

Introduction to the UK's FCA Statement of Policy on Operational Resilience

What	<p>The UK's FCA Statement of Policy on Operational Resilience addresses four areas of the financial services and insurance regulatory framework:</p> <ul style="list-style-type: none">• Governance,• Operational risk management,• Business continuity planning,• The management of outsourced relationships. <p>The Statement's objective is to:</p> <ul style="list-style-type: none">• Prioritize the things that matter (identify important business services and map their delivery),• Set clear standards for operational resilience (referred to as impact tolerances),• Invest to build resilience (to remain within impact tolerances).	<p>By March 31, 2022, regulated service providers must have:</p> <ul style="list-style-type: none">• Ensured visibility by identifying critical applications and vulnerabilities,• Ensured reliability by defining impact tolerances,• Ensured agility by identifying and implementing solutions to address vulnerabilities and meet impact tolerances. <p>The FCA Statement evolves from previous risk management approaches to a focus on building operational strength and readiness for inevitability of disruption.</p>
Where	<p>The Statement applies to UK-based banks, insurers, and e-money providers. It does not apply to European Economic Area firms.</p>	
When	<p>Proposed: July 9, 2018 Issued: March 29, 2021 Implementation period ends: March 31, 2022 Transitional period: March 31, 2022-March 31, 2025</p>	<p>During the transitional period, firms are expected to continue mapping and scenario testing to ensure that they are able to remain within their impact tolerances by no later than March 31, 2025.</p>
Why	<p>Operational resilience is an iterative and evolving process.</p> <p>Regulators recognized the increasing challenges financial services firms faced in managing disruption. The Statement was initiated in 2018 (before the pandemic!) to ensure the ability of the UK financial system to “prevent, adapt, respond to, recover and learn from operational disruptions.”</p>	

Note: This document is intended as a high-level introduction to the UK FCA Operational Resilience requirements and does not constitute legal advice. Dual-regulated firms should consult both PRA and FCA policies, as requirements differ.

Sources:

FCA Policy Statement 21/3. See <https://www.fca.org.uk/publication/policy/ps21-3-operational-resilience.pdf>

PRA Statement of Policy, Operational Resilience, 29 March 2021. See <https://www.bankofengland.co.uk/prudential-regulation/publication/2021/march/operational-resilience-sop>

Operational resilience checklist

Obligation: Identifying important business services

Firms are required to identify the services they provide which, if disrupted, “could potentially cause intolerable harm to the consumers of the firm’s services or a risk to market integrity.”

- ☐ What tools will you use to consistently review and “identify important business services at least annually, or whenever there is a relevant change to your business or the market?”
- ☐ Are business capability maps created and accessible for all important business services?

Obligation: Impact tolerances

Firms must set impact tolerances for their important business services;

- Firms must define the point at which disruption to such services would cause intolerable harm to consumers or a risk to market integrity.
- Firms must operate within tolerance at all times including during severe but plausible scenarios.
- The ability of firms to deliver their important business services within their impact tolerances depends upon appropriate reporting and accountability to be in place throughout the firm.
- Firms may need to collaborate with vendors to set impact tolerances for outsourced services.

- ☐ Is your impact tolerance reporting accessible, consistent, and standards-based?
- ☐ Are vulnerabilities, accountabilities, and dependencies mapped to potential contingencies?

Obligation: Mapping

Firms must identify and document the “people, processes, technology, facilities and information (resources)” necessary to deliver each of their important business services.

Firms may require assistance from vendors to map their outsourced services, particularly where those services rely on providers further down a supply chain.

- ☐ Does your current toolset support mapping inter-connected dependencies across firms/ sectors and markets?
- ☐ How have you adapted systems, processes, and controls to address emerging people risks?

Obligation: Scenario Testing

Firms must perform scenario testing to assess their ability to remain within impact tolerances for each important business service in the event of a range of adverse scenarios, including severe but plausible disruptions. Firms should work with vendors to facilitate testing.

- ☐ Are “as-is” and “to-be” models established for important business processes?
- ☐ Does your testing support external vendor mapping?
- ☐ How are you improving your level of sophistication of mapping and testing over time?

Obligation: Communications

Firms must have plans in place to provide important warnings or advice quickly to clients and other stakeholders, to gather information about the cause, extent, and impact of operational incidents; and ensure that their choice of communication method takes account of the circumstances, needs, and vulnerabilities of their clients and other stakeholders.

- ☐ Do internal teams have shared access to up-to-date architecture diagrams and process documentation so they can reassess impact tolerances frequently and respond quickly and appropriately to disruptive events?

Go beyond the checklist

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