# OPERATIONAL RESILIENCE: THE 10 DIFFERENCES BETWEEN THE APPROACH OF THE UK AND US REGULATORS

Further to the UK Operational Resilience Consultation Papers released by PRA and FCA in Dec 2019, the US Regulators (FRB, OCC and FDIC) issued a joint paper 'Sound Practices to Strengthen Operational Resilience' in Oct 2020 to provide US firms with guidance to strengthen their practices in the face of operational risks and disruptive events. While both papers highlight the importance of Operational Resilience and travel in the same general direction there are some key differences.

| Operational Resilience – Areas | US (FRB, OCC, FDIC) | UK (PRA, FCA) |
|---|---|---|
| **Objective** | Serves **only as a guidance** to develop Operational Resilience based on existing regulations | Introduces **new regulations** with clearly defined steps that firms must follow and implement |
| **Scope** | Applies only to **the largest, more complex US firms** | Applies to **all UK PRA/FCA-regulated legal entities** |
| **How high is the bar?** | Expects firms to be able to deliver operations through a disruption **from any hazard** | Expects firms to be able to manage to remain within impact tolerances given severe but plausible events but also that scenarios that result in **breaches in impact tolerances are tested** |
| **Drivers for tolerance of disruption** | • Threat to US financial stability<br>• Financial impact on firm (specifically revenue, profit, franchise value) | • **Harm to customers**<br>• Harm to financial stability<br>• Harm to firm's safety and soundness |
| **Ownership** | Split between **Operational Risk and BCP** | Owned by **COO/SMF24** |
| **Governance** | Boards **approve the firm's risk appetite for disruption**, but not the firm's approach to Operational Resilience | Boards **sign off an annual scenario-based self assessment**, which documents the firm's Operational Resilience approach and testing outcomes |
| **Service / Process Mapping** | Expects firms to **leverage existing** recovery/resolution plans that map out operational interconnections and interdependencies among the firm's entities and with significant third parties | Expects firms to perform **detailed mapping of people, processes, technology, facilities and information** (incl. third parties) required to deliver important business services |
| **Contingency** | Expects firms to have **contingency plans as part of BCP** (incl. back-up sites, remote working, back-up roles) | Not specified explicitly in the UK PRA/FCA papers |
| **Scenario Analysis** | Expects firms to have an i**ndependent review function** to oversee the scenario development process | Goes into the detail of how scenarios should be used to test firms but not how the scenarios are created or selected |
| **Surveillance and Reporting** | Expects firms to have the following capabilities:<br>• Early detection and assessment of anomalies<br>• Performance reporting to support decision making | Expects Boards to have **appropriate management information** available to support decision making during a disruption |