

# Regulatory Update

Assessing Adequate Financial Resources  
Finalised Guidance - FG20/1



## About the Framework

The FCA has published its final guidance outlining their expectations of how firms should determine they have adequate financial resources (FG20/1: Assessing adequate financial resources). The paper also explains:

- what the FCA look for from firms when assessing adequate financial resources, and
- the FCA's expectations as to the practices firms should adopt in their assessments.

## Which firms are captured?

The new requirements captures all FCA authorised firms subject to the Threshold conditions and/or Principles of Business.

## What firms should do...

All firms impacted by this update need to review the new requirements and amend their existing risk assessment framework to include the new requirements. It is important to note that firms are **required to conduct proportionate financial adequacy assessment regularly.**

## When reviewing the framework...

### Ensure Robust Systems

- Is there clear "risk appetite" stated?
- Is the risk management system robust and pass the "use test"?
- Is the framework forward looking and consider internal, group level and external risks?
- Can risks be quantified?
- Is the overall framework proportional reflecting the risk level and happens according to the dynamic of the firm (at least annually)?

### Stress Test

- Are risks stress tested?
- Are the scenarios that lead to wind-down identified (eg identified triggers)?
- Are the risks "sensible"?
- Do the assessments have a "forward looking" approach?
- Is it articulated how changes in operational and economic circumstances might affect the risks to which the firm is exposed and the ability to generate acceptable returns?

### Maintain Resources

- Is there appropriate capital available to meet debts as they fall due?
- Is there appropriate "liquid resources" available so client assets are not at risk?
- Are these requirements regularly reviewed?
- Can it be evidenced how the risks been quantified?

### Wind-down

- Are wind-down scenarios identified?
- Is potential impact on consumers and financial markets considered?
- Is there an operational document to manage wind-down?
- Is there sufficient capital to absorb winding-down costs and additional losses

## Note section

You may use this section to take notes of key actions or assessments and file it for your record keeping.

## Key Publication

- FG20/1: Our Framework: assessing adequate financial resources ([click here](#))



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