



Global financial services
specialists

Sionic
Operational
Resilience
Market Insights
Survey

February 2022

Specialism at scale



Executive Summary



Sionic's Operational Resilience Market Insights provides an overview of the results of the Operational Resilience survey undertaken by Sionic in early 2022. It also includes insights based on Sionic's **direct experience working with clients** at all stages of their Operational Resilience programmes



Introduction

In January 2022, Sionic undertook a survey in relation to the FCA and PRA's Operational Resilience regulation, which is due to come into force in March 2022.

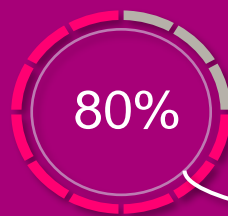
The survey was issued to a cross-section of participants in the wealth management and private banking sector.

The purpose of the survey was to gain an insight into where firms are in their Operational Resilience programmes, as well as to gain insight into the challenges firms face.

The results of the survey have been anonymised.

If you would like to discuss the findings of this survey or anything relating to Operational Resilience, please feel free to contact us.

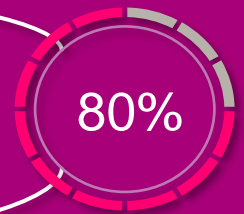
Key Results



Of companies have appointed an Operational Resilience accountable person



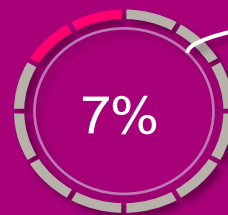
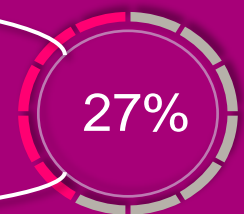
Have identified their Important Business Services



Have set impact tolerances for all Important Business Services



Have not started scenario testing



Have completed self-assessment documentation



“ March 2022 is the first milestone in a much wider delivery.”



Accountability

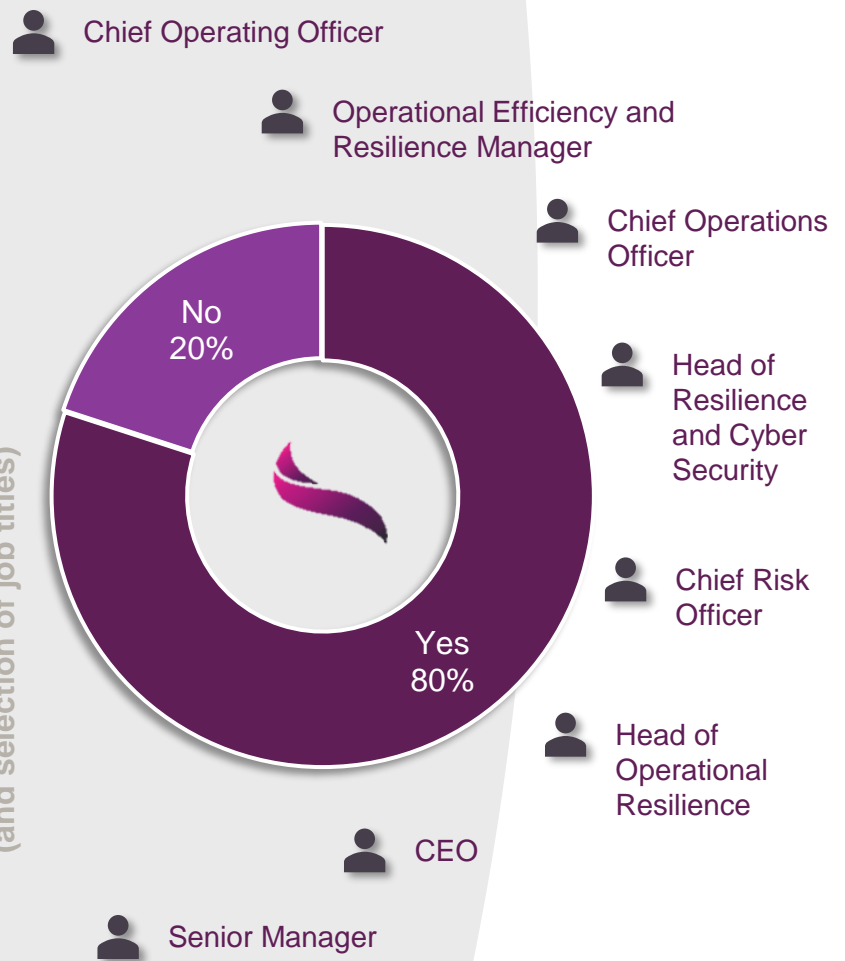


“ There appears to be a big divergence in interpretation of the requirements and accountabilities within the delivery of this regime.”

Key Insights

- The majority of participating organisations have appointed an Operational Resilience accountable individual.
- **Accountability is a core theme** throughout the Policy Statement and ensuring **roles and responsibilities are clear and well-understood** are imperative to a successful programme.
- Of the participating organisations, the majority of Operational Resilience accountable individuals are either the **SMF24 accountable person or equivalent**.
- While this reflects the regulatory expectation, the **Risk team will play a critical oversight role**, providing check and challenge across the application of the regulation.
- It is also imperative to have a business leader to drive engagement across the organisation and operate as the connection between the Board's obligations and the role of the wider business.

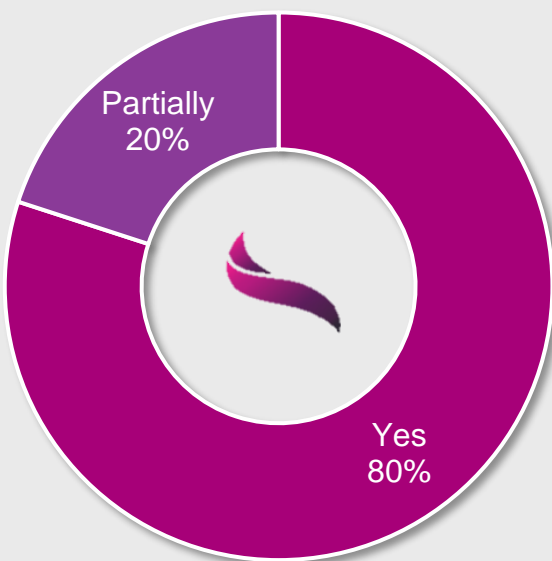
Have you appointed an Operational Resilience accountable individual?
(and selection of job titles)





Resilient Culture

Is the Board aware of their responsibilities relating to Operational Resilience?



“We are currently a core firm... Nevertheless, we feel the process is good practice in protecting our clients from disruption and provides a good framework to address these issues in.”

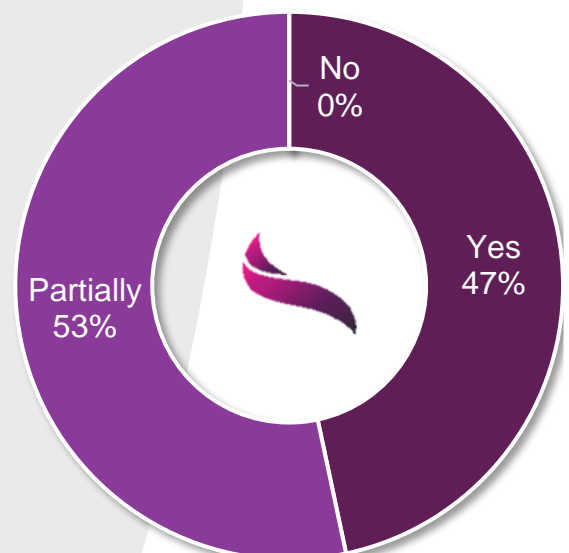
Key Insights

- Operational Resilience regulation places **emphasis on Board accountability** and, for the majority of organisations, Boards are aware of their responsibilities.
- However, it seems that there are still some firms whose Boards are not yet aware of the emphasis placed on their role. With the looming deadline, firms need to urgently engage Board members, and ensure reporting is robust so that they are **“brought along”** at all stages of the Operational Resilience journey.
- Firms often mistake Operational Resilience as “rebadged Business Continuity”. It is vital that Boards drive the thinking that Operational Resilience works alongside existing Business Continuity and Disaster Recovery arrangements.

Do you feel Operational Resilience is well understood through your business and across functions?

Key Insights

- There seems to be a mixed response from firms on how well Operational Resilience is understood across their business and functions. Operational Resilience is not just an “Operations” regulation but an **organisation-wide** approach that drives engagement and responsibility throughout the business.
- Firms must ensure appropriate training and draft a robust governance structure, with clear roles and responsibilities that help to **embed a resilient culture**.



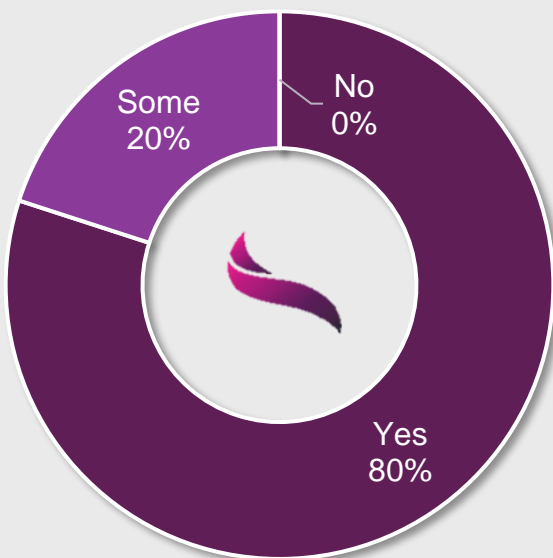


Important Business Services & Impact Tolerances

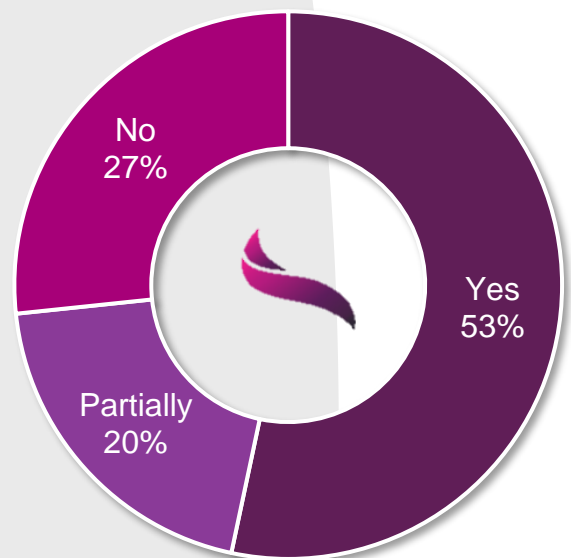


...understanding requirements was a challenge...”

Have you identified your important business services?



Have you set impact tolerances for important business services?



Key Insights

- Identifying important business services is one of the first key steps needed to align with the Operational Resilience regulation as it drives much of the activity required. With only 80% of organisations surveyed saying they have identified important business services, this suggests that there is **still significant work to do** for many, including **mapping critical resources** (Processes, People, Technology and Information, Facilitates and Third Parties).
- During our practical experience in the sector, we have seen that **processes are often confused for end-to-end business services**. It is therefore vital to define a criteria to identify important business services, and that a logical approach, backed by **evidence and rationale**, is taken to support why the services have the most potential to cause harm to clients and the market.

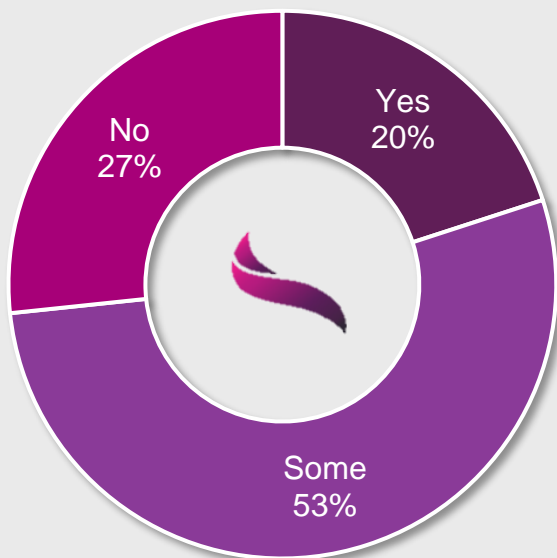
Key Insights

- **Impact tolerances are often one of the most challenging elements** of Operational Resilience to understand, as they are a new concept and often different from existing risk metrics. With 47% of participating firms saying they either have only partially set or not set impact tolerances, firms need to prioritise setting their impact tolerances as soon as practically possible.
- Drafting a **clear approach**, ensuring all relevant stakeholders are considered and **using robust data**, will aid understanding and provide context for impact tolerance setting.
- For both identifying important business services and setting impact tolerances, it is critical to keep abreast of the approaches being taken in the industry, to drive best practice over time.



Scenario Testing & Third Parties

Have you drafted or completed scenario testing on important business services?

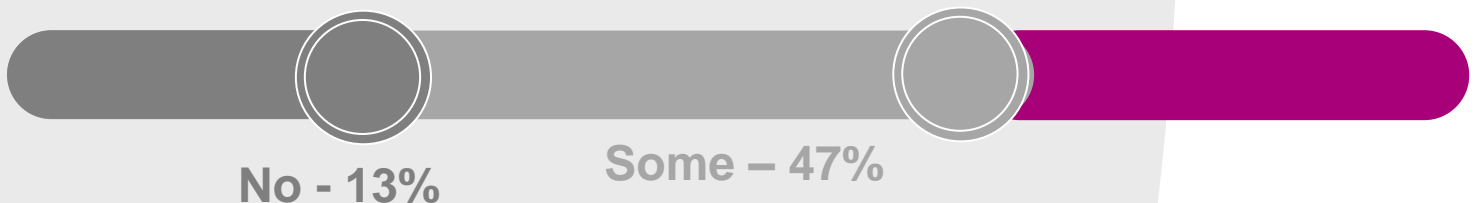


Key Insights

- 27% of participating organisations have not drafted or undertaken scenario testing for important business services.
- Firms need to consider **“severe but plausible” scenarios** and should involve critical third parties in testing.
- If firms have already undertaken scenario testing e.g. for Internal Capital Adequacy and Risk Assessment (ICARA), it may be beneficial to **leverage existing methodologies** for Operational Resilience.
- It is critical that a feedback mechanism is designed to ensure **lessons learned** from scenario testing exercises are incorporated into the service.
- During scenario testing, firms should assess whether their impact tolerances are set at an appropriate level.
- Many of our clients have struggled with the regulatory expectation relating to scenario testing so research and **industry collaboration is strongly advised.**

Do you have comfort that your critical third parties are Operationally Resilient?

Yes - 40%



“...our preparations demonstrate that further scenario testing might be necessary (e.g., a scenario impacting multiple critical vendors at the same time versus being tested separately).”

Key Insights

- With third parties (and even fourth parties) the front of mind for the regulator, organisations are unable to shift blame for operational disruptions onto their third parties. With 47% of participating organisations only having comfort in the Operational Resilience of some of their critical third parties and 13% having no comfort at all, firms must **open the dialogue at the earliest possible stage.**
- Firms must also build-in thinking on third parties into every approach that is designed and ensure there is alignment.
- We have seen that getting relevant data from third parties is often tricky and one of the biggest obstacles. Communication with third parties will help to reach a **practical solution** to reporting that is **appropriate for all involved.**



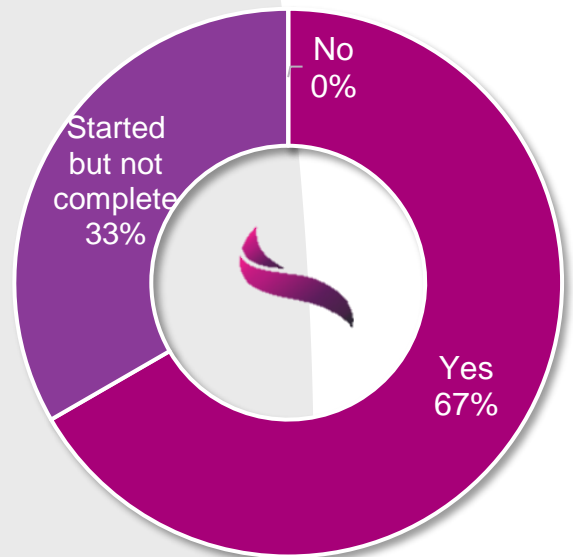
Communications & Self-Assessment

“ Expectations are that best practice will evolve and be developed over the next 3 years.”

Do you have an internal and external communications strategy in place during times of operational disruption?

Key Insights

- While 67% of participating organisations have internal and external communications in place during operational disruptions, it is imperative to ensure that the approach is **clear, well understood throughout the business** and nuances per important business service are outlined.
- Regulators will be expecting self-assessment documentation to include a documented communication strategy, therefore, for firms yet to complete communication plans, priority should be given as soon as practically possible.
- Communications should be **tailored** and plans must have **clear escalation routes** and assessed during scenario testing.



Have you completed your Operational Resilience self-assessment document(s)?

Yes - 7%

No - 29%

Partially - 64%

Key Insights

- Only 7% of participating firms have fully updated their Operational Resilience self-assessment documentation.
- The self-assessment documentation is a **live document** outlining an organisation's Operational Resilience activities to date and how they plan to roll out the remaining activities within the regulatory timeline.
- There must be evidence that self-assessment documentation has been **reviewed by the Board**.
- The regulators can begin to request this documentation from the end of **March 2022** so regulated firms must get their documents ready as soon as possible.



Scott Lee
Partner
scott.lee@sionic.com



Nancy Wallace
Senior Consultant
nancy.wallace@sionic.com



CONTACT US

www.sionic.com



Our offices include

Sionic London
111 Old Broad Street
London
EC2N 1AP
United Kingdom

+44 (0)20 7842 4800

Sionic New Jersey
15 Exchange Place, Suite 500,
Jersey City
NJ0730
USA

+1 201 433 4500

Sionic Toronto
8 King Street East, Suite 810,
Toronto
Ontario M5C 1B6
Canada

+1 647 943 9250

Sionic Geneva
14 Rue Kléberg,
Geneva
1201
Switzerland

+41 797 220 711

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