



# Identified OCiR shortcomings and shared challenges

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Following the 2008 financial crisis, regulators have increasingly mandated that financial institutions should demonstrate robust contingency plans for sustained operations during potential recovery or resolution phases, ensuring the protection of retail clients, critical functions and the broader economic landscape. This drive resulted in the emergence of operational continuity in resolution (OCiR) regulation. This blog examines the degree to which firms have demonstrated effective implementation of OCiR having worked with several clients to support their OCiR adoption.

## Background

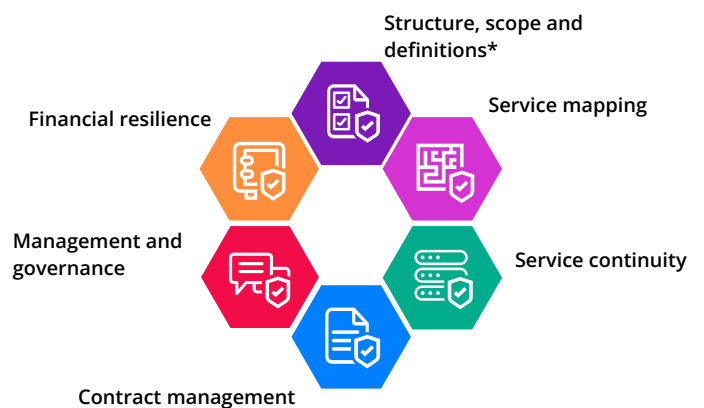
### Operational continuity in resolution

OCiR is a Prudential Regulation Authority (PRA) requirement. Supervisory statement SS4/21 sets out the expectations for banks, building societies and investment firms to ensure the operational continuity of critical services are provided to customers to facilitate recovery actions, resolution and related restructuring.

Implementation of this regulation is mandatory for firms that, within the past 36 months, falls within one of three criteria:

1. The firm's **average total assets** reported under chapters 7 and 9 of the BoE Rulebook exceed £10bn.
2. The firm's **average safe custody assets** reported per SUP 16.14 of the FCA Handbook exceed £10bn.
3. The **average sight deposits** reported or would've been reported under the ITS on supervisory reporting are greater than £350m.

Executives have accountability, under the Senior Managers' and Certification regime, to ensure provision for OCiR and ongoing compliance against the following pillars:



\*Structure, scope and definitions provides context on the firm in question.



## Identifying common pillar specific gaps

In assisting various financial institutions with regulation adherence, Be UK has identified common areas where further attention is often needed to ensure robust compliance.



### SERVICE MAPPING

The PRA expects firms to showcase how their operational arrangements for critical services aid recovery and resolution through a service catalogue. While many firms have effectively mapped services, they often use static platforms like Excel, risking data integrity due to manual updates and poor version control. Adopting dynamic platforms can ensure accurate data and immediate access to detailed information when regulators inquire.



### CONTRACT MANAGEMENT

Firms need to review existing contracts to ensure that resolution-resilient terms for critical services, whether intra-group, intra-entity, or non-group providers are added. If contracts omit this protection, firms should develop a remediation plan detailing steps, responsibilities, and timelines. A robust substitutability approach to materiality assessments if a supplier refused to adopt the language should also be included.



### SERVICE CONTINUITY

Firms must ensure the continuity of critical services during restructuring events, regardless of differing stress scenarios. Yet, many exhibit inadequate playbook coverage lacking provisions, communications, steps, and testing scenarios for recovery and resolution. Firms should be prepared, as regulators may request this information for immediate presentation.



### MANAGEMENT AND GOVERNANCE

Firms should have appropriate forums to ensure OCiR's delivery, response to stress scenarios, consistent firm-wide OCiR understanding, and retention of key staff. Confusion around OCiR often abounds, especially during recovery and resolution roleplays and testing. Governance is frequently absorbed into broader committees, diminishing OCiR's significance. It's crucial for firms to bolster OCiR education and establish a specialised forum to address its concerns.



“Executives have accountability to ensure provision for OCiR and ongoing compliance...”





## FINANCIAL RESILIENCE

The PRA mandates firms to maintain sufficient financial resources for stress resilience, considering charging structures, operational assets for critical services, risks, early warning indicators (EWIs), appropriate liquidity and critical provisions. While many firms make good progress in this area, they should be prepared for regulatory requests for clear evidence substantiating the calculation and provision of liquidity, charging structures, operational assets, risks, and EWIs. This is often unclear.

## Closing thoughts

Firms will often have many initiatives to consider and cost implications to balance when undertaking regulatory improvements. They should not risk regulator scrutiny through lack of addressing their OCiR gaps, many of which are easily identifiable and rectifiable.

“Firms should not risk regulator scrutiny through lack of addressing their OCiR gaps...”



For firms that are currently implementing OCiR SS4/21 Be UK have a proven health check tool which is typically executed in four to six weeks and provides insight into where OCiR delivery is on track and where there is risk to delivery.



## About us

Be | Shaping the Future is a leading pan-European financial services management consultancy, operating in 13 countries across Europe.

We are a disrupter to the top-tier consultancy brands, trusted by five out of ten of Europe's leading banks (alongside other leading financial institutions and FinTechs).

We are one of the fastest growing consultancies with dedicated specialist teams in:

- Finance & CFO advisory
- Cards and payments
- Retail and commercial banking
- ESG
- Risk, regulatory and compliance

We work in partnership with our clients to deliver transformational change and strategic advice, powered by a unique culture, attaining a new quality and price standard.

The Retail and Commercial Banking team at Be | Shaping the Future UK is composed of innovative thinkers, strategic advisors and transformation specialists.

Our key service areas include:

- Digital and business transformation
- Data analytics and innovation
- Operational excellence

Utilising our broad experience from across the banking sector, we ensure our clients take advantage of market disruption to achieve lasting value.

Bringing deep industry expertise and expert consulting capabilities, we support our clients to tackle their biggest opportunities and challenges to deliver fundamental and enduring change to their businesses.

## Contact

For more information on how we can help with your retail and commercial banking transformation initiatives, please get in touch.



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