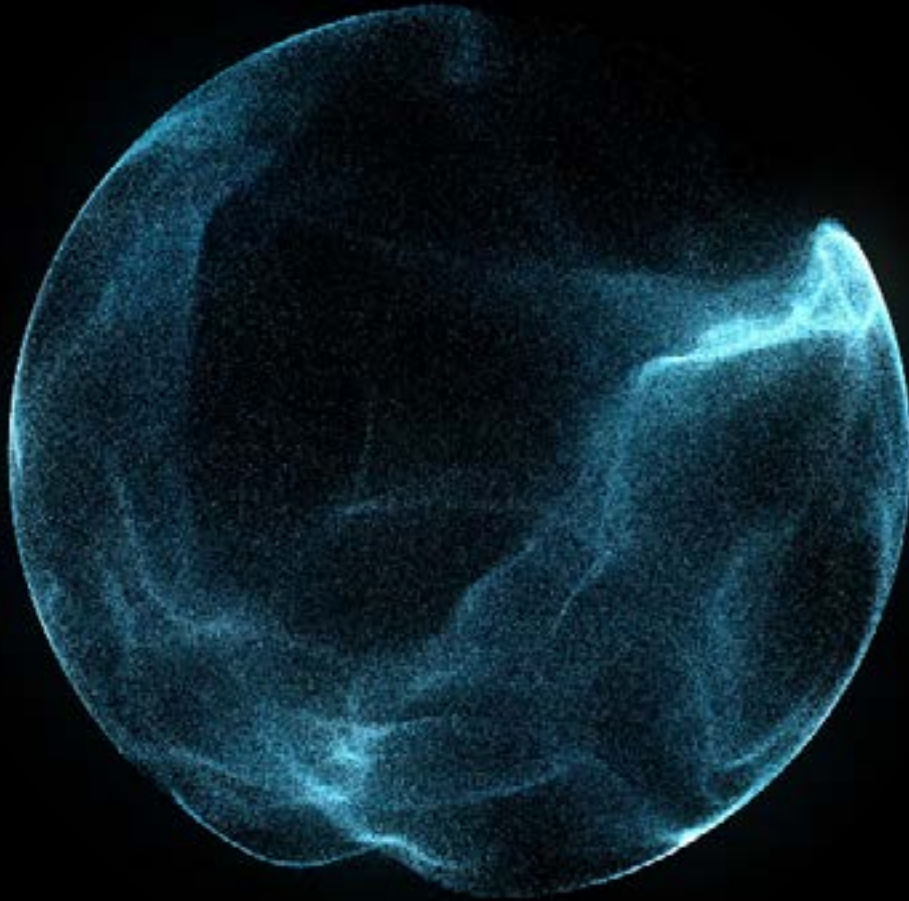
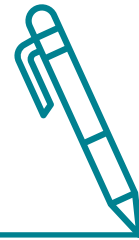


Deloitte.



Level of
preparedness and
impact of COVID-19





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.

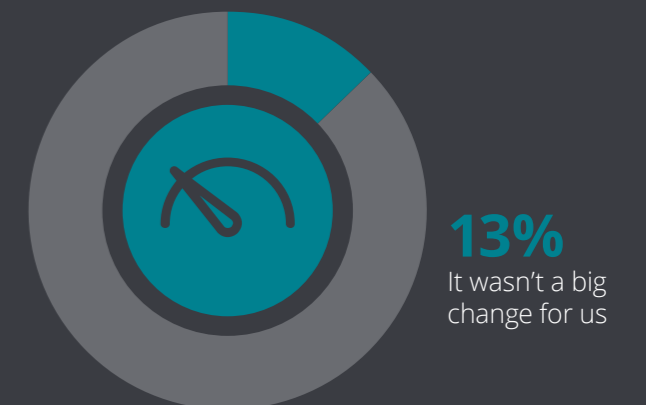
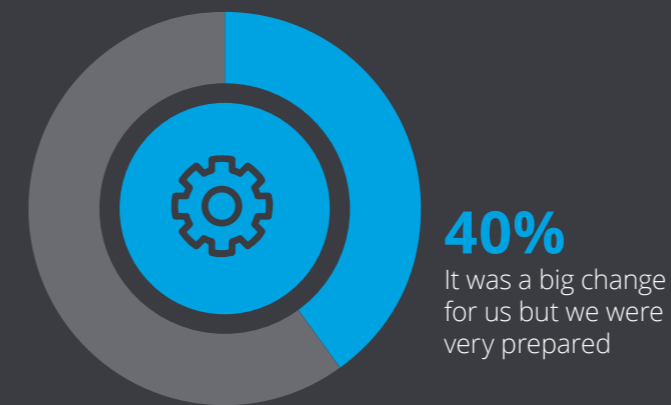
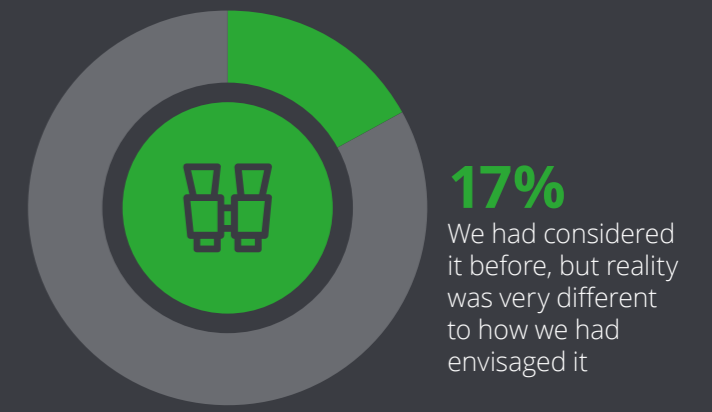
This report extract covers one of the four broad areas of the report:
Level of preparedness and impact of COVID-19.

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

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How prepared do you feel your organisation was culturally for the introduction of the 'new normal' of widespread remote working?



87% of respondents stated that the change to widespread remote working was a material cultural change or that they had not even considered this possibility. Looking at the results via a different lens, **53%** felt sufficiently prepared for widespread remote working. Respondents commented that although used to working from home, the breadth and longevity was a material cultural factor, and the technology was ready but the impact on practices was much wider. This enforces the regulator view that firms should broaden their consideration of 'severe but plausible' impacting events and better prepare in multiple ways for them, having a 'plan B or plan C'.



Insights

It is key when reaching the scenario stress testing phase of a programme that the set of scenarios are broad enough and stress levels are reaching the required 'severe but plausible' levels regulators expect.

How well did your organisation's technology infrastructure stand up to the move to widespread remote working?



2%

We have had material issues



9%

We needed to implement major changes to correct minor issues



70%

We needed to implement minor changes to correct minor issues



19%

We didn't need to make any changes

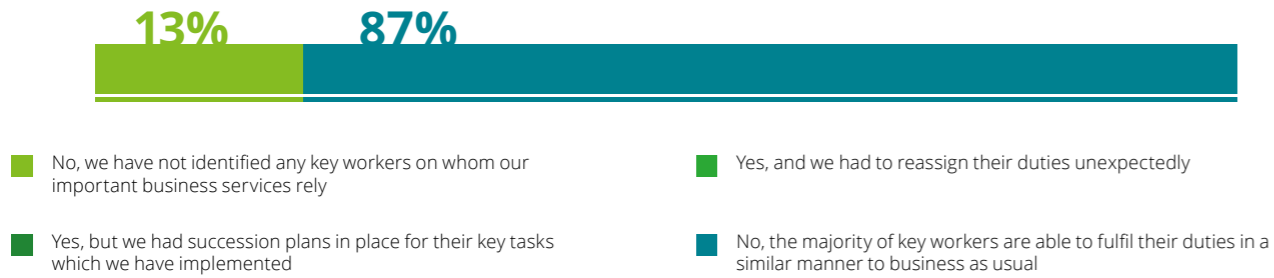
Technology preparation was one of the most consistent set of answers across sectors, with the results showing a difference to what might have been anticipated. **89%** of respondents said they needed no or only minor changes to their technology infrastructure for widespread remote working. Respondent comments were mainly regarding hardware and software capacity adjustments. One respondent has even strategically moved to the cloud during COVID-19 to increase resilience, and others remarked it accelerated their digital change programmes. This does support that when it comes to business change, behaviours and operations, rather than IT, are generally more challenging to modify and should be considered in future change projects. It also shows that without IT preparedness and resilience, the operational impact of COVID-19 would have been greater.

Insights

There is an indication that within environments it is easier to implement IT than it is to change culture. This is a key learning for all change projects in general to really consider the holistic change required. Also embedding IT responsiveness will be key for resilience across a wide set of scenarios.



Has your organisation experienced significant absenteeism from the key workers on whom the continued provision of your important business services rely?



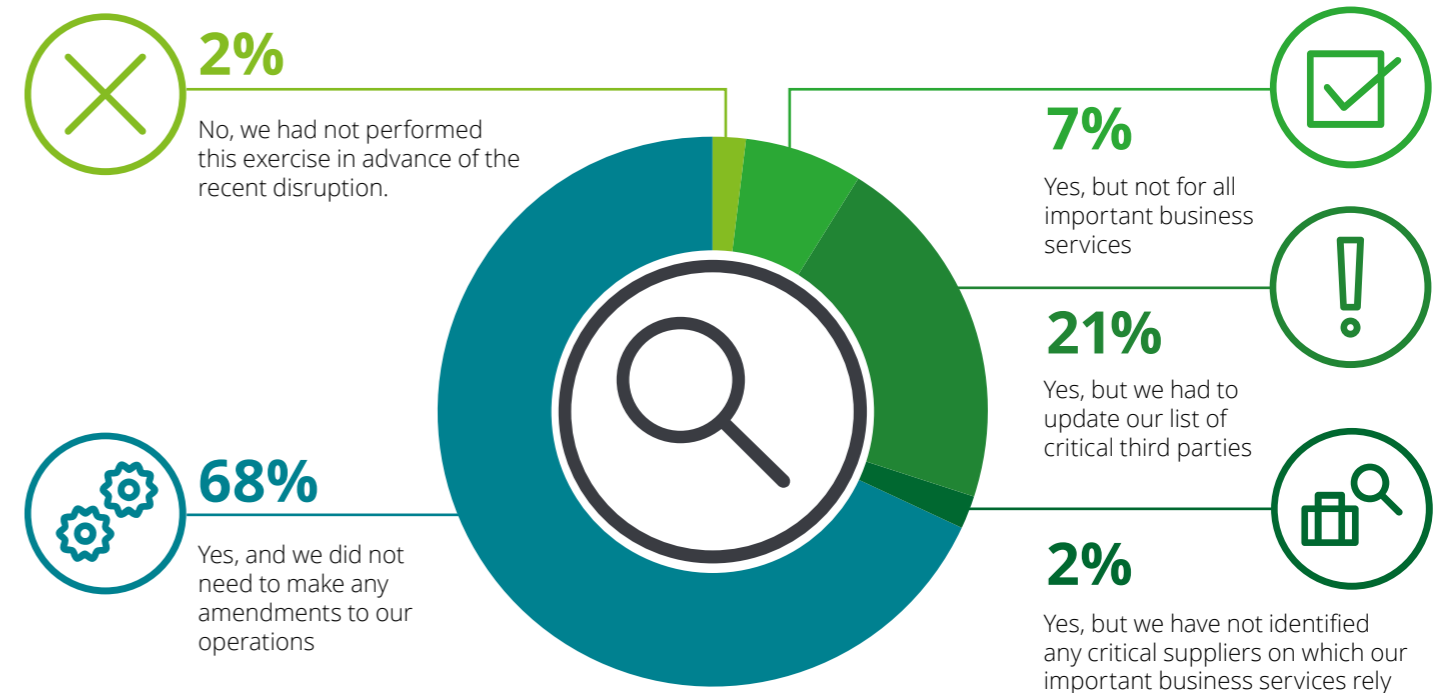
None of the respondents had experienced material absenteeism for key workers, although some respondents noted the stacking up of holiday allowances may turn into an issue. Others noted that absenteeism was no longer an issue now modified working practices had bedded in. But it raises the question of complete and accurate mapping of critical resources as 13% of respondents claimed they had no key workers who are mapped to their IBSs. Given the nature of financial services with specialist knowledge and qualifications, some may find this surprising. However it should be noted some respondents are not advanced with their programme and some found existing mappings were not complete or accurate. More complete and detailed mapping of people resource dependencies may modify this number downwards in the near future.

Insights

Mapping resources to IBSs is a key activity of a programme. It should be accurate and sufficiently detailed, especially to identify which resources are critical. Key dependencies, that are more difficult to substitute, are common sources of resilience vulnerabilities, which may include very skilled staff.



In advance of the recent disruption, had your organisation identified critical third parties on which your important business services rely upon?



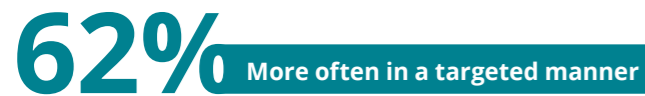
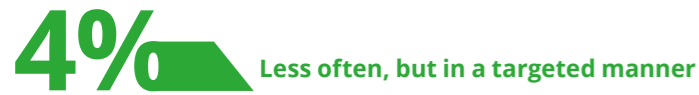
With it being 8 years since the Dear CEO letter highlighted desired enhanced governance over third parties, and regulator intense focus not waning in this area, 98% of respondents had some third party mapping in place prior to COVID-19. However, 28% of respondents needed to modify their mapping and understanding of their critical third parties. One respondent stated the breadth of technology had not been fully captured and another highlighted up the detail in their BCP needed enhancing. This seems a high proportion given the constant regulator focus on outsourcing governance and should be addressed for an accurate operational resilience framework. It also highlights up the criticality in keeping this information up to date. As operational resilience programmes progress, it is expected that the accuracy of resource mapping will improve and these statistics should improve.

Insights

Given the dependence on counterparties within the IM sector, it is key to understand the criticality of third parties on IBSs. Given difficulties in substitutability, these are more likely than not to be resilience vulnerabilities.



Compared to business as usual prior to the recent disruption, is your organisation operating its governance processes and oversight over these critical third parties?



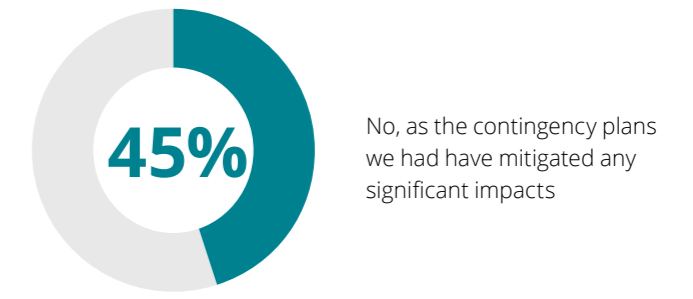
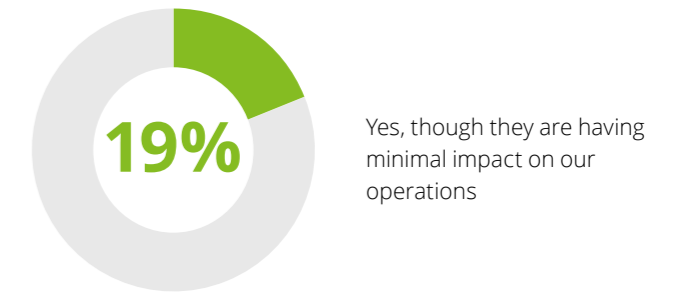
Given possible disruption could be occurring to all companies, the regulator reiterated governance over critical third parties to be able to anticipate impacts during COVID-19. Although **64%** of respondents said they increased the frequency of this critical third party governance, **36%** said they did not change their approach or reduced the frequency of governance. Given the impact of COVID-19 was felt by all firms, it is expected that generally the risk around third party services would be elevated and oversight would be greater. With further waves of COVID-19 expected, other approaches may require reconsideration.

Insights

With a second wave of COVID-19 now hitting, it is key to reappraise the suitability of governance procedures over critical third parties and counterparties as any forewarning of service disruptions externally will aid communications with your own customers for any expected linked impact to your own services.



Has the current scenario highlighted any dependencies on a single location which your organisation was not previously aware of?



81% of respondents stated that COVID-19 has not highlighted any dependence on a single location and **no respondents** reported material impacts on operations due to locational dependencies. Some respondents highlighted issues with offshore sites due to contingency plans not being in place. It did prompt a response that physical locations have been proven to not be a dependency anymore, whereas others highlighted some key activities still require a physical office. **36%** of respondents stated that they have not identified any locations that their important business services are dependent on. As many expect that the 'new normal' will still involve some degree of office based working, there is an expectation that buildings would still be mapped in as 'business as usual' used resource dependencies, albeit with technological substitutes as the 'plan B' currently being experiencing under COVID-19 conditions. The **45%** of respondents that avoided significant impacts from locational dependencies through effective contingency planning highlights that contingency and crisis planning is a key component of an operational resilience framework.

Insights

It is important to consider each of the resource types when mapping your critical resources to important business services. These should be buildings, people, technology, third / group parties and data. Contingency and crisis plans should be reassessed, especially for critical offshore resources.





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