasted growth of the business?		
Does the firm have a liquidity risk management framework in place?		
Does the firm provide accurate and complete data in regulatory submissions?		



RR Compliance Associates are a trading style of R&R Compliance Consultants Ltd, a limited company registered in England and Wales (company number 12070286). Our registered office is 9 Guithavon Street, Witham, Essex, CM8 1BJ. VAT number 326 1938 96.



www.rrcompliance.com



contact@rrcompliance.com



0203 488 4322