TISA

Response by TISA to PRA's consultation – Operational Incident and Outsourcing and Third-Party Reporting (CP17/24)

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270 member firms involved in the supply and distribution of savings and investment products and associated services.

Our work, your influence

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **four distinct workstreams**:

1. **Consumer Protection -** *Protecting the best interests of UK consumers in their financial journeys.*
2. **Consumer Access -** *Considering issues that could directly impact access to financial products.*
3. **Effective Products -** *Examining key considerations and legislation relating to products across the investing and saving landscape.*
4. **Corporate Responsibility**
   Exploring issues that directly impact society, the environment, and the economy.

All groups focus on both strategic and technical elements of policy/regulation. We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out more about TISA here: **www.tisa.uk.com/about-tisa**

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Introduction and Summary

TISA welcomes the opportunity to respond to the PRA's consultation on Operational Incident and Outsourcing and Third-Party Reporting. We support the aims to:

- Collect good quality, consistent data focusing on operational incidents and material third-party arrangements which pose the most risk to firms in the financial sector.
- Provide the PRA with better oversight of the risks and provide meaningful feedback to firms and the financial sector.
- Setting out standardised reporting to enhance the quality and comparability of information submitted to the PRA on incidents and material third-party arrangements.
- Clear threshold requirements which enable firms to report those operational incidents and material third-party arrangements.

We are pleased to see that the consultation has been developed in conjunction with the FCA, although there are some inevitable differences.

We would like to thank the PRA and FCA for attending the TISA working group on February 20th to discuss the consultations and provide an overview and answers to our questions, which are noted in our response. This was extremely helpful to TISA and our firms, and we would appreciate similar sessions for future consultations.

Overall, the consultation is clear in its requirements, but there are a few areas that require further clarity, noted below.

Cost Benefit Analysis

We agree that enhancing incident reporting will benefit all parties by strengthening process resilience and providing the PRA with a comprehensive view of issues, especially those involving third parties. This improvement will ultimately lead to better consumer outcomes, although the Consultation lacks data on the sector's cost-benefit analysis to enable individual firms to assess the impact to them.

Standardised incident reporting will enable the PRA to review firms' outputs at various stages of an incident, allowing for quicker action and more efficient issue resolution. However, the one-off and ongoing costs are challenging to assess across our diverse member base, and additional costs may arise from interim reports.

Firms already have their own reporting systems, but setting up the required reporting to output specific fields will demand resources and funds, posing a particular challenge for smaller firms. For firms complying with DORA, the reporting format, although based on DORA, still requires more information, adding complexity to the changes and ongoing processes.

The third-party proposal's submission will incur a one-off cost for gap analysis and register setup, which will be simpler since firms already document their third parties. However, there will still be costs associated with this change, and firms must ensure that any changes to the register from the previous period are considered. The FCA requires an annual submission of the updated report, but the PRA does not expect all firms will submit annually. It would be helpful if this was aligned with the FCA.

Operational incident reporting

We agree with the proposed definition of an operational incident outlined in section 2.4 of the consultation and the thresholds in section 2.8.

We would like clarity whether the reporting requirement pertains solely to important business services.

During the TISA Operational Resilience Working Group meeting on February 20th, the FCA and PRA confirmed that:

- Near misses do not need to be included in the required reporting. However, they expect firms to inform their supervisory team. Firms noted that such incidents could occur without impacting periodic processes, depending on the timing of the issue.
- Third-party incidents affecting a high volume of firms need to be logged, even if the cause of the issue is unknown and not provided to the firm.
- Potential incidents nearing the agreed thresholds should be flagged to the regulator. The case studies provided in the consultation offer firms a better understanding of how to apply the thresholds although individual cases would be useful as detailed on the FCA consultation.

We agree with the approach to standardise using an online platform with some pre-populated fields, although this may impact costs, particularly for small firms. The FCA has stated that it recognises that firms may not fully understand the incident and they do not expect them to divert resources to report at the expense of resolving the incident. We would like to see the same documented by the PRA.

The required reporting timelines detailed for the initial and final report are appreciated.

Regarding the interim report, we would like to understand if there will be a timeline before firms are chased for additional information or changes to the incident.

Additionally, we would like to understand how you plan to utilise the vast amount of data collected and what actions will be taken after a holistic review (e.g., lessons learned) in the final policy

Outsourcing and third-party reporting

We agree with the proposed definitions for Third party arrangements and Material third party arrangements.

The proposal to implement a structured notification process for material outsourcing arrangements will require firms to submit information in a specific format. While this may necessitate additional effort, it will greatly assist the PRA in analysing and assessing the risks posed by third parties.

Although alignment with other regulations has been considered, the required fields differ, with DORA requiring more detailed information.

The mechanism for submission and updates is proportionate and will enable the PRA to compile a comprehensive data set. This will help them understand the third parties being utilised across the industry and their specific applications.