TISA

Response by TISA to CP 19/32
Building Operational Resilience

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TISA

About TISA

The Investing and Saving Alliance (TISA) is a unique, rapidly growing membership organisation for UK financial services.

Our ambition is to improve the financial wellbeing of all UK consumers. We do this by focusing the convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry.** We have **over 200-member firms involved in the supply and distribution of savings, investment products and associated services**, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- TISA is recognised for the **expert technical support provided to members** on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **MiFID II, CASS, ESG/RSI, operational resilience, Cyber Risk, SM&CR** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAtech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings & Investment**. This reflects TISA's commitment to open standards and independent governance.

Introduction

The TISA Operational Resilience Working Group already comprises over 20 firms from across all sectors of financial services, and is keen to develop a coherent approach to best practice.

This would lever up standards across the market, improving the resilience of firms with consequent benefits to customers.

We broadly welcome the proposals and approach set out in the CP, but recommend that the FCA consult widely and carefully to ensure that the impact of the rules is proportionate and cost effective. The estimated addition to the cost base of UK firms is large upfront and on a continual basis after full implementation. The FCA should ensure that these costs are kept to the minimum necessary, and will be pleased to work with the FCA to achieve this objective.

TISA Response to CP19/32 - Building Operational Resilience

Q1: Do you agree with our proposal for firms to identify their important business services? If not, please explain why.

Yes, we do.

The objectives of TISA's Operational Resilience Working Group include this as one of the group's objectives.

Q2: Do you agree with our proposed guidance on identifying important business services? Are there any other factors for firms to consider?

Yes, but we may revise or extend the guidance, following the work of our group, which includes the development of an industry Good Practice guide.

Q3: Do you agree with our proposals for firms to set impact tolerances? If not, please explain why.

Yes. This seems right, as it is more appropriate for firms rather than regulators to set tolerances, reflecting the specific circumstances of the firm. We expect our Good Practice guide to give practical guidance to firms in setting impact tolerances.

Q4: Do you agree that duration (time) should always be used as 1 of the metrics in setting impact tolerances? Are there any other metrics that should also be mandatory?

We believe that duration is a sensible metric, but we should prefer to conclude our work first, before agreeing that it should be mandatory.

Q5: Do you agree with our proposal for dual-regulated firms to set up to 2 impact tolerances and solo-regulated firms to set 1 impact tolerance per important business service?

Whilst this may be right, we believe this should be a matter for firms. We should prefer to conclude our work first, before agreeing with this proposal.

Q6: Do you have any comments on our proposed transitional arrangements?

We think this is a sensible approach.

Q7: Do you agree with our proposed approach to mapping? If not, please explain why.

Mapping is a sensible approach, which we see in areas ranging from CASS through SM&CR. We would just caution that the proposed regulations should not be overly prescriptive, to avoid unnecessary burdens on firms.

Q8: Do you agree with our proposed approach to testing? If not, please explain why.

Again, as with mapping, this is a sensible approach and one where industry guidance, put together by the industry, could be helpful to firms. We endorse the comments in 6.11, namely;

We consider that firms are best placed to determine the scenarios used for testing. When setting scenarios, firms could consider previous incidents or near misses within their organisation, across the financial sector and in other sectors and jurisdictions. Firms could also consider horizon risks, such as the evolving cyber threat, technological developments and business model changes.

We are concerned, however, that the useful suggestions in 6.15-6.16 could become too prescriptive, though formal guidance will always be welcome.

Q9: Do you agree with our proposals for communication plans? If not, please explain why.

Yes.

Q10: Do you have any comments on our proposed requirement for a self-assessment document?

As proposed in section 7, this will be a significant responsibility on firms and Boards. Although, in 7.19, the FCA draws attention to the need for proportionality, which we endorse, the requirement to have the self assessment document available on request by the FCA means that it will be treated as an annual requirement of the regulator, and like similar requirements in CASS and SM&CR this will typically require external validation, and perhaps audit. Experience in other areas, such as CASS, has seen the cost of audits near double and we do not believe that FCA has considered these costs in their cost benefit analysis.

We agree with the thrust of the FCA proposals, but believe this needs more engagement with firms.

Q11: Do you have any comments on the cost benefit analysis?

These are far reaching proposals. The costs to individual firms, and ultimately customers, at c £half a billion to implement and a quarter of a billion on an annual basis thereafter are significant. There is no assurance that the implementation of these proposals would have prevented the TSB event, which was arguably a consequence of flawed management decisions.

We believe that the FCA needs to consider the costs, both of implementation and ongoing, very carefully, especially as the impact of these costs in IT in particular may bear more heavily, in proportionate terms on medium and small firms than on the largest firms.

These costs will be passed on to customers in the end, and may act as a barrier to entry as the costs are more easily borne by largest or more established firms.

Q12: Do you have any comments on the examples of existing legislation?

No, we don't.