

How to prepare for What's Next for Operational Resilience

ConnectedGRC

Introductions



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DP3/22 – Operational resilience: Critical third parties to the UK financial sector

PRA Discussion Paper 3/22 | FCA Discussion Paper 22/3

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Foreword

1: Introduction

Definitions

Discussion Paper Structure

Responses and next steps

2: The need for additional measures to manage the systemic risks posed by CTPs

Implications of firms' and FMI's increasing dependency on third parties

Risks

The evolving UK regulatory framework and CTPs

• liquidation and close-out.

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The discussion paper will explain if responses will be shared with other organisations. If this is the case, the other organisation will also review the responses and may also contact you to clarify aspects of your response.

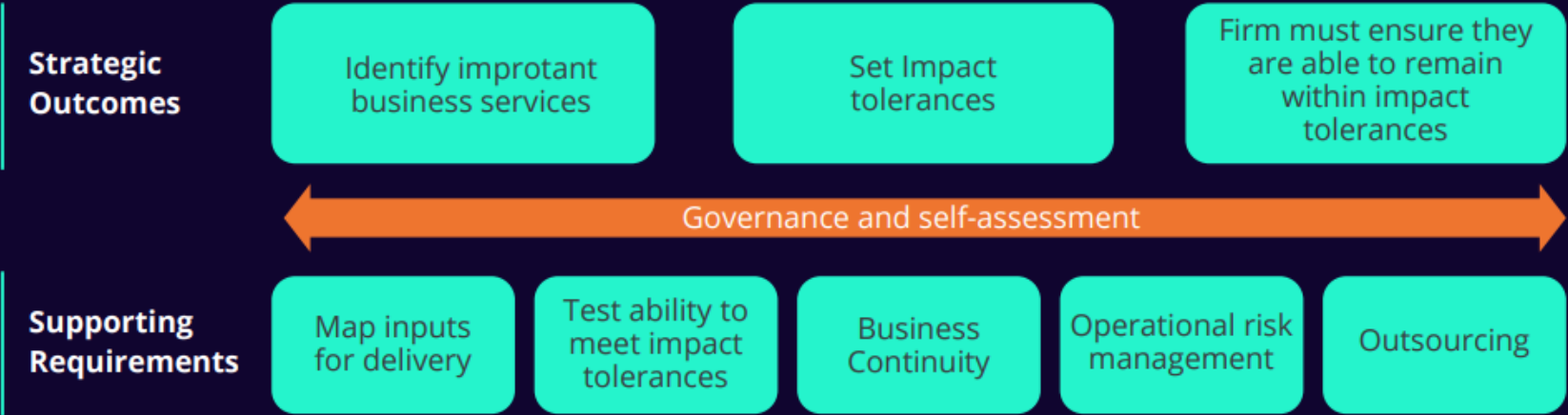
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CEO Letter to International Banks Jan '22

& DP3/22

- Financial Resilience-Archegos Capital
- **Operational Risk & Resilience**
- Financial Risks Arising from Climate Change
- Diversity & Inclusion
- Risk-Free Rate Transition
- Data Growth- RegTech and Data Strategy, Reporting & Infosec and accuracy audit
- **DP3/22 Op. Res.- Critical 3rd Parties July22**

Figure 1: The relationship between the PRA’s operational resilience policy with other key areas of the PRA’s regulatory framework



The framework of: identifying important business services; setting impact tolerances; and taking actions to be able to remain within impact tolerances set the strategic direction that the PRA expect firms to take. To achieve the strategy, firms must:

- Map resources;
- Test their ability to remain within impact tolerances;
- Implement BCP requirements;
- Implement operational risk management requirements; and
- Implement outsourcing requirements.

Governance is an inherent part of each of the above elements, and self-assessment looks at how all of these elements combine to build the resilience of a firm.

PRA Supervisory Statement SS1/21

- Important Business Services
- Impact Tolerances
- Actions to remain within Impact Tolerance
- Policy Implementation
- Mapping to
 - Identify Vulnerabilities
 - Test ability to remain within Impact Tolerance
- Scenario Testing
- Governance
- Self Assessment
- Group Aggregation – Capital Requirements Regulated firms

Discussion Paper for Critical Third Parties

Potential factors relevant to CTP designation		
Materiality	Concentration	Potential impact
Economic functions in SS19/13	Number and type of firms/ FMs that use a third party	Aggregation risk
Critical services/ Critical functions	Direct and indirect dependences	Substitutability
Certain important business services	Market share in 'material' services	Survivability