



eMoneyHub Ltd Wind Down Plan

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1. Introduction

Under guidance from the FCA, we accept the importance of regulated firms considering the contents of a wind down plan as best practice. Wind down planning is described as a process in which the firm's governing body:

- Identifies the steps and resources it needs to wind down its business, especially in a situation where resources are limited; and
- Evaluates the risks and impact of a wind down and considers how to mitigate them.

As a Peer-to-Peer platform we are advanced in considering much of a wind down plan as the regulatory requirement to conduct the activities of an "Operating an electronic system in relation to lending" mandate that we have:

- A Client Money Resolution Pack
- A Business continuity and disaster recovery plan, and:
- Have planned to have a contracted supplier of a "Living Will" (a formal resolution agreement)
- A Peer-to-Peer Resolution Manual

Using the FCA guidance, we have designed this plan to set out the governance arrangements, operation procedures, estimated costs and resource requirements for an orderly wind down of the business to a point where it ceases its regulated activities and achieves cancellation of its permission with minimal adverse impact on its clients or counterparties.

It is reviewed once a year in line with the compliance monitoring programme calendar of events.

2. Governance process for wind-down scenario

The Board of eMoneyHub Ltd has ultimate responsibility for the firm and its stakeholders. As such it will determine when the wind-down plan will be invoked.

In the event of a trigger event, the Board may consider multiple options available to support recovery to a viable position, such as finding potential investors to acquire or invest in the stressed business. Where all alternatives have been exhausted, despite positive management actions, the wind-down plan is invoked.

Clearly for any business the wind down plan is an action of last resort, but it is recognised that if the board considers that the business is not a going concern then the implementation of the wind down plan must be considered.

As parent company of the group, should the wind down plan be invoked by the Board then all subsidiary companies will form part of the plan. Separate workgroups for each subsidiary may be set up to report back to the board and the wind down plan leader.

On conclusion of the wind down plan the Board, via the wind down plan leader, will formally notify the permission granting authority of its cessation of activity and request withdrawal of permissions.

3. Operational Analysis for winding down.

Timeline planning

On invocation of the plan a realistic project management timeline will be presented to the board by the wind down leader. This timeline will include, communications, finance handover, staffing plan, “living will” provider hand over, and regulator liaison.

Communication Plan

Notification of the wind down and next steps to be distributed to all stakeholders:

- Borrowers
- Lenders
- Staff
- Shareholders
- Introducers
- Professional advisers (accountants, auditors, lawyer, administrator etc)
- Living Will provider
- Suppliers (IT, premises etc)
- Regulators

Finance handover

This is detailed in the CASS resolution pack and may happen within 48 hours of invocation.

Staffing plan:

The core staff identified to execute the wind down plan are:

CEO with admin support. As the staff base grows there is a potential for HR support (managing redundancies) but this will be reviewed as the firm grows.

“Living Will provider”.

The “living will provider”, is on a retained contract to supply services to run off the loan book on a ‘trigger event’. Invocation of the wind down plan would be deemed a trigger event and full details can be found in the resolution agreement (The resolution plan states that the living will provider will provide the service "under their regulatory permissions or of those under an outsourced arrangement." Presently it is the intention to temporarily outsource to a documented third party until the living will provider has secured the required permissions which it has previously held (namely debt administration and debt collection). Should this variation of permission not be forthcoming then the outsourcing contract with the documented third party would run until the entire book has run off.

The living will provider does not hold HMRC ISA Manager Status, so an agreement has been confirmed with a further third-party compliance solution provider to provide IF-ISA manager services within 2 weeks of a ‘trigger event’ through a one off set up fee and a fixed monthly service fee.

4. Estimated revenue/ cost schedule of the wind down.

In order to prolong the estimation of time it would take the FCA to remove the Part 4a permissions, we assume a minimum adequate requirement for resourcing. Additionally, new business would cease so that part of the operation, and its associated costs, would stop immediately.

The loan book business model works on a monthly gross margin basis, therefore the costs of the orderly wind-down of the loan book, by the firm or "living will provider" are covered by the gross margin. Regardless of the 'shape' and size of the loan book at invocation of the wind-down plan and taking into consideration the shrinking book volume as loans mature, gross margin is earned on all risk grades from the loan book. In other words, there is an ongoing revenue stream which covers the expenditure of running down the loan book.

Additionally, any late payments and arrears handling administrative costs are covered by the fee schedule charged to borrowers in this position.

5. Resource assessment

The two main resource requirements for wind down are people and systems.

Systems are fully owned and therefore do not have ongoing licensing costs falling due. They are deemed an asset that crosses both financial and non-financial resources.

Being a start up technology led finance firm, it is used to operating with limited resources and operated for 2 years with a governing board and 2 members of staff.

The key individual and significant shareholder is the CEO. It is inherently in their own interests to stay to wind down the business so additional financial resource would not be required for their retention. Administration resource can be adequately met by 1 FTE.

The cash requirement to maintain this minimum adequate resource is modelled and documented.

6. Review

This plan is part of the compliance monitoring programme and is entered into the calendar of activities. It will be reviewed on its anniversary and re-approval sought at board level.