

**PRA RULEBOOK: CRR FIRMS, SII FIRMS: OPERATIONAL RESILIENCE INSTRUMENT 2022****Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
  - (2) section 137T (General supplementary powers);
  - (3) section 192XA (Rules applying to holding companies); and
  - (4) section 192XB (Procedural provision).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with sections 144C(3) and 144E of the Act the PRA consulted the Treasury about the likely effect of the rules on relevant equivalence decisions within the meaning of section 144C (4) of the Act.
- D. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority.
- E. The PRA published a draft of the proposed rules in accordance with section 138J(1)(b) of the Act, accompanied by the information listed in section 138J(2) and the explanation referred to in section 144D of the Act insofar as that section is applicable to the rules.
- F. The PRA had regard to representations made.

**PRA Rulebook: CRR Firms, SII Firms: Operational Resilience Instrument 2022**

- G. The PRA makes the rules in Annexes to this instrument.

Part	Annex
Operational Resilience – CRR Firms	A
Operational Resilience – Solvency II Firms	B
Group Supervision	C

**Commencement**

- H. This instrument comes into force on 31 March 2022.

**Citation**

- I. This instrument may be cited as the PRA Rulebook: CRR Firms, SII Firms: Operational Resilience Instrument 2022.

**By order of the Prudential Regulation Committee**

22 February 2022

## Annex A

## Amendments to the Operational Resilience- CRR Firms Part

In this Annex, new text is underlined and deleted text is struck through.

## OPERATIONAL RESILIENCE – CRR FIRMS

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### 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated,:

(1) other than Chapter 8, this Part applies to every *firm* that is a *CRR firm*;

(2) Chapter 8 applies to every *CRR consolidation entity*.

1.2 In this Part, the following definitions shall apply:

~~*Capital Buffers Regulations*~~

~~means the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014 (SI 2014/894).~~

~~*external group end user*~~

~~means a ~~person~~person who receives services and who is not a member of the ~~*firm's CRR consolidation entity's consolidation group*~~ on the basis of the ~~consolidated situation~~ of the ~~*firm's UK parent undertaking*~~.~~

...

~~*important business service*~~

means a service provided by a *firm*, or by another *person* on behalf of the *firm*, to another *person* which, if disrupted, could pose a risk to:

(1) where the *firm* is, or is controlled by, an O-SII, the stability of the *UK* financial system; or

(2) the *firm's* safety and soundness.

~~*important group business service*~~

means a service provided by a member of the ~~*firm's CRR consolidation entity's consolidation group*~~ (other than the *firm*) on the basis of the ~~consolidated situation~~ of the ~~*UK parent undertaking*~~ of that ~~consolidation group~~, to an *external group end user* which, if disrupted, could pose a risk to:

(1) where ~~the *firm*~~ any member of the *CRR consolidation entity's consolidation group* is an O-SII, the stability of the *UK* financial system; or

(2) the ~~*firm's*~~ safety and soundness of any *CRR firm* within the *CRR consolidation entity's consolidation group*.

~~O-SII~~

~~means a *person* or group identified by the PRA in accordance with Part 5 of the *Capital Buffers Regulations*.~~

1.3 ~~[deleted.] Unless otherwise defined, any italicised expression used in this Part and in the CRR has the same meaning as in the CRR.~~

## 2 OPERATIONAL RESILIENCE REQUIREMENTS

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- 2.1 A firm must identify its *important business services* and, where 8.2 applies, its *important group business services*.
- 2.2 A firm must set an *impact tolerance* for each of:
- (1) its *important business services*; and
  - (2) where 8.2 applies, its *important group business services*.
- 2.3 The *impact tolerance* set for each *important business service* or *important group business service* must specify the first point at which a disruption to the *important business service* or *important group business service* would pose a risk to:
- (1) where the firm is, or is controlled by, an O-SII, the stability of the UK financial system; or
  - (2) the firm's safety and soundness.
- 2.4 The *impact tolerance* set for each *important business service* or *important group business service* must specify the length of or point in time, in addition to any other relevant metrics, for which a disruption to that *important business service* or *important group business service* can be tolerated.
- ...
- 2.5A Where a firm is a member of a group, the firm must ensure it accounts for any additional risks arising elsewhere within its group that may affect the firm's ability to comply with 2.5.
- ...

## 3 STRATEGIES, PROCESSES AND SYSTEMS

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- 3.1 A firm must have in place sound, effective and comprehensive strategies, processes and systems that enable it adequately to:
- (1) identify its *important business services* ~~important business services~~ and, where 8.2 applies, *important group business services*;
  - (2) set an *impact tolerance* ~~impact tolerance~~ for each *important business service* ~~important business service~~ and, where 8.2 applies, each *important group business service*; and
  - (3) identify and address any risks to its ability to comply with the obligation under 2.5.
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## 7 GOVERNANCE

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- 7.1 A firm must ensure that its *management body* approves the *important business services* and *important group business services* identified by the firm in compliance with 2.1 and 8.2.
- 7.2 A firm must ensure that its *management body* approves the *impact tolerances* set by the firm in compliance with 2.2 and 8.2.
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## 8 GROUP ARRANGEMENTS

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- 8.1 ~~[deleted.]~~ Where a firm is a member of a group, the firm must ensure it accounts for any additional risks arising elsewhere in the group that may affect the firm's ability to comply with the obligation under 2.5.

- 8.2 ~~[deleted.]Where a *firm* is a member of a *consolidation group*, the *firm* must also comply with 2.1 and 2.2 in relation to its *important group business services*, on the basis of the *consolidated situation* of the *UK parent undertaking* of the *consolidation group*.~~
- 8.3 ~~[deleted.]With the exception of 3.1(3), where a *firm* is a member of a *consolidation group*, the *firm* must ensure that the strategies, processes and systems at the level of the *consolidation group* of which it is a member comply with the obligations set out in 3 on the basis of the *consolidated situation* of the *UK parent undertaking* of the *consolidation group*.~~
- 8.4 ~~[deleted.]Where a *firm* is a member of a *consolidation group*, the *firm* must ensure that the strategies, processes and systems at the level of its *consolidation group* enable the *firm* to assess on the basis of the *consolidated situation* of the *UK parent undertaking* of the *consolidation group* whether the member of that *consolidation group* providing each *important group business service* could remain within the *impact tolerance* in the event of a severe but plausible disruption to its operations.~~
- 8.5 ~~[deleted.]The strategies, processes and systems required by this Chapter must be proportionate to the nature, scale and complexity of the *consolidation group's* activities.~~
- 8.6 A CRR consolidation entity must identify each important group business service.
- 8.7 A CRR consolidation entity must set an impact tolerance for each important group business service.
- 8.8 A CRR consolidation entity must assess whether each member of the CRR consolidation entity's consolidation group providing each important group business service could remain within the impact tolerance set for that important group business service in the event of a severe but plausible disruption to its operations.
- 8.9 The impact tolerance set for each important group business service must specify the first point at which a disruption to the important group business service would pose a risk to:
- (1) where any member of the CRR consolidation entity's consolidation group is an O-SII, the stability of the UK financial system; or
- (2) the safety and soundness of any CRR firm within the CRR consolidation entity's consolidation group.
- 8.10 The impact tolerance set for each important group business service must specify the length of or point in time, in addition to any other relevant metrics, for which a disruption to that important group business service can be tolerated.
- 8.11 A CRR consolidation entity must have in place sound, effective and comprehensive strategies, processes and systems that enable it adequately to:
- (1) identify each important group business service;
- (2) set an impact tolerance for each important group business service; and
- (3) assess whether each member of the CRR consolidation entity's consolidation group providing each important group business service could remain within the impact tolerance set for that important group business service in the event of a severe but plausible disruption to its operations.
- 8.12 A CRR consolidation entity must ensure that its management body approves:
- (1) the important group business services identified in compliance with this Chapter;
- (2) the impact tolerances set in compliance with this Chapter; and
- (3) the assessment undertaken in compliance with this Chapter.

8.13 The strategies, processes and systems required by this Chapter must be proportionate to the nature, scale and complexity of the *consolidation group's* activities.

8.14 A *CRR consolidation entity* must comply with 8.6 to 8.13 within a reasonable time of the rules coming into effect and in any event by no later than 30 June 2022.

## Annex B

## Amendments to the Operational Resilience – Solvency II Firms Part

In this Annex, new text is underlined and deleted text is struck through.

Part

## INSURANCE - OPERATIONAL RESILIENCE – SOLVENCY II FIRMS

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### 1 APPLICATION AND DEFINITIONS

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...

1.2 In this Part, the following definitions shall apply:

*external group end user*

means a ~~person~~person who receives services and who is outside of the *group* of which the *firm* is a member.

...

*important group business service*

means a service provided by a member of ~~at~~the firm's *group* (other than the *firm*) to an *external group end user* which, if disrupted, could pose a risk to:

- (1) where a *relevant Solvency II firm* is a member of the *group*, the stability of the *UK* financial system;
- (2) the *firm's* safety and soundness; or
- (3) an appropriate degree of protection for those who are or may become the *firm's* *policyholders*.

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### 2 OPERATIONAL RESILIENCE REQUIREMENTS

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2.2 A *firm* must set an *impact tolerance* for each of:

- (1) its *important business services*; and
- (2) ~~{where Group Supervision 22.2 applies}~~, its *important group business services*.

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### 3 STRATEGIES, PROCESSES AND SYSTEMS

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3.1 A *firm* must have in place sound, effective and comprehensive strategies, processes and systems that enable it adequately to:

- (1) identify its ~~important business services~~*important business services* and, where Group Supervision 22.2 applies, its ~~important group business services~~*important group business services*;

(2) set an ~~impact tolerance~~impact tolerance for each ~~important business service~~important business service and, where Group Supervision 22.2 applies, each ~~important group business service~~important group business service; and

(3) identify and address any risks to its ability to comply with the obligation in 2.5.

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## **6 SELF-ASSESSMENT**

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6.1 A *firm* must prepare and regularly update a written self-assessment of its compliance with this Part and, where Group Supervision 22.2 applies, Group Supervision 22.

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## **7 GOVERNANCE**

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7.1 A *firm* must ensure that its *management body* approves the *important business services* and *important group business services* identified by the *firm* in compliance with 2.1 and, where Group Supervision 22.2 applies, Group Supervision 22.3.

7.2 A *firm* must ensure that its *management body* approves the *impact tolerances* set by the *firm* in compliance with 2.2 and, where Group Supervision 22.2 applies, Group Supervision 22.3.

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## **9 LLOYD'S**

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9.1 This Part applies to the *Society* and *managing agents* separately.

## Annex C

## Amendments to the Group Supervision Part

In this Annex new text is underlined and deleted text is struck through.

## 1 APPLICATION AND DEFINITIONS

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...

1.2 In this Part, the following definitions shall apply:

...

*external group end user*

means a ~~person~~person who receives services and who is outside of the *group* of which the *firm* is a member.

...

*important business service*

means a service provided by a *firm*, or by another *person* on behalf of the *firm*, to another *person* which, if disrupted, could pose a risk to:

- (1) where the *firm* is a *relevant Solvency II firm*, the stability of the *UK* financial system;  
or
- (2) the *firm's* safety and soundness; or
- (3) an appropriate degree of protection for those who are or may become the *firm's* *policyholders*.

*important group business service*

means a service provided by a member of at the *firm's* *group* (other than the *firm*) to an *external group end user* which, if disrupted, could pose a risk to:

- (1) where a *relevant Solvency II firm* is a member of the *group*, the stability of the *UK* financial system;
- (2) the *firm's* safety and soundness; or
- (3) an appropriate degree of protection for those who are or may become the *firm's* *policyholders*.

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## 22 GROUP OPERATIONAL RESILIENCE

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22.5 Where a *firm* is a member of a *group* covered by 2.1(3), 22.2, 22.3 and 22.4 do not apply if, subject to 22.6, the ~~third country~~third country in which the *group's* *parent undertaking* has its head office is assessed to be equivalent under Article 260 of the *Solvency II Directive*, Article 380 and 380A of the *delegated act*, or an equivalence determination under paragraph 12 of Schedule 1 of The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc) (EU Exit) Regulations 2019.

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**EXTERNALLY DEFINED TERMS**

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<b>Term</b>	<b>Definition source</b>
group  (external definition applies in Annex A only)	Section 421 of the Financial Services and Markets Act 2000