Side by side regulatory comparison

Baringa
Brighter together

This table compares the more developed recent regulatory publications on operational resilience, highlighting areas of divergence and the implications of these

	UK	US	IRELAND	BCBS
KEY DOCUMENT	PRA and FCA policy statements 'Operational Resilience: Impact tolerances for important business services', published March 2021.	The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation interagency paper 'Sound Practices to Strengthen Operational Resilience', published October 2020.	'Consultation on Cross Industry Guidance on Operational Resilience', published April 2021.	'Principles for Operational Resilience', published March 2021.
DEFINITION OF OPERATIONAL RESILIENCE SUMMARY: Broadly consistent definition of operational resilience across regulators	The ability of firms and the financial sector as a whole to **prevent, adapt, respond to, recover from, and learn from operational disruptions**	The ability to **deliver operations, including critical operations and core business lines, through a disruption from any hazard**. It is the outcome of effective operational risk management combined with sufficient financial and operational resources to **prepare, adapt, withstand, and recover from disruptions**.	The ability of a firm, and the financial services sector as a whole, **to identify and prepare for, respond and adapt to, recover and learn from an operational disruption.**	The ability of a bank to **deliver critical operations through disruption**. The BCBS reference that this ability in turn enables a bank to **identify and protect itself from threats and potential failures, respond and adapt to, as well as recover and learn from disruptive events.**
ACCOUNTABILITY & OVERSIGHT SUMMARY: All regulators place significant responsibility with the Board, although resilience responsibilities articulated by UK and Irish regulators are more specific. The UK also places more responsibility on the shoulders of a single member of the senior management team.	**Accountability for operational resilience sits with the Board**. This includes responsibility for approving and reviewing a firm's important business services annually, as well as approving and reviewing a firm's impact tolerances and self assessment, and in the case of the FCA, the mapping exercise. From a senior management perspective, **responsibility for implementing operational resilience policies and reporting to the board sits with the SMF24 function (Chief Operations Function).**	**Significant Board responsibility, but no specific overarching operational resilience responsibility articulated.** Board is responsible for approving and reviewing risk appetite for disruption from operational risks (which includes articulating the tolerance for disruption), overseeing the firm's management of operational risk, and working with senior management to ensure appropriate operational resilience practices. **No specific responsibility outlined for a particular member of the senior management team.** Senior management is responsible for maintaining the view of critical operations and core business lines, and developing, implementing, and managing effective and resilient information systems and controls, to remain within the firm's tolerance for disruption.	**Ultimate responsibility for operational resilience sits with the Board.** The Board is responsible for approving the operational resilience strategy and approving and testing the individual components of the framework annually. **No specific accountability outlined for any particular member of the senior management team.** The senior management team is responsible for supporting operational efforts.	**Responsibility for review and approval of a firm's operational resilience approach sits with the Board.** **No specific accountability outlined for any particular member of the senior management team**. Senior management is responsible for implementing the operational resilience approach and ensuring resources are allocated to support this.
TIMINGS FOR IMPLEMENTATION (WHERE RELEVANT)	Firms must comply with the requirements by **31 March 2022**, with a **3 year transition period** for firms to remain within their impact tolerances.	The paper does not revise any existing rules or guidance (i.e. are **currently applicable**).	Closing date for responses to the consultation is 09 July 2021. Firms expected to **comply within two years of the final guidance being issued**.	Principles are for **voluntary adoption**.
FOCUS FOR PRIORITISATION IN A DISRUPTION SUMMARY: Variation between the UK and Irish approaches, which relate to important business services, and the wider scope of the BCBS and US approaches, which relate to critical operations.	Focus is on **important business services**. An important business service is defined by the PRA as a service that, if disrupted, could: ▸ Pose a risk to the **stability of the UK financial system**, ▸ Pose a risk to the **firm's safety and soundness** ▸ Pose a **risk to the appropriate degree if policyholder protection** An important business service is defined by the FCA as a service that, if disrupted, could: ▸ Cause **intolerable levels of harm to any one or more of the firm's clients** ▸ Pose a risk to the **soundness, stability or resilience of the UK financial system or the orderly operation of financial markets**	Focus is on **critical operations and core business lines** Critical operations are operations of the firm, **failure or discontinuance of which would pose a threat to the financial stability of the United States**. Core business lines are business lines of the firm, including associated operations, services, functions, and support, that, in the view of the firm, upon failure would **result in a material loss of revenue, profit, or franchise value**. Firms are also told to identify and address the resilience of **other operations, services and functions for which a disruption could have a significant adverse impact on the firm or its customers**.	Focus on **critical or important business services**. A critical or important business service is defined as a service provided by a firm to an external end user or participant, where a disruption to the provision of the service could cause **material customer detriment; harm market integrity; threaten policyholder protection, a firm's viability, safety and soundness, or financial stability**.	Focus is on **critical operations**. A critical operation is any activity, function, process, or service, the loss of which would be **material to the continued operation of the financial industry participant, financial authority, and/or financial system** concerned. It encompasses critical functions, as defined by the Financial Stability Board (FSB).
UNDERSTANDING HOW DISRUPTION CAN OCCUR SUMMARY: Most regulators require specific mapping of supporting resources	Firms should document/map the necessary **people, processes, technology, facilities and information** required to deliver each of its important business services. Firms also need to accurately **map any relationship outsourced to an external third party.** **Mapping should be updated at least annually**.	**No new mapping requirements identified**. Existing RRP and business continuity regulations require firms to map out **operational interconnections and interdependencies** among a firm's material entities, across business lines, and with significant **third parties. Technology, personnel and premises** are all highlighted.	Firms should document and map the **people, processes, technology, facilities, third party providers and information** required to deliver its important or critical business services. **No frequency of mapping is specified**.	Firms should identify and document/map the **people, technology, processes, information, facilities**, and the interconnections and interdependencies among them, to deliver the bank's critical operations, including those dependent upon **third parties or intragroup arrangements.** **No frequency of mapping is specified**.
DETERMINING ACCEPTABLE LEVELS OF DISRUPTION SUMMARY: Trending towards consistent language around tolerance for disruption, but variation in what level that should apply and how.	Firms should determine **impact tolerances** for each important business service. Impact tolerance is defined as the **maximum tolerable level of disruption to an important business service**. This should be **measured by a length of time**, in addition to any other relevant metrics.	A firm should articulate it's **tolerance for disruption**. Tolerance for disruption is defined as the firm's tolerance for disruption considering its risk profile and the capabilities of its supporting operational environment. **No detail provided on how tolerance should be articulated, or at what level** (i.e. firm level or at the level of critical operation).	Firms should develop **impact tolerances** for each critical or important business service. Impact tolerance is defined as the **maximum acceptable level of disruption to a critical or important business service**, and is distinct to risk appetite as it assumes a risk event has already happened. At a minimum a firm's impact tolerance should include a **time based metric**.	Firms should determine their **tolerance for disruption** for their critical operations. Tolerance for disruption is defined as the **level of disruption from any type of operational risk a bank is willing to accept given a range of severe but plausible scenarios**. No detail provided on how the tolerance should be articulated.
TESTING RESILIENCE TO DISRUPTION SUMMARY: Agreement on the value of testing to ensure firms remain within tolerance. More guidance provided by the UK and Ireland on when that should happen.	Firms should test their ability to remain within tolerance under **severe but plausible scenarios**. Reference to identifying scenarios of varying nature, severity and duration. **Testing should take place regularly**. No specific frequency specified for testing. The FCA further clarifies that testing should take place when there is a material change to a firm's business, important business services or impact tolerances, or following improvements made by the firm in response to a previous test.	Firms should test their tolerance for disruption through the analysis of a range of **severe but plausible scenarios** that would affect their critical operations and core business lines. **Nothing specified on the frequency at which this should be performed**.	Firms should test their ability to remain within tolerance under **severe but plausible scenarios**. Reference to identifying a range of circumstances of varying severity, duration and nature. Nature and frequency of testing should be proportionate to firm size and complexity, but **testing should be at least annual**.	Firms should undertake business continuity exercises to test their ability to deliver critical operations through disruption in a range of **severe but plausible scenarios**. **No guidance provided on the frequency of testing.**