



By email

4 March 2024

Dear Sir/ Madam,

**CP23/30: OPERATIONAL RESILIENCE: CRITICAL THIRD PARTIES TO THE UK FINANCIAL SECTOR**

The Panel broadly supports the proposals set out in this joint consultation, noting that smaller businesses are particularly vulnerable to failures in firms to which they have outsourced key activities. It is vital that CTPs that provide services to firms and financial market infrastructure entities (FMIs) are subject to an appropriate level of regulation and supervision/oversight to manage potential systemic risk to financial services provision.

It is appropriate that the introduction of new requirements and expectations for CTPs sits alongside firms' existing responsibilities to manage their own operational risks when using third party services. We welcome that these proposals will not impose additional requirements on firms and FMIs, and that the respective roles and responsibilities are clearly set out.

We also welcome the regulators' evolving thinking in how they will approach identifying CTPs for recommended designation by HM Treasury. The inclusion of a criteria of 'other drivers of potential systemic impact' alongside 'materiality' and 'concentration' is helpful. The framework will need to allow both for the identification of where there is reliance on e.g. provision of cloud services by Big Tech as well as where there is dependence on providers of specialist services catering to certain sub-sectors. These may be small firms which provide niche but critical services, and where there are no viable alternatives.

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

Yours sincerely,

[signed]

Andy Mielczarek  
*Chair, FCA Smaller Business Practitioner Panel*