



Financial Reporting Council

# Recovery and Resolution Planning

Guidance and Benchmarking for  
Audit Firms

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# Recovery and Resolution Planning - Guidance and benchmarking for audit firms

As part of audit firms' overall contingency planning efforts, which include crisis management, incident management and business continuity planning, we expect firms to have thought about scenarios that might lead the firm to recovery or resolution / orderly 'wind down'. This should be reflected in a Recovery and Resolution Plan. We acknowledge that larger firms are likely to have separate, but linked, Business Continuity, Recovery, and Resolution plans, whereas in smaller firms these may be combined in a single plan.

Effective recovery planning enables firms to consider in advance threats to their existence and strategies to manage such situations operationally, financially, legally, reputationally, and regulatorily. Effective recovery planning can also mitigate the risk of failure and, if failure occurs, effective resolution planning can reduce the impact and likelihood of a disorderly exit from the market.

In early 2020, we provided guidance on what firms should have in place as a minimum (i.e. minimum standards), and additionally good practice, in relation to Recovery and Resolution Planning to assist firms in benchmarking their own approaches. Given the ongoing risk of failure, we have refreshed our guidance as set out below.

Area	Minimum standard	Good practice
Governance and Oversight	Clear accountability for Recovery and Resolution Plan ownership and invocation.	A dedicated Crisis Management Committee with clear lines of responsibility and scope.  Roles and remits of the UK firm's governing bodies defined.  Role of the global (and regional, if relevant) firm defined.
Plan Framework	Established framework connecting business continuity, recovery planning and resolution planning in one or more documents.	Separate Recovery and Resolution Plans exist to focus the firm's attention on the unique 'existential crisis' elements of these plans. These are linked to the firm's overarching Business Continuity Plan with the plan hierarchy clearly defined.

Area	Minimum standard	Good practice
Critical Functions	Recovery and Resolution Plan identifies firm's key functions.	Full methodology for identifying firm's critical functions and core services, which has been applied to all service lines.
Crisis Scenarios	Recovery and resolution scenarios identified, including those that could provide an existential threat.	<p>Playbook developed that could be applied to crisis scenarios with financial, operational and regulatory impacts assessed.</p> <p>Consideration of how to mitigate potential conflicts of interest during the recovery and resolution stages.</p>
Recovery and Resolution Options	Recovery and resolution options are clearly identified.	<p>Recovery and resolution options explicitly linked to short and medium-term funding options.</p> <p>Options have been assessed in terms of risks and barriers, with preferred option(s) identified.</p>
Resolution Triggers	Triggers for resolution are identified.	Resolution triggers are underpinned by quantitative and qualitative indicators, including those of a financial nature.
Public Interest	Recovery and Resolution Plans are framed around protecting the public interest, including how they form part of the criteria for identifying critical services.	Recovery and Resolution Plans also consider conflicts, audit quality, and competition.
Updating the Plan	Recovery and Resolution Plans reference the need to adapt to the changing environment.	Recovery and Resolution Plans are fluid documents, with real-time changes made as required, and are reviewed at least annually.

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Area	Minimum standard	Good practice
Testing the Plan	Testing of recovery and resolution components of business continuity plans is undertaken.	End-to-end, integrated testing of full recovery and resolution plans is undertaken.



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