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Dear Sirs,

FCA PRACTITIONER PANEL COMMENTS ON DP18/4 ON OPERATIONAL RESILIENCE

The Panel is pleased to respond to the joint FCA, PRA and Bank of England discussion paper on operational resilience. This is a topic we have been involved with for some time, and we support the creation of the Financial Sector Cyber Collaboration Centre (FSCCC) to enhance the cyber response across the sector. We welcome the acknowledgement by the regulators that they are not seeking a zero-failure regime, and that the discussion paper considers recovery as well as prevention.

Our comments relate mostly to question K:

K) What are readers' views on the proposed developments to the supervisory authorities' approach to operational resilience?

We have comments on two areas, communications and work with other regulators:

Communications

We understand that UK Finance is already involved in communicating to the industry. In our experience, the most effective way of encouraging firms to prioritise appropriately is by means of a 'Dear CEO' letter from the relevant regulatory authorities, detailing their expectations in this area. We believe this would be highly effective in improving both regulatory expectations and help available.

Smaller firms

We recognise that the authorities regulate a broad range of firms, of which the majority are smaller firms. Given the nature of operational resilience, it is possible that failures in such firms will have a disproportionate effect on the market and the economy as a whole. While we do not expect the regulators to expect smaller firms to comply with the full range of potential requirements which could emerge from the discussion, we encourage you to consider developing a proportionate approach so that smaller firms are not left out of any regime entirely, given their possible impact on the resilience of the sector.

Resilience of suppliers

We also have concerns about the resilience of firms which are relied upon by the financial services industry, such as telecoms providers, but which are not in themselves regulated by the FCA or PRA. We encourage the financial services regulators to work with regulators in other sectors, and the Information Commissioner's Office, to develop a coordinated approach and highlight possible points of systemic weakness that may otherwise fall outside the regulatory net.

We would be happy to discuss either of these points further.

Kind regards,

[signed]

Anne Richards
FCA Practitioner Panel Chair