

Insights

OPERATIONAL RESILIENCE IN THE TIME OF COVID: A NEW REGULATORY FRAMEWORK FOR FIRMS

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SUMMARY

Covid-19 posed an unprecedented challenge to the operational resilience of the financial services sector in 2020. But despite a generally positive response to the crisis, with a major new regulatory framework for operational resilience on the horizon, firms still have plenty of work to do.

In December 2019, the PRA and FCA released a suite of co-ordinated proposals setting out a host of new requirements designed to strengthen the operational resilience of firms in three key areas: prioritising things that matter; setting clear standards for operational resilience; and investing to build resilience.

The pandemic arrived before the consultation on the new proposals closed and so tested firms' ability to respond to disruption on the basis of their existing business continuity and contingency plans. In this respect, the crisis was a premature trial of a regulatory regime on the cusp of significant change. In general, however, the financial services sector is regarded as having performed creditably during the pandemic from an operational resilience perspective. For the most part, worst fears have not been realised and firms have instead managed to avoid widespread and lasting disruption to the provision of key business services.

Firms could be forgiven for thinking that the lion's share of their operational resilience work is now behind them. But with the finalised rules expected to be published any time now and firms facing the prospect of having to implement the new requirements as early as the end of this year, it is clear that operational resilience will continue to be a major strategic priority for boards and senior managers. Even with the benefit of an extended timetable on account of Covid-19, the experience gained in 2020, and the recent regulatory focus on this topic, firms no doubt still have plenty of work to do.

Adam Jamieson, Samantha Paul and Anthony Williams have written on this topic, including what the new regulatory proposals on operational resilience mean in practice, as part of our Emerging

Themes in Financial Regulation 2021 publication.

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