



Flash update

Building Operational Resilience: The PRA view



Summary

On 5 May 2021, Lyndon Nelson (Deputy CEO of the PRA), delivered a speech to UK Finance, following the publication of PS6/21: "Operational Resilience: Impact tolerances for importance business services" in March this year. The key points arising from this speech are as follows:

- Co-ordination by the Financial Policy Committee, the FCA, the Bank of England and the PRA was an important policy goal in the publication of PS6/21. It is the intention of all four regulators to operate the same regime, regardless of the language and definitions that may be used by each regulator.
 - Where the regulators do differ, however, is in their objectives. Firms should be able to demonstrate how they meet each regulator's respective objectives.
 - It is important for firms to get to grips with outcomes based regulation. Operational risk is constantly evolving and key aspects, such as cyber risk, involve a conscious opponent seeking to do harm. As a result, there is a need to avoid rigid and overly prescribed regimes and firms should not expect detailed guidance.
 - There is little appetite to delay implementation, but there is also a cognisance that the regulator needs to be proportionate. The key word in PS6/21 is "sophistication". Ultimately, the PRA understands that approaches to mapping/testing will evolve over time and it does not expect that everything will have been completed by 31 March 2022.
 - The nature of operational risk is very different to traditional risks, such as finance risk, where a firm can be bailed out. With operational risk there is no "operator of last resort". As a result, there is an increasing realisation that collective action is a better way forward.
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Impact and actions

By 31 March 2022, the PRA expects Boards and Senior Management to have a grip on the key issues facing their firm and have a plan in place to address them. The best way forward for firms is to identify their vulnerabilities, piece together the scenarios that would expose those vulnerabilities and then ask themselves how probable those scenarios are. Firms can expect differing levels of engagement from their supervisors depending on their level of satisfaction with the progress being made by firms.

Firms should also consider investing in collective action, through which they can seek to share knowledge, best practice and calibrate their operational resilience programmes. Where third parties provide important business services across a number of organisations, there may also be opportunities to approach and review such services in a collaborative fashion.



RAG rating

Impact in more than six months



Links

[Operational resilience – outcomes in practice - speech by Lyndon Nelson | Bank of England](#)

[PS6/21: “Operational Resilience: Impact tolerances for importance business services”](#)



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