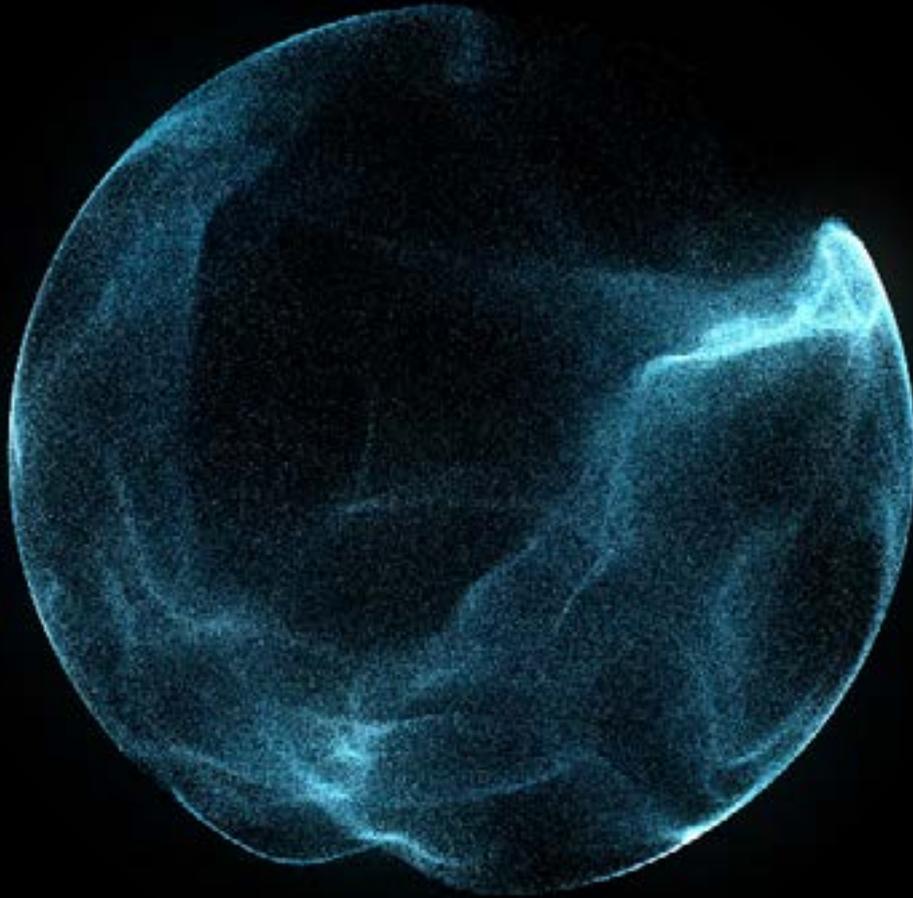


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Operational
Resilience
programme
governance





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.

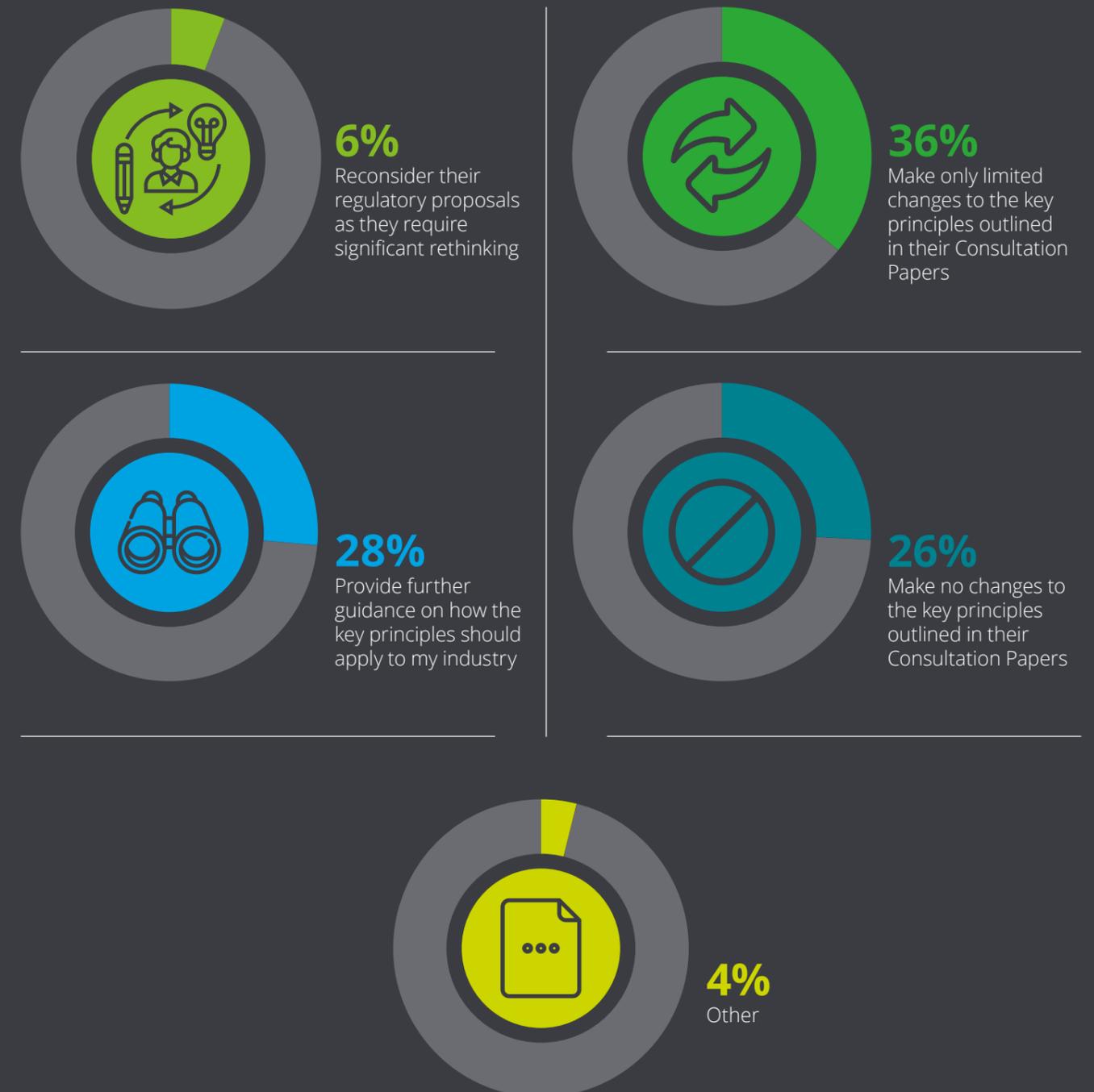
This report extract covers one of the four broad areas of the report:
Operational resilience programme governance.

Please [click here](#) for the full report overview.

Contents

Changes to the Consultation Papers	04
Changes to proposed timelines	06
Consultation Paper usefulness in COVID-19 reponse	07

Considering how your organisation has responded to COVID-19 to date, do you think the PRA and FCA need to (refer graph key for detailed options):



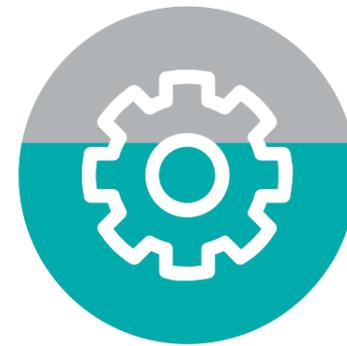
42% of respondents think that the proposals need some form of change to the principles within. Comments from some respondents wanting further guidance (28%) were around reconsideration of applicability and proportionate application on the nature or size of business. One respondent questioned the practicality of substituting some outsourcing providers. 54% of the respondents were happy with all of the principles, and it is expected that the final regulation will have a greater level of guidance around some of the principles. Those in the 'other' category expect the regulator to update the guidance in light of the current COVID-19 experiences.

Insights

The principles of the regulations are widely seen as very sensible to safeguard customers, the UK economy and the viability of individual firms. Communicating with other firms and working groups to share experiences on how to efficiently adopt the principles is beneficial to grow everyone's knowledge and need not be restricted in many cases to individual sectors as the principles are uniformly applicable

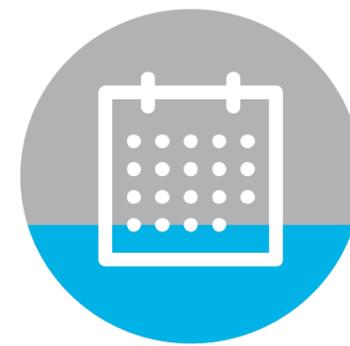


The closure of the consultation period has been delayed by the PRA and FCA in light of COVID-19 to 1 October 2020, meaning that implementation will now not occur until after year end 2021. Considering the operational lessons learnt from COVID-19 so far, do you think the regulators need to (refer graph key for detailed options):



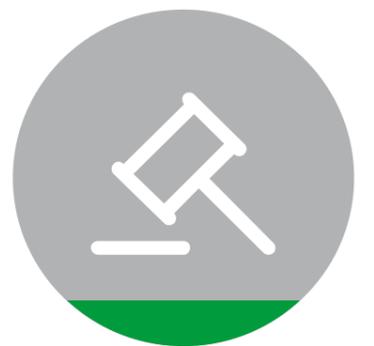
62%

Maintain the current timeline for consultation and implementation of regulatory policy



30%

Extend the amended timeline for implementation of regulatory policy even further



8%

Withdraw the consultation and reconsider them in light of the amended circumstances

It is expected that the regulation will require firms to implement their operational resilience programme within 12 months of the publishing of the final regulation (expected Q1 2021). 'Implementation' is seen to be when a Board can report which of their important business services are not able to restore within their associated tolerance statements, and why not. 62% of respondents believe the proposed timelines should be maintained. For the 38% that did not agree with the timetable, given the tight timelines are unlikely to be shifted based upon regulator discussions, it is very prudent to press on with operational resilience programmes and participate in forums to share approaches and interpretations.

Insights

It is critical that firms reassess their programme progress and get more comfortable on how to meet the expected implementation deadlines. Given the regulator briefings and recent letters to all sizes of firms with impacted services under market volatility, timeliness of operational resilience enhancement is considered important.



Have you found the consultation papers regarding operational resilience to be useful in defining your organisation's response to both COVID-19 and any recent information requests which have been made by the PRA or FCA?



76% of respondents stated they found the consultation papers useful with their COVID-19 response, however only half of these cited using their CP preparatory work. Many found COVID-19 helped cement the importance of the CP and it would help shape their programme. Given a number of regulator statements during early COVID-19 directly lifted concepts and wording from the consultation paper, the regulator drew parallels between principles and actions under the CP and what is expected during COVID-19. Although 24% did not find the CP at all useful in their COVID-19 response, this may also reflect the progress or completeness of approach of operational resilience programmes.

Insights

COVID-19 offers up very applicable learnings with regards to each of the resource types and possible vulnerabilities in a 'severe but plausible' scenario. Applying the lessons learned from COVID-19 back to operational resilience programmes is key.



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