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MAKING AN
IMPACT THAT
MATTERS
since 1845

Operational Resilience
Programme progress
and characteristics

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In December 2019 the PRA and FCA released joint Consultation Papers (CP) outlining their proposals designed to improve the operational resilience of the UK financial services (FS) sector. The joint CP closed for comments in October 2020 and the regulators published their final Policy Statements on 29th March 2021.

In Q3 2020 we conducted a survey of FS firms to understand their preparedness for adopting the expected requirements for Operational Resilience. The survey also asked participants to provide insight into their responses to Covid-19. With 47 respondents, the survey provides an opportunity for firms to benchmark their readiness against peers in advance of the expected Supervisory Statements. Our survey report also highlights key action points for the roll out of an Operational Resilience programme in line with the CP and within expected required timelines.
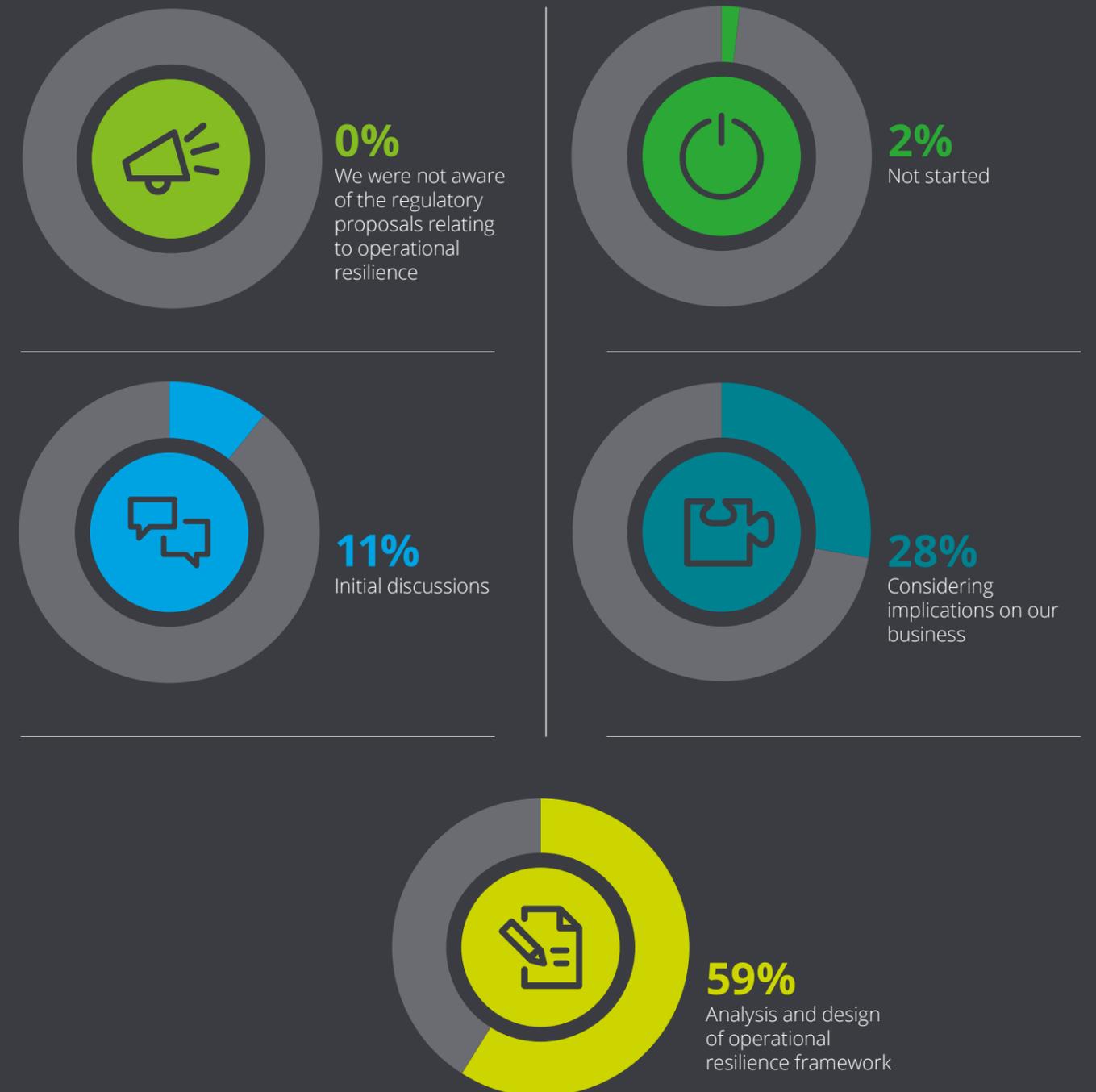
This report extract covers one of the four broad areas of the report: Operational resilience programme progress and characteristics.

Please click here for the full report overview.

Contents

Where is your organisation in understanding the recent PRA and FCA proposals relating to operational resilience?

0%
We were not aware of the regulatory proposals relating to operational resilience

2%
Not started

11%
Initial discussions

28%
Considering implications on our business

59%
Analysis and design of operational resilience framework

There is quite a bit of complexity in an operational resilience programme to get through the various stages of implementation, which include important business service identification, process and resource mapping, impact tolerance setting, scenario stress testing and a Board self-assessment being run completely for the first time. Progress has been made with operational resilience programmes for virtually all respondents, **59%** have started working on their framework. However, **13%** have either not started at all or are only at initial discussion stage. Some respondents have paused their programme until the final regulation is published, however discussions with the regulators have indicated that the supervisory statements will closely reflect the principles within the CP.

Insights

Any firm not already started on their framework may be considered to be close to the standard critical path for meeting expected implementation timelines. Efficient programme accelerators should be sought where needed to bring the programme back inside the expected timeline.

How many important business services has your organisation identified?

19% We have to started doing so yet

0% 0

19% 1 - 5

30% 6 - 10

26% 11 - 20
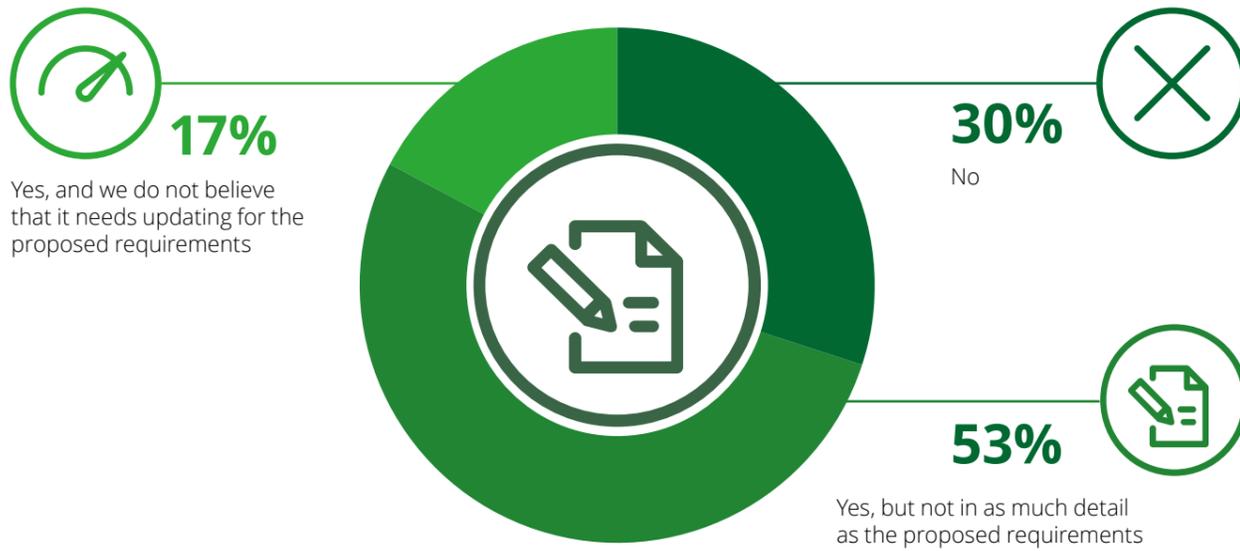
4% 21 - 30

2% 31+

Sector bodies have tried to create taxonomies of important business services (IBSs). These have generally proved to be high level and generic, as companies and products are different, however they are useful as there will be some similarities within sectors and sub sectors. Respondents had a wide range of answers, although **19%** have not started identifying their IBSs and there is still a material amount of work to be done even once these services are identified. **56%** of respondents were in the range between 6 and 20 business services, with only **6%** having more than this. This majority range does seem sensible and takes into consideration globally complex businesses and that the regulators are looking for a measured and proportional response and approach. One respondent pleasingly did state their number had grown since the release of the CP as they now realise their IBSs were at too high a level. We still see variation in how IBSs are being defined, so we recommend sharing drafts within industry forums. Some respondents did caveat their numbers provided were estimates as they had not finalised their list of IBSs.

Insights

Getting started on the programme is key if the IBS stage has not been reached yet. The regulators are looking for a proportionate and consistent approach, so making sure the impact of each business service is assessed properly and consistently against each of the three lenses (customer harm, market stability and firm viability) is key to reaching a correct and sensible number and selection.

Has your organisation previously completed resource mapping of important business services?

17%

Yes, and we do not believe that it needs updating for the proposed requirements

30%

No

53%

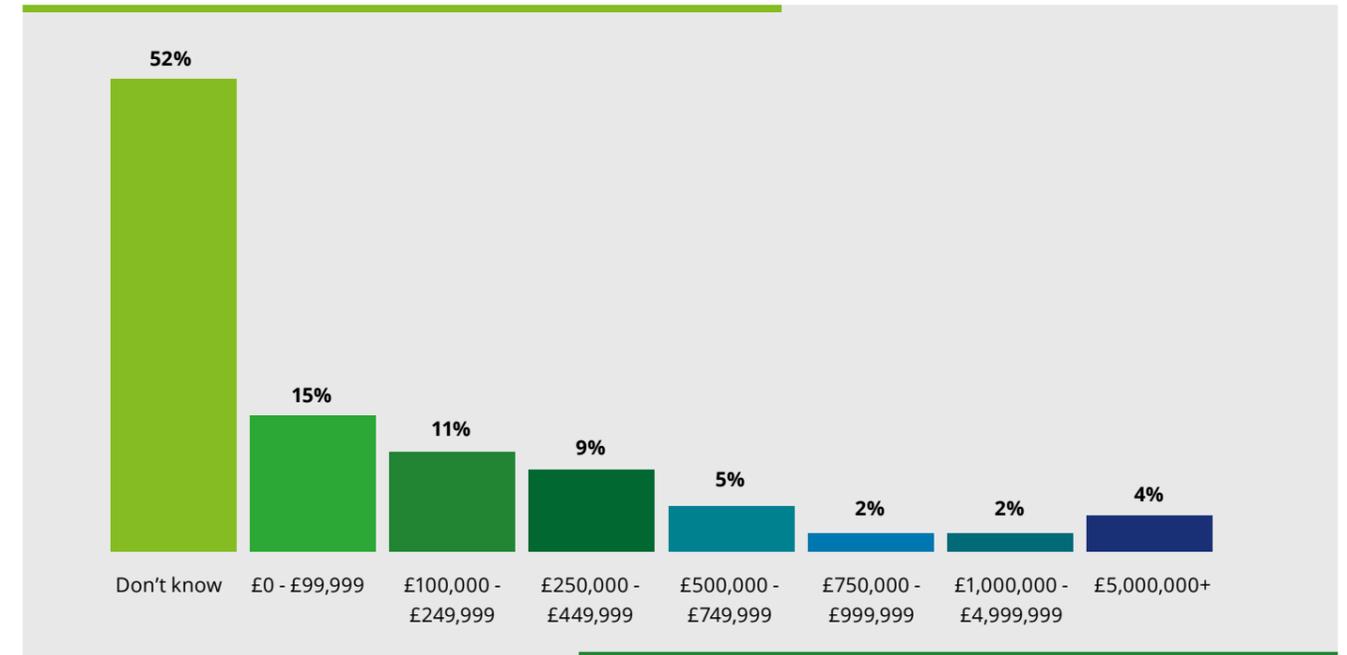Yes, but not in as much detail as the proposed requirements

With the COVID-19 guidance from regulators closely matching the content of the consultation paper, the current environment, although very unfortunate, is a very good dry run of how well the granular detail of programmes are to date, with this being a 'severe but plausible' disruption. Although **70%** had performed some form of mapping prior to the regulators discussion and consultation papers, what is very telling is that **83%** of respondents had either not done the mapping work already or it was not completed to the required accuracy and detail required for the CP. This highlights both how useful the CP is in improving resilience understanding for most firms, but also that, again, maintaining accurate mapping information is very important.

Insights

Accurate mapping is key to be able to correctly identify all critical resources, the composition and completeness of substitutes and identifying possible vulnerabilities in the way resources are designed and implemented. Learnings from COVID-19 responses should be considered to ensure accuracy and completeness of mappings.

Given the wide range of the expected implementation costs noted by the PRA and FCA in their Consultations Papers (CP), what are your organisation's estimated costs in responding to the proposed requirements once finalised, up to producing the first Board self-assessment?

Category	%
Don't know	52%
£0 - £99,999	15%
£100,000 - £249,999	11%
£250,000 - £449,999	9%
£500,000 - £749,999	5%
£750,000 - £999,999	2%
£1,000,000 - £4,999,999	2%
£5,000,000+	4%

The consultation paper provided some analysis over industry expectations for possible costs to implement and also to maintain an operational resilience programme. With the implementation deadline expected to be in Q1 2022, it would be expected that budgets for operational resilience would be at least in draft for next year. But **52%** of respondents had not yet estimated their implementation costs. For those who have estimated this cost, it follows a general pattern of a reducing number of respondents as the cost bracket increases, with the only exception being a cluster of banking respondents with budgets of over £5m. Tellingly, one respondent remarked that their estimates are materially above the figures estimated in the CP, thus getting estimates set and approved this quarter is very important.

Insights

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