

## A response to PRA consultation CP 20/20

### Operational continuity in resolution: Updates to the policy

*January 2021*

#### *Introduction*

UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms, we act to enhance competitiveness, support customers and facilitate innovation.

We are pleased to respond to the PRA's [CP](#) updating its expectations about operational continuity in resolution.

#### *Key messages*

We urge the Bank and the PRA to consider the inter-dependencies and overlap between Operational Continuity in Resolution (OCIR), Operational resilience, Recovery and Resolution Planning (RRP) and Resolvability Assessment Framework (RAF) as summarised in this section and in detail below:

- International consistency, particularly with Financial Stability Board approach and group-wide capabilities within RAF.
- Harmonisation of definitions relating to amongst others, critical and essential services, core business lines, and important business service
- Scope – taxonomy, documentation, funding, other financial resources, early warning indicators, operational bank accounts in non-ring-fenced bank within a group, restructuring options, transitional service arrangements, FMIs, management and governance

Because of these significant areas of overlap and areas of clarification, we would suggest that the timing of OCIR implementation be tethered to that of Operational Resilience to ensure the most robust and cost-effective framework and to optimise processes. This request on timing is also anchored on:

- the RAF timeline, where systemic UK firms RAF submission timelines require self-assessment and governance against the OCIR 1 requirements, as set out in PRA SS9/16,

rather than any policy statement following this consultation ('OCIR 2'). There benefit in learning from the first RAF self-assessment submissions and the Bank's review thereof, incorporating OCIR, which would be available in first half of 2022; this will help improve the design and implementation approaches for OCIR 2.

- Cost of implementation of OCIR 2 which is expected to be similar in scale to OCIR 1, particularly in the context of many of our members being both cost and resource constrained in the current operating environment and wide-ranging regulatory change agenda such as IRB repair, Basel 3.1 and CRR2.

### *The need for international consistency and proportionality*

We strongly encourage the PRA to focus on interdependencies and consistency, timing and proportionality of the proposed rules, and to recognise the importance of supervisory collaboration for hosted firms to ensure firm and all supervisory resources are used effectively.

#### *Inter-dependency between OCIR and operational resilience*

The proposed OCIR consultation places significant dependence on other policies, such as Operational Resilience, and therefore consistency is critical to successful implementation and operationalisation. Whilst a consistent approach in both policies is welcome, the misalignment in timing and implementation of these interdependent policies creates complexity for firms and thereby undermines the PRA's policy objectives.

This consistency should extend to terminology used across the policies, given that they use different terms for similar concepts (e.g., critical, material, essential and important business services) especially when dealing with similar concepts, to avoid creating a fragmented landscape for UK and international firms. We would suggest a harmonised approach where possible. Similarly, a harmonised approach in terms of other requirements, for example, funding buffers would reduce the complexity of the implementation and ongoing monitoring and related operational processes for firms.

In this spirit we welcome the suggestion in paragraph 4.2 of the draft Supervisory Statement that firms can consider how documentation of their critical and essential services can be used to support implementation of other PRA policies, such as Operational Resilience. Given the interdependencies between OCIR and Operational Resilience firms should be able to ensure that both sets of requirements are 'designed in' from the outset and are mutually consistent. Our members note that the numerous similar, and overlapping but different, definitions of service types in each regime is confusing even for those familiar with the respective policies. Simplicity and consistency are key to making a service catalogue usable and maintainable by operational staff. Firms are also seeking to make their service catalogues useful for their own business as usual purposes so that their maintenance and embedding is assured. Designing this will require careful consideration and firms are concerned that the proposed delivery timelines are insufficient to achieve this.

Although our suggestion that the timing of the introduction of OCIR requirements be aligned with the Operational Resilience regime will delay their introduction we expect the requirements associated with mapping and third-party dependencies should be the same between the Operational Resilience

and OCIR frameworks. This will result in a more consistent approach and reduce duplication of workstreams for some firms in areas where a common approach will enhance both Operational Resilience and OCIR, in an operating environment that remains resource constrained.

#### *Timing of inter-dependent policies and frameworks*

At a time when our members are still embedding the OCIR requirements of PRA SS 9/16, the implementation timescales proposed in this consultation it will be very challenging for many of our members to deliver the required change and resulting in an undesirable trade-off between speed and quality of implementation.

For some the scale of work is at least the same as the original implementation of OCIR, not least given the change of scope and the change in expectations relating to how financial resilience is achieved and tested and the clarity required before firms can start work. Firms believe they need to build on the firm foundation that SS9/16 lays.

From a practical perspective members strongly suggest a change to the proposed implementation date to ensure that the elements which are aligned to the Operational Resilience timescales are delivered with the same timescale and can then be used as the platform which to deliver the full OCIR requirements. They note that the Operational Resilience implementation date is 'not before' the end of Q2 2022 and remains under review.

Given the overlap of a number of requirements and the synergies between Operational Resilience and OCIR and to ensure a robust and future-proof solution is delivered for each of these significant requirements, we suggest that the timelines to deliver the new framework for OCIR is based on the Operational Resilience implementation date in 2022 and subsequently allows further time for delivery of those additional elements of OCIR which are dependent on alignment with certain elements of the Operational Resilience framework. Members suggest that those additional elements would require a minimum of twelve months of implementation time and so would recommend an earliest implementation date of Q2 2023.

Although this approach would delay the introduction of OCIR requirements, it would allow firms to more effectively leverage the work they will need to do for operational resilience purposes, particularly the requirements associated with mapping and third-party dependencies where there is significant overlap between the frameworks. This will result in a more consistent approach and reduce duplication of workstreams for some firms in areas where a common approach will enhance both operational resilience and OCIR, in an operating environment that remains resource constrained.

We recognise the current OCIR timeline reflects the deadline for the completion of the Bank of England's RAF and its commitment to Parliament on major UK bank resolvability. However, firms already comply with the PRA's existing OCIR requirements and therefore, in our view, an extended implementation timeline would not be inconsistent with the Bank of England's resolvability objectives.

Tangentially a delay would also allow regulators more time to address the issue of unregulated cloud providers. Furthermore, for smaller firms where resolution is via a modified insolvency process, Operational Resilience will have a much stronger impact on firms' operational continuity.

As we suggest below, whilst it is out with the scope of this consultation, we also recommend that the first RAF self-assessment should be completed on the basis of the 'OCIR 1', requirements as set out in PRA SS9/16, subject to firms' commitment to complete the final OCIR 2 policy resulting from this consultation at a later timeline.

### *Proportionality*

Members believe the draft proposals would require a mapping and subsequent maintenance of nearly every activity a firm undertakes. This does not seem to be risk focused from either an operational resilience or OCIR perspective. The timeline issues we highlighted above will be particularly pertinent if the PRA does actually expect firms to map the vast majority of their activities.

Banks and third-party firms are already engaged in regulatory change programmes and compliance efforts to align with related regulatory requirements, such as the EBA Outsourcing Guidelines, which are running in parallel. The increased effort required for firms to meeting the CP's proposals in terms of contractual repapering and intra-entity requirements, places a significant burden on firms because of effort involved.

### *International collaboration*

We strongly support the PRA's proposed alignment with the Financial Stability Board's approach. For hosted firms, we support the PRA's approach, as also articulated in the Bank of England's RAF policy, of relying on group-wide capabilities. This will facilitate adequate collaboration with home resolution authorities for hosted firms within the international framework. We would also welcome the Bank of England and PRA reassessing the need for local liquidity buffers for hosted firms, where an equivalent outcome is achieved through group-wide resolution planning. For example, in some jurisdictions, firms' modelling of financial resource needs in resolution already takes account of the resources required for the continued provision of critical services, with appropriate positioning of those resources to ensure their availability in resolution.

### *Costs of implementation*

Many of our members are cost-constrained given the current operating environment and multiple regulatory change projects already underway. Although they broadly accept that work will be required, they note that the cost expectations in the cost-benefit analysis are significantly out of line with firms' own expectations of the cost of delivering and maintaining the new requirements. We expect the aggregate one-off costs for large firms will exceed the £116m suggested in the CBA. For some firms, the scale of work is at least the same as the original implementation of OCIR, not least given the change of scope and the change in expectations relating to how financial resilience is achieved and tested. It is vital that time is allowed for such firms both to budget for the work and to deliver the work in a well-thought through way that advances the authorities' objectives.

## *Detailed feedback*

Members note that revisions to the OCIR policy have been flagged for some time and the CP's proposals broadly support the direction of travel. However, some greater clarity would be welcome in a number of areas, including on key definitions, interaction with the PRA's Operational Resilience policy as well as with other policies that underpin the RAF.

We expand on these points below.

## *Chapter 2 - Continuity of critical functions & core business lines*

### *Essential services - interaction with operational resilience*

We welcome the additional information provided in the consultation regarding the interdependencies between the OCIR requirements and the PRA's proposed approach to Operational Resilience. We agree there should be some coherent mapping but emphasise the need for firms to be able to retain significant flexibility in determining whether and how to leverage OCIR processes as part of their Operational Resilience approach.

Some of our members would also welcome further clarification from the PRA on the differences and synergies between these frameworks. For example, it would be possible for a Critical Function for RRP purposes to also be an Important Business Service for Operational Resilience purposes, although it seems that an Important Business Service is likely to be more granular than a Core Business Line which is a broader definition. Further clarification from the PRA, with a more integrated example, would be welcome in order to support firms in making these assessments and delivering the required narrative about what is "critical", "core" or even "essential" for OCIR purposes and what is "important" for the purposes of identifying important business services.

### *Taxonomy*

As resolution and Operational Resilience regimes have evolved in different jurisdictions, some of our members are concerned by the array of different terminologies that have emerged. We would strongly encourage the PRA to rationalise and consolidate dependent rules in these areas and would be delighted to support this work.

This array of terminologies apparently describes similar concepts but in subtle and different ways. As an example, the PRA's Outsourcing and Third-Party Risk Management consultation proposed to expand the definition of 'critical services' which overlaps significantly with the proposed definition of 'essential services' in the OCIR consultation.

There are also a number of instances where terms such as 'chain of activities' and 'organisational structures' are used, but the proposed policy does not clarify whether these are intended as defined terms, such as essential services, that need to be added as mapped items. We would appreciate the PRA's confirmation that it does not view these as defined terms.

The consultation also introduces a further new concept of "essential services". The PRA defines "essential services" as those services which, if they were to fail, would lead to the collapse of, or present a serious impediment to, the performance of the firm's Core Business Lines<sup>1</sup>. This definition of "essential services" appears to be very similar to the concept of an "important business service" and we would question the need to introduce this new concept.

We would welcome clarification from the PRA on whether firms which have already defined a broad set of services as critical services, and applied OCIR arrangements accordingly, would be required to differentiate such services between critical services and essential services. Implementing this differentiation would introduce additional operational burden and cost on firms, for example through the upscaling of technology systems, tools and taxonomy, without necessarily furthering any OCIR objectives, which are already being achieved by these firms.

Accordingly, we would propose that as long as firms ensure overall that OCIR arrangements are in place for services falling in scope of the definitions of critical or essential services, it should not be necessary for such firms to introduce an additional layer of designation to their existing systems, processes and taxonomies in order to distinguish further between critical services and essential services. There is considerable merit in taking an approach which minimises unnecessary additional burden on firms that have proactively sought to implement OCIR more broadly than the scope of the existing policy and we would welcome clarification from the PRA on this point.

For certain firms, the 'essential services' concept introduces a complexity to implementation as well as governance and oversight. This is well illustrated in Box 1 of the CP which attempts to explain, not entirely successfully, the interaction between critical functions, core business lines and important business services. If the PRA maintains the proposed terminologies, then firms would appreciate a more integrated example based on a firm delivering more than just two critical functions would be welcome and we would be delighted to work with the PRA in developing this.

We encourage the PRA and Bank of England to catalyse the development of internationally agreed taxonomies for use in regulation and supervision that describe and categorise the financial services provided by firms. A financial services taxonomy may cover items such as "Retail current accounts" or "Government bond trading". Categories of financial services may include: "Critical Economic Functions" or "Core Business Lines". Each firm could continue to maintain its own bespoke financial service and product taxonomy and each regulator can continue to determine how simpler firms should meet regulatory expectations, including on outsourcing, while also supporting the efficiency and effectiveness of international regulatory cooperation on resolution planning.

#### *Hosted firms*

We fully support the PRA's expectations that a hosted firm may meet some of its expectations by relying on its group wide capabilities. Other jurisdictions had not consulted on OCIR requirements at the time of the publication of the PRA's original consultation and requirements in 2015 and 2016 respectively. Now however there is a wider adoption of OCIR requirements, and we encourage the PRA and Bank of England (as Resolution Authority) to actively engage with the respective home

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<sup>1</sup> Paragraph 2.5, Page 6 etc

resolution authorities of hosted firms to ensure a coordinated approach to assessing group wide capabilities for OCIR.

We note that the PRA is suggesting that hosted firms should identify their essential services in relation to their firm's wider group core business lines. However, a core business line for the wider group may not necessarily be a core business line for a UK hosted firm. Further clarity is needed on the scope of 'group' and in the consistent application of the term across the RAF and OCIR. We presume that the intention is to identify only essential services in relation to group core business lines that are relevant to the UK hosted firm and would welcome confirmation from the PRA that this is the case. In addition, we assume that firms would be able to rely on group-wide capabilities for the purposes of meeting the requirements relating to essential services and core business lines but note that this is not expressly mentioned under paragraph 2.6 of the draft SS. We would also welcome further clarity on this point.

For MPE firms, requirements should be applied to the UK resolution group, consistent with the RAF - noting that other parts of the group are applying equivalent rules emanating from the home supervisor/ resolution authority. Similarly, we would appreciate further clarity and consistency in the use of the term 'group' and 'intra-group' and consistency in the definition of a core business line which could be interpreted as either being core to the entity, the resolution group or the global group.

#### *Identifying and documenting critical and essential services*

Some members foresee that the scale of the documentation needed to satisfy the proposed requirement to identify and document critical and essential services and map the interlinkages with critical functions and core business lines will be potentially challenging to introduce in the short timeline envisaged. Areas of concern for such members in particular are:

- The additional scope of mapping that needs to be considered in line with Operational Resilience
- The introduction of new terminology across, Operational Resilience, OCIR and the RAF which creates additional complexity and hampers consistent implementation; and
- The granularity of the detail required to map assets (OCIR), or pillar resources (Operational Resilience) should be considered and should be defined in the approach.

We recommend a more measured approach to ensure that the outputs are useful to firms and the regulator. It is illustrative to note that firms did not use OCIR documentation in responding to the threat that Covid brought to their businesses; they used the same Operational Resilience metrics as they use day-by-day.

We note that Section 4.2 of the draft Supervisory Statement references the documentation of operational arrangements, noting that this 'could' take the form of a service catalogue, which we welcome. It then includes a number of bullet points that should be included as minimum information. The penultimate bullet references '*relevant policies, processes, and procedures*' which we believe has the effect of expanding the scope of the original OCIR regulations. Our view is that firms should have the flexibility to include in the service catalogue whatever information is required to ensure the continuity of business services, and that the rules should not be prescriptive. As long as firms can certify and demonstrate that they have the capability to compile this material, whether or not it is

recorded in a service catalogue should not be of concern. To this end we would welcome clarification from the PRA on its expectations about the use of service catalogues and the necessary information therein.

#### *Service provision models*

Our members look forward to receiving more detail about service provision models, in particular to clarify if the intra-entity requirements apply only in relation to those articulated in this Chapter Two, or if they apply to all OCIR requirements. While certain aspects of intra-entity arrangements can be treated on a more proportionate basis (e.g., no requirement for mark-up charging structures), proposed requirements such as the need for service level agreements to facilitate Transitional Service Agreements (TSAs) will be challenging because these services do not cross entities/jurisdictions and so service level agreements may not already exist to the level of formality required here and will be challenging to implement solely for the purposes of OCIR.

### *Chapter 3 - Contractual arrangements*

#### *Excluded agreements*

We appreciate the PRA's good intention of allowing firms to use section 48Z of the Banking Act 2009 to reduce the burden of contractual redesign by introducing the concept of an 'excluded agreement'. Although we anticipate the bulk of the contracts that will require adaptation will be with third parties, we none the less appreciate the introduction of this new definition.

However, we would like to confirm our understanding that it applies to any of the conditions i.e., contracts are governed by laws of any part of the UK or where the parties are also incorporated in UK or are part of the same resolution group, and not that it needs to satisfy all three conditions.

We would also like to clarify if the 'same resolution group' extends to third countries with OCIR regulations, for instance those issued in Singapore and Hong Kong by the Monetary Authority of Singapore (MAS) or the Hong Kong Monetary Authority (HKMA), respectively.

#### *Application of requirements*

Given the proposed requirement to extend continuity of access contractual clauses to contracts supporting essential services, we would support limiting scope to be on a go-forward basis for new contracts for essential services and addressing existing contracts for essential services at the point of renegotiation, as opposed to requiring a significant additional time-bound repapering effort.

### *Chapter 4 - Financial Arrangements*

#### *Internal frictions*

We understand that the PRA is concerned that '*internal frictions*' may arise over the course of the resolution process, making it more difficult for intra-group service providers to access the minimum financial resources required for them to continue to provide services to other group members that are not in the same legal entity. We believe that Crisis Management Groups would be the ideal

mechanism to avoid or resolve these '*internal frictions*' and we would encourage the PRA to consider how best to leverage them in addressing these concerns.

We would welcome a better understanding of the scenarios which the PRA is concerned about that could result in the lack of timely access to financial resources. This would allow the industry to develop strategies to avoid them by monitoring risks and undertaking scenario analysis and, in particular, to de-duplicate processes and leverage others.

Further, the approach to core business lines and essential services in scope of OCIR will also affect the financial resources for critical and essential services.

#### *Early warning indicators*

Firms already have already developed and monitor a set of early warning indicators (known as 'recovery plan indicators' under BRRD) for recovery planning purposes.

We would welcome further clarity regarding the PRA's expectations with respect to monitoring and maintaining early warning indicators and the scenario planning set out in Chapter 11. In particular, we would be grateful for further explanation on how this interacts with firms' recovery indicators and recovery plans and the funding pillar of the RAF?

Our working assumption is that suitably adapted recovery plan indicators could be applied to group and third-party service providers and would appreciate confirmation that such indicators would meet the PRA's expectations, recognising that it is unlikely that firms will be able to monitor *all* risks to third party providers.

We would also like to understand the interaction with the proposed required financial arrangements and the funding pillar of the RAF. The funding pillar of the RAF asks firms to understand their funding needs and sources throughout the resolution. Under the Funding in Resolution requirements of the RAF there is a requirement that '*firms should be able to estimate and detail the liquid assets they will be required to hold for operational reasons*'. Firms are generally interpreting this to include operational costs to maintain operations and ensuring appropriate liquidity is in place to cover this as well as intra-day liquidity needs at a minimum. Given the need to ensure liquidity can cover these requirements, the need for additional local UK buffers seems duplicative in nature and consideration should be given to aligning these financial capabilities with those of other areas of the RAF.

#### *Holding liquidity*

We welcome the proposed recalibration of the amount of liquid financial resources that intra-group service providers should hold to support critical and essential services that they provide to fellow group members from six months to two months. However we note that firms are subject to other liquidity funding requirements and therefore most group service providers will not be able to benefit from this reduction.

We appreciate that the two-month requirement is considered a minimum and if firms are required to hold in excess of this amount then this will not cause issue. In this context, we would also encourage the Bank of England and PRA to reassess the need for local buffers, as long as the Minimum Operating Liquidity (MOL) (as needed under the RAF funding pillar) can be generated. Provided that

a firm understands its operating costs, and under RAF it has sufficient group-wide funding to meet MOL in its global entities, then it should meet the funding requirement without need for local buffers.

Paragraph 4.11 of the CP proposes that firms should ensure that their group service providers maintain ownership of the financial resources relating to the annual fixed overheads of their own critical and essential service provisions costs, for use in resolution. This differs from the current OCIR policy, as set out in SS9/16, which does not specify the ownership of a firm's financial resources, but emphasises their segregation from other group liquid assets.

For some firms that utilise a group service model which results in an OCIR firm being supported by multiple group service providing entities located across a number of jurisdictions globally, the distribution and management of the necessary financial resources within each global group service providing entity (which may, in some cases, number greater than twenty) would be unduly onerous and inefficient.

We therefore would prefer that firms retain the current flexibility under SS9/16, which does not specify the ownership of a critical services' financial resources. We would suggest that the PRA's final updated policy allows firms to adopt different approaches regarding ownership of resources depending on their particular circumstances and group arrangements, subject to supervisory approval. This means allowing the required OCIR financial resources to be held at the OCIR firm itself as well as at the critical or essential service provider, as there may be local challenges with regard to about accessibility of funding in foreign jurisdictions. Provided appropriate governance arrangements, policies, processes and controls are in place to oversee the use of these resources, both approaches would still be consistent with the objective of ensuring access to OCIR financial resources by intra-group critical or essential service providers in resolution.

As noted above, some jurisdictions already require modelling and positioning of financial resources required for the continued provision of critical services on a group-wide basis. We therefore consider the existing flexibility under SS9/16 to be more consistent with the spirit of the 'Hosted Firms' section of the consultation paper which specifies that '*hosted firm may be able to meet some of the detailed expectations in the draft SS by relying on its group-wide capabilities*', and with the RAF policy which specifies that the Bank of England '*considers that in many cases hosted subsidiaries may be able to rely on group-wide capabilities to achieve...[the BoE's resolvability] outcomes*'. Recognition of these group-wide capabilities would also be aligned with the theme of openness set out in the PRA's [CP](#) on its approach to supervision of branches and subsidiaries of international banks. In particular, paragraph 1.11 of the consultation specifies that '*The precise approach the PRA takes will vary according to the legal forms adopted and the nature of the regulatory regimes to which the group is subject in relevant home jurisdictions, still the PRA seeks to achieve the same outcomes, taking into account the combined effect of its rules and powers together with the applicable foreign regimes.*'

In addition, we would also appreciate clarity on the interpretation of paragraph 11.11 of the draft supervisory statement. This provides that the OCIR resources of a service provider which is part of a ring-fenced bank group or provides services to a ring-fenced bank may be held either by the provider itself, with an entity within the ring-fenced bank sub-group or on behalf of the provider with a third party outside of the group. These resources cannot be held with any entity within the non-ring-fenced part of a group as to do so would be incompatible with ring-fencing requirements.

We suggest this requirement should not be construed as prohibiting the use by the service provider subsidiary of a bank account held with the non-ring-fenced part of a group, where the bank account holds the proceeds of any assets constituting OCIR financial resources. It is an accepted practice by the large UK banking groups for a group service provider which is not a regulated entity and thus does not hold an authorisation to accept deposits, and which provides services to both the ring-fenced sub-group and the non-ring-fenced bank, to hold a bank account with the non-ring-fenced part of the group. The account is operated for the purpose of making payments on behalf of the service provider (such as payment of salaries of the service provider's employees). The bank account would not be used to hold assets constituting OCIR financial resources. However, it will receive the proceeds of the sale of such assets, which would be used to make payments on behalf of the service provider in the event of resolution.

We do not consider that the use of a bank account held with the non-ring-fenced bank contravenes the ring-fencing requirements or poses any risk to resolvability. The account cannot be held with the ring-fenced part of the group, given that it would not have the capacity to service such a large and complex account. This cash account is used to pay the salaries of the employees of the service provider, as well as defray the other day-to-day operating costs of the service provider. Hence, only the non-ring-fenced banking entity has the capacity to operate the account. It would be suboptimal and costly if a group were forced to hold this account with a third-party institution.

Such a requirement would not produce any benefit or improvement in resolvability – it would introduce undue complexity and force a group to share sensitive commercial information with a competitor. In fact, such a requirement would go beyond the ring-fencing rules, as enshrined in statute, secondary legislation and PRA rules. We do not consider the OCIR rules are an appropriate mechanism for enlarging the scope of the ring-fencing requirements.

#### *Further clarifications*

We note that paragraph 11.6 of the draft supervisory statement references '*risks identified by firms under paragraph 11.5*', however paragraph 11.5 does not include any discussion of risks. We would welcome further clarity on the specific risks that paragraph 11.6 is referring to.

We would additionally welcome clarity on the meaning of '*annual fixed overheads*' for the purposes of calculating the OCIR financial resources requirement. In our view this term should only cover cash expenses, as only these will be relevant in ensuring continuity of service provision by the provider of critical and essential services. Non-cash expenses such as depreciation and amortisation charged to profit and loss account should be excluded from the calculation.

Can the PRA clarify what it means when it says firms should have '*the capability to ensure continuity irrespective of the scenarios that they may encounter during such a restructuring and should take different scenarios into account in planning for continuity*'.

We think this is getting at the need to have flexibility in the disposal actions that a firm will take in resolution, but it is not plausible to assume that firms have infinite restructuring and or sale options. Firms' recovery plans and work on restructuring capability under the RAF will have identified the plausible options *ex ante* (this is what the recovery plan/ restructuring pillar requires). We therefore think it would be better – and more proportionate – for the simpler firms to know how they would put

a Transitional Service Agreement (TSA) in place, but not to have to undertake the detailed mapping exercise for the whole firm to support this. Experience shows us that putting a TSA together is not on the critical path of a disposal.

## *Chapter 5 – supporting continuity through changes to service provision*

### *Transitional service agreements*

We recognise the need to extend the requirements of SS9/16 from critical services to essential services and put in place transitional arrangements for all types of service provision models. We appreciate the indication provided in paragraph 5.6 of the minimum information the PRA expects a firm to provide about its relations with service providers in order that a TSA could be successfully executed but are unsure of the distinction between the documentation requirements of chapter 4 and this chapter, which seem very similar. If the PRA has more granular details in mind, we would welcome a further discussion about its TSA expectations and clarity about interaction with other OCIR and wider recovery and resolution planning requirements such as Playbooks. It would also be useful to have guidance at the appropriate level focussed on PRA's expectations and the desired outcome intended, rather than very prescriptive granular specifications for TSAs under various scenarios.

### *Exclusion of FMIs*

We note the PRA's helpful suggestion in paragraph 5.7 that where there is a direct relationship with an Financial Market Infrastructure (FMI) a firm may be able to leverage its contingency planning under the Bank of England's Continuity of Access to FMIs statement of policy, which should suffice for the purposes of FMI within this framework. We note however that in our view FMIs provide financial services rather than operational services so would not have expected them to be in scope in any place.

### *Predictability of charging structures*

We fully support these proposed requirements.

## *Chapter 6 - Management and governance*

We agree that robust management and governance arrangements are necessary during resolution. It would be helpful to understand how the RAF's key roles in resolution requirements differ from the senior management and governance arrangements described in Chapter 6; we view them as being the same.

We would therefore welcome clarity from the PRA on the terminology used in the RAF, OCIR and Operational Resilience and the relationship between them? The RAF looks at key roles, OCIR includes senior staff and critical staff, whereas operational resilience focusses on 'necessary people'.

## *Chapter 7 - Other proposals*

We have no comment on the proposals in chapter 7.

### *First RAF assessment*

Our members note that the revised 'OCIR 2' requirements will be introduced just as firms are completing their first self-assessment, which in itself will be highly resource intensive.

Members note that the original RAF policy was clear that the assessment would be against 'OCIR 1' as set out in SS9/16 and have been working on this basis for some time. They do not think it is sensible – or indeed proportionate – to change this. If the revised OCIR policy is finalised in early May 2021 there will only be five months before the submission of the first RAF self-assessment. Given the emphasis that the Bank of England is rightly putting on senior management engagement with the RAF, and on actively assessing themselves against the Bank of England's expectations, RAF teams will be focusing on testing, remediation and internal governance by the time the OCIR 2 policy is published. This is all the more so the case given the recent Dear CFO letter reiterating the importance of senior management engagement. Firms cannot envisage a suitable way to deliver OCIR 2, conduct a meaningful self-assessment against this, and take this through governance by October 2021.

So, we strongly recommend that the first RAF self-assessment should be completed on the basis of 'OCIR 1', subject to firms' commitment to complete OCIR 2 later to a timeline that is integrated with the expected Operational Resilience requirements. This takes away the need for a rushed finalisation of OCIR 2 policy statement and implementation thereof and thereby supporting alignment of overlapping requirements of OCIR and Operational Resilience.

Of course, I and UK Finance members would be delighted to discuss the content of this response with the PRA if that would be helpful.

### *Responsible Executive*

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