

Chapter 15A

Operational resilience



15A.1 Application

Application

15A.1.1	R	<p>This chapter applies to:</p> <p>(1) a <i>firm</i> that is:</p> <ul style="list-style-type: none">(a) an <i>enhanced scope SMCR firm</i>;(b) a <i>bank</i>;(c) a <i>designated investment firm</i>;(d) a <i>building society</i>;(e) a <i>Solvency II firm</i>, <p>(2) a <i>UK RIE</i>;</p> <p>(3) an <i>electronic money institution</i>, a <i>payment institution</i> or a <i>registered account information service provider</i>; and</p> <p>(4) a <i>consolidated tape provider</i>.</p>
15A.1.2	R	<p>In this chapter, a reference to a <i>firm</i> includes a <i>UK RIE</i>, an <i>electronic money institution</i>, a <i>payment institution</i>, a <i>registered account information service provider</i> and a <i>consolidated tape provider</i>.</p>
15A.1.3	R	<p>This chapter does not apply to a <i>TP firm</i>, a <i>TA PI firm</i>, <i>TA RAISP firm</i> or a <i>TA EMI firm</i>.</p>
15A.1.4	R	<p>This chapter does not apply to a <i>firm</i> which has its registered office (or, if it has no registered office, its head office) outside the <i>United Kingdom</i>.</p>
15A.1.5	R	<p>In this chapter, a reference to a <i>client</i> in relation to a <i>UK RIE</i> includes a <i>person</i> who is entitled, under an arrangement or agreement between them and that <i>UK RIE</i>, to use the <i>UK RIE's facilities</i>.</p>
15A.1.5A	R	<p>This chapter applies in relation to a <i>consolidated tape provider</i> as if a reference to a <i>client</i> includes a <i>person</i> who purchases a <i>consolidated tape for bonds</i> from:</p>

- (a) a *consolidated tape provider*; or
- (b) a *data vendor*.
- 15A.1.6** **R** In this chapter, a reference to a *client* in relation to a *firm* carrying on the activity of *managing a UK UCITS* or *managing an AIF* includes:
- (1) a *unitholder*; and
- (2) an investor in an *AIF*.
- 15A.1.7** **R** The requirements in this chapter apply with respect to:
- (1) *regulated activities*;
- (2) activities that constitute *dealing in investments as principal*, disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc.);
- (3) *ancillary activities*;
- (4) in relation to *MiFID* or *equivalent third country business, ancillary services*;
- (5) *collective portfolio management*;
- (6) the provision of *payment services* and the issuance of *electronic money*, and activities connected to the provision of *payment services* and to the issuing of *electronic money* (whether or not the activity of issuing *electronic money* is specified in article 9B of the *Regulated Activities Order*);
- (7) any other *unregulated activities*, but only in a *prudential context*; and
- (8) *data reporting services* provided by a *consolidated tape provider*.
- 15A.1.8** **R** Notwithstanding ■ SYSC 15A.1.7R, where the requirements in this chapter apply to a *firm* only as a result of ■ SYSC 15A.1.1R(3), the requirements only apply to the provision of *payment services* and the issuance of *electronic money* by the *firm*, and activities connected to the provision of *payment services* and to the issuing of *electronic money* (whether or not the activity of issuing *electronic money* is specified in article 9B of the *Regulated Activities Order*).
- 15A.1.9** **R** There is no territorial limitation on the application of this chapter.



15A.2 Operational resilience
requirements

Important business services

- 15A.2.1 **R** A *firm* must identify its *important business services*.
- 15A.2.2 **R** A *firm* must keep its compliance with **SYSC 15A.2.1R** under review and, in particular, consider its compliance in the following circumstances:

(1) if there is a material change to the *firm's* business or the market in which it operates; and

(2) in any event, no later than 1 year after it last carried out the relevant assessment.
- 15A.2.3 **G** In the course of identifying its *important business services* under **SYSC 15A.2.1R**, a *firm* should treat each distinct relevant service separately, and should not identify a collection of services as a single *important business service*.
- 15A.2.4 **G** The factors that a *firm* should consider when identifying its *important business services* include, but are not limited to:

(1) the nature of the *client* base, including any vulnerabilities that would make the *person* more susceptible to harm from a disruption;

(2) the ability of *clients* to obtain the service from other providers (substitutability, availability and accessibility);

(3) the time criticality for *clients* receiving the service;

(4) the number of *clients* to whom the service is provided;

(5) the sensitivity of data held;

(6) potential to inhibit the functioning of the *UK financial system*;

(7) the *firm's* potential to impact the soundness, stability or resilience of the *UK financial system*;

(8) the possible impact on the *firm's* financial position and potential to threaten the *firm's* viability where this could harm the *firm's clients* or

		<p>pose a risk to the soundness, stability or resilience of the <i>UK financial system</i> or the orderly operation of the financial markets;</p> <p>(9) the potential to cause reputational damage to the <i>firm</i>, where this could harm the <i>firm's clients</i> or pose a risk to the soundness, stability or resilience of the <i>UK financial system</i> or the orderly operation of the financial markets;</p> <p>(10) whether disruption to the services could amount to a breach of a legal or regulatory obligation;</p> <p>(11) the level of inherent conduct and market risk;</p> <p>(12) the potential to cause knock-on effects for other market participants, particularly those that provide financial market infrastructure or critical national infrastructure; and</p> <p>(13) the importance of that service to the <i>UK financial system</i>, which may include market share, <i>client</i> concentration and sensitive <i>clients</i> (for example, governments or pension funds).</p>
		<p>Impact tolerances</p>
15A.2.5	R	<p>A <i>firm</i> must, for each of its <i>important business services</i>, set an <i>impact tolerance</i>.</p>
15A.2.6	R	<p>A <i>firm</i> must keep its compliance with ■ SYSC 15A.2.5R under review and, in particular, consider its compliance in the following circumstances:</p> <p>(1) if there is a material change to the <i>firm's</i> business or the market in which it operates; and</p> <p>(2) in any event, no later than 1 year after it last carried out the relevant assessment.</p>
15A.2.7	G	<p>The factors that a <i>firm</i> should consider when setting its <i>impact tolerance</i> include, but are not limited to:</p> <p>(1) the nature of the <i>client</i> base, including any vulnerabilities that would make the <i>person</i> more susceptible to harm from a disruption;</p> <p>(2) the number of <i>clients</i> that may be adversely impacted and the nature of the impact;</p> <p>(3) the potential financial loss to <i>clients</i>;</p> <p>(4) the potential financial loss to the <i>firm</i> where this could harm the <i>firm's clients</i> or pose a risk to the soundness, stability or resilience of the <i>UK financial system</i> or the orderly operation of the financial markets;</p> <p>(5) the potential level of reputational damage to the <i>firm</i> where this could harm the <i>firm's clients</i> or pose a risk to the soundness, stability or resilience of the <i>UK financial system</i> or the orderly operation of the financial markets;</p>

- (6) the potential impact on market or consumer confidence;
- (7) potential spread of risks to their other business services, other *firms* or the *UK financial system*;
- (8) the potential loss of functionality or access for *clients*;
- (9) any potential loss of confidentiality, integrity or availability of data;
- (10) the potential aggregate impact of disruptions to multiple *important business services*, in particular where such services rely on common operational resources as identified by the *firm's* mapping exercise under ■ SYSC 15A.4.1R.

15A.2.8 G When setting its *impact tolerance*, a *firm* should take account of the fluctuations in demand for its *important business service* at different times of the day and throughout the year in order to ensure that its *impact tolerance* reflects these fluctuations and is appropriate in light of the peak demand for the *important business service*.

15A.2.9 R A *firm* must ensure it can remain within its *impact tolerance* for each *important business service* in the event of a severe but plausible disruption to its operations.

15A.2.10 G While under ■ SYSC 15A.2.9R a *firm* must ensure it is able to remain within its *impact tolerance*, it should generally not do so if this would put the *firm* in breach of another regulatory obligation, conflict with the proper exercise of a discretion granted to it under any *rule* or regulation, or result in increased risk of harm to its *clients* or the soundness, stability or resilience of the *UK financial system* or the orderly operation of the financial markets. Under certain circumstances, a *firm* may wish to resume a degraded service. This is usually only appropriate if having regard to the interest of the *firm's clients*, the soundness, stability and resilience of the *UK financial system* and the orderly operation of the financial markets, the benefits of resuming a degraded service outweigh the negatives of keeping the service unavailable until the issues have been fully remediated and the service is able to be fully restored to its pre-disruption levels.

15A.2.11 G Under *Principle 11* (Relations with regulators), the *FCA* expects to be notified of any failure by a *firm* to meet an *impact tolerance*.

15A.2.12 G When setting *impact tolerances* under ■ SYSC 15A.2.5R a *payment services provider* should have regard to its obligations under the *EBA Guidelines* on ICT and security risk management.

15A.2.13 G *Payment service providers* should have regard to the *impact tolerance* set under ■ SYSC 15A.2.5R when complying with the *EBA Guidelines* on ICT and security risk management. In particular, they should, as part of their continuity planning and testing, consider their ability to remain within their *impact tolerance* through a range of severe but plausible disruption scenarios.

		<div>15A.3</div> <div>Strategies, processes and systems</div>
15A.3.1	R	A <i>firm</i> must have in place sound, effective and comprehensive strategies, processes and systems to enable it to comply with its obligations under this chapter.
15A.3.2	R	The strategies, processes and systems required under ■ SYSC 15A.3.1R must be comprehensive and proportionate to the nature, scale and complexity of the <i>firm's</i> activities.



15A.4 Mapping

- 15A.4.1

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A *firm* must identify and document the people, processes, technology, facilities and information necessary to deliver each of its *important business services*. This must be sufficient to allow the *firm* to identify vulnerabilities and remedy these as appropriate.
- 15A.4.2

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Where a *firm* relies on a third party for the delivery of an *important business service*, we would expect the *firm* to have sufficient understanding of the people, processes, technology, facilities, and information that support the provision by the third party of its services to or on behalf of the *firm* so as to allow the *firm* to comply with its obligations under ■ SYSC 15A.4.1R.
- 15A.4.3

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A *firm* must keep its compliance with ■ SYSC 15A.4.1R under review and, in particular, review its compliance in the following circumstances:

(1) if there is a material change to the *firm's* business, the *important business services* identified in accordance with ■ SYSC 15A.2.1R or *impact tolerances* set in accordance with ■ SYSC 15A.2.5R; and

(2) in any event, no later than 1 year after it last carried out the relevant assessment.
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15A.5 Scenario testing

Testing plan

- 15A.5.1 R A *firm* must develop and keep up to date a testing plan that appropriately details how it will gain assurance that it can remain within the *impact tolerances* for each of its *important business services*.
- 15A.5.2 G *Firms* should ensure that the testing plan takes account of a number of factors, including but not limited to:

(1) the type of scenario testing undertaken. For example, whether it is paper based, simulations or through the use of live-systems;

(2) the scenarios which the *firm* expects to be able to remain within their *impact tolerances* and which ones they may not;

(3) the frequency of the testing;

(4) the number of *important business services* tested;

(5) the availability and integrity of supporting assets;

(6) how the *firm* would communicate with internal and external stakeholders effectively to reduce the harm caused by operational disruptions.

Testing

- 15A.5.3 R A *firm* must carry out scenario testing, to assess its ability to remain within its *impact tolerance* for each of its *important business services* in the event of a severe but plausible disruption of its operations.
- 15A.5.4 R In carrying out the scenario testing, a *firm* must identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to its business and risk profile and consider the risks to the delivery of the *firm's important business services* in those circumstances.
- 15A.5.5 G Where a *firm* relies on a third party for the delivery of its *important business services*, we would expect the *firm* to work with the third party to ensure the validity of the *firm's* scenario testing under ■ SYSC 15A.5.3R. To the extent that the *firm* relies on the third party to carry out testing of the services provided by the third party to or on behalf of the *firm*, the *firm* should ensure the suitability of the methodologies, scenarios and considerations

		adopted by the third party in carrying out testing. The <i>firm</i> is ultimately responsible for the quality and accuracy of any testing carried out, whether by the <i>firm</i> or by a third party.
15A.5.6	G	<p>In carrying out the scenario testing, a <i>firm</i> should, among other things, consider the following scenarios:</p> <ul style="list-style-type: none">(1) corruption, deletion or manipulation of data critical to the delivery of its <i>important business services</i>;(2) unavailability of facilities or key people;(3) unavailability of third party services, which are critical to the delivery of its <i>important business services</i>;(4) disruption to other market participants, where applicable; and(5) loss or reduced provision of technology underpinning the delivery of <i>important business services</i>.
15A.5.7	R	<p>A <i>firm</i> must carry out the scenario testing:</p> <ul style="list-style-type: none">(1) if there is a material change to the <i>firm's</i> business, the <i>important business services</i> identified in accordance with ■ SYSC 15A.2.1R or impact tolerances set in accordance with ■ SYSC 15A.2.5R;(2) following improvements made by the <i>firm</i> in response to a previous test; and(3) in any event, on a regular basis. <p>Lessons learned</p>
15A.5.8	R	<p>A <i>firm</i> must, following scenario testing or, in the event of an operational disruption, after such event, conduct a lessons learned exercise that allows the <i>firm</i> to identify weaknesses and take action to improve its ability to effectively respond and recover from future disruptions.</p>
15A.5.9	R	<p>Following the lessons learned exercise, a <i>firm</i> must make necessary improvements to address weaknesses identified to ensure that it can remain within its <i>impact tolerances</i> in accordance with ■ SYSC 15A.2.9R.</p>

15A.6 Self-assessment and lessons learned exercise documentation

- 15A.6.1** **R** A *firm* must make, and keep up to date, a written record of its assessment of its compliance with the requirements in this chapter, including, but not limited to, a written record of:
- (1) *important business services* identified by the *firm* and the justification for the determination made;
 - (2) the *firm's impact tolerances* and the justification for the level at which they have been set by the *firm*;
 - (3) the *firm's* approach to mapping under ■ SYSC 15A.4.1R, including how the *firm* has used mapping to:
 - (a) identify the people, processes, technology, facilities and information necessary to deliver each of its *important business services*;
 - (b) identify vulnerabilities; and
 - (c) support scenario testing;
 - (4) the *firm's* testing plan and a justification for the plan adopted;
 - (5) details of the scenario testing carried out as part of its obligations under ■ SYSC 15A.5, including a description and justification of the assumptions made in relation to scenario design and any identified risks to the *firm's* ability to meet its *impact tolerances*;
 - (6) any lessons learned exercise conducted under ■ SYSC 15A.5.8R;
 - (7) an identification of the vulnerabilities that threaten the *firm's* ability to deliver its *important business services* within the *impact tolerances* set, including the actions taken or planned and justifications for their completion time;
 - (8) its communication strategy under ■ SYSC 15A.8.1R and an explanation of how it will enable it to reduce the anticipated harm caused by operational disruptions; and
 - (9) the methodologies used to undertake the above activities.

- 15A.6.2** **R** A *firm* must retain each version of the records referred to in ■ SYSC 15A.6.1R for at least 6 years and, on request, provide these to the FCA.



15A.7 Governance

15A.7.1

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A *firm* must ensure that its *governing body* approves and regularly reviews the written records required under ■ SYSC 15A.6 (Self-assessment and lessons learned exercise documentation).



15A.8 Communications

- 15A.8.1

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A *firm* must maintain an internal and external communication strategy to act quickly and effectively to reduce the anticipated harm caused by operational disruptions.
- 15A.8.2

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As part of a *firm's* communications strategy, the *FCA* expects the *firm* to:

(1) consider, in advance of a disruption, how it would provide important warnings or advice quickly to *clients* and other stakeholders, including where there is no direct line of communication;

(2) use effective communication to gather information about the cause, extent, and impact of operational incidents; and

(3) ensure that their choice of communication method takes account of the circumstances, needs and vulnerabilities of their *clients* and other stakeholders.
- 15A.8.3

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A *firm* must provide clear, timely and relevant communications to stakeholders in the event of an operational disruption.



15A.9 Supervisory review and feedback

- 15A.9.1

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The *FCA* may provide individual *guidance* as to whether a *firm's* compliance with this chapter is adequate and, if necessary, require a *firm* to take the necessary actions or steps to address any failure to meet the requirements in this chapter.
- 15A.9.2

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A *firm* should have regard to the views provided by the *FCA* in relation to the *firm's* compliance. If a *firm* considers that any individual *guidance* given to it is inappropriate to its circumstances it should, consistent with *Principle 11* (Relations with regulators), inform the *FCA* that it disagrees with that *guidance*. The *FCA* may reissue the individual *guidance* if, after discussion with the *firm*, the *FCA* concludes that the appropriate actions or steps a *firm* should take is different from that initially suggested by the *FCA*.
- 15A.9.3

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If, after discussion, the *FCA* and a *firm* still do not agree, the *FCA* may consider other tools available to it, including its powers under sections 55J and 55L of the *Act* on its own initiative to require the *firm* to take specific steps in line with the *FCA's* view to comply with the requirements in this chapter.