



Critical Third Parties (CTP): Divergent paths between the EU and UK?

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Timeline of Key Events



Growing reliance on Critical Third Parties

Both the UK and the EU have introduced regulatory frameworks aimed at strengthening oversight of critical third-party providers (CTPPs). These regimes are designed to ensure that external technology, cloud, and data providers operating at the core of financial services can be held to higher standards of resilience and accountability.

Cloud hosting, digital infrastructure, cybersecurity services, and market data now underpin many functions, supporting everything from payments processing to trading platforms and risk modelling. The Competitions and Markets Authority (CMA) highlights that the largest two providers (Amazon Web Services (AWS) and Microsoft) control the vast majority of UK public cloud revenue. As firms modernise their operations, these services have become deeply embedded in day-to-day activities.

Regulatory Responses in the EU and UK

The EU's DORA Framework

The European Union introduced the Digital Operational Resilience Act (DORA) which went live in January 2023. Under DORA, the ESA (European Supervisory Authorities) have the power to designate certain external technology providers as Critical Information and Communications Technology (ICT) third-party providers.

Under DORA the framework also introduces a new supervisory regime that directly targets critical third-party providers. Once designated, providers must undertake regular ICT risk assessments, reviews of governance and operational resilience arrangements, scenario-based resilience testing, and ongoing monitoring. They are required to report significant incidents and cooperate with any supervisory inspections.

The EU published its first list of designated CTPPs on 18 November 2025. Since designation, these entities have become subject to direct EU level supervision, for example, Microsoft, and AWS. This represented the formal commencement of the new supervisory regime and a steady development in the governance of cross sector technology dependencies.

The UK's Critical Third Party regime

The UK introduced a parallel, though distinct, framework through the Financial Services and Markets Act 2023. Under this regime, HM Treasury has the authority to designate CTPs (Critical Third Parties). Once designated, these providers would fall under the direct oversight of the Bank of England, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). HM Treasury published the final CTP framework and supervisory statements on 12 November 2024, setting out the rules, expectations and oversight mechanisms that would govern designated CTPs.

The UK's regime is designed to be technology-neutral. This means designations are not restricted to ICT service providers. Data firms, market infrastructure operators, cybersecurity providers, and physical infrastructure operators could, in principle, fall within scope.

The supervisory powers granted to UK regulators closely mirror those in DORA. They include the ability to set resilience requirements, demand incident reporting, require CTPs to carry out testing and scenario analysis, request information, and intervene where there is risk to the financial stability of the UK market. Despite this framework being operational since 1 January 2025, no providers have yet been designated in the UK, though this is anticipated imminently.

Recent regulatory developments

A significant step came on 14 January 2026, when the UK authorities, the FCA, PRA and Bank of England, signed a Memorandum of Understanding (MoU) with the ESA. The MoU sets out how the regulators intend to cooperate in the oversight of CTPs operating across both jurisdictions.

The agreement outlines arrangements for information sharing, coordinated oversight activities, and cooperation in the event of significant operational incidents or cyberattacks. While the MoU does not itself trigger UK designations, it indicates that the designation process has begun and signals a clear intention to ensure that the UK's approach complements and aligns with DORA. This is particularly important for firms operating across borders, many of which are already subject to the EU's requirements.

More recently, in March 2026, the PRA published Policy Statement PS7/26, which finalises a new, standardised UK wide framework for reporting operational incidents and material third party (MTP) arrangements. The PRA, FCA and Bank of England have now aligned definitions, reporting templates and processes, meaning firms will make a single incident report and maintain consistent third party data across all supervisory authorities facilitating the designation of CTPs. Importantly, the framework introduces mandatory notification of all MTP arrangements and updates the incident reporting process to a streamlined single report format.

Be UK's opinion on the designation process

The slower pace of UK designations, particularly when compared with the EU, has attracted some comment. This may reflect structural differences in the regulatory frameworks. In the UK, designation decisions rest with HM Treasury, which involves broader government engagement and can result in a more consultative process. In addition, many of the firms potentially in scope operate globally, and the UK may be seeking to ensure its approach is aligned with international regulatory developments and avoids unnecessary fragmentation.

Regulators have also noted current limitations in accessing consistent data on third-party arrangements, which PS7/26 is expected to address by improving the quality and comparability of information available. Taken together, these factors suggest the UK's approach reflects a staged and measured process, rather than an absence of momentum. When designations do begin, the UK's broader remit (ICT and non ICT) means its list may not be identical to the EU's, although we expect there to be substantial overlap given the number of major cloud, data-hosting and digital-infrastructure providers serving both markets.

Beyond this shared core, the UK may expand the perimeter to areas not directly captured under DORA. For example, certain forms of physical infrastructure, such as large domestic data-centres could be brought into scope.

In addition, providers of AI and machine learning platforms, now deeply embedded in risk modelling, fraud detection, market analytics and regulatory reporting, may fall within the UK perimeter given their growing role in core financial-sector processes.

The UK could further broaden the scope to include specialist data, benchmark and valuation-service providers that supply essential inputs to domestic pricing, indexing, reporting and transparency frameworks.

Taken together, these potential inclusions reflect a UK approach designed to capture the wider ecosystem of services that collectively support market integrity and financial stability, rather than focusing solely on traditionally ICT classified providers.

What this means for firms today

What matters now is that the UK is clearly preparing for alignment with the EU. The UK-EU MoU outlines that convergence is coming. Through joint information sharing, coordinated supervision and aligned incident response, UK regulators have effectively laid the groundwork for a regime that will operate closely alongside DORA once designations begin. The architecture for cross border oversight is already built.

Additionally, it will help firms benefit from clearer coordination with third parties, more timely disruption notifications, better support during recovery, and reduced impact on their operations and the wider financial system.

These regulatory developments give firms an opportunity to integrate the information shared by designated CTPs into their own risk management and operational resilience frameworks.

Regulators will increasingly rely on data that firms already provide, such as outsourcing records and third-party registers, when assessing and reviewing CTPs. Under PS7/26, these datasets will become even more valuable, as firms must now maintain standardised MTP (Material Third Party) registers and incident reports that feed directly into supervisors' visibility of critical dependencies.

In summary, regulatory focus on CTPs enhances resilience, improves coordination with key providers and strengthens firms' ability to manage critical third-party risk, reducing operational disruption for firms, customers and the wider financial system.

Be UK

At Be UK, our Non-Financial Risk Practice specialises in helping firms build operational resilience and meet evolving regulatory obligations. We provide expert support on PS7/26 preparedness, including compliance checklists, and end-to-end third-party reporting frameworks, ensuring firms are ready for heightened supervisory scrutiny. If you would like support in navigating the evolving third party risk and reporting landscape, please get in touch to explore how Be UK can support your organisation.

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:

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

At Be UK, we've worked with a range of financial services firms to help design, implement, and enhance scenario testing frameworks.

Our team brings a wealth of experience in operational resilience, data strategy, and regulatory compliance equipping us to support firms wherever they are on their journey, whether it's improving cross-team collaboration, modernising testing methods or unlocking the value of data, we're here to help firms turn insight into action.

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 you on your risk journey, please get in touch.



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