

Operational Resilience part of the Code of Practice

CODE OF PRACTICE ABOUT THE OPERATION OF RECOGNISED PAYMENT SYSTEMS

Powers exercised

- A. This amended code of practice is published under section 189 of the Banking Act 2009.
- B. A failure to comply with this code will constitute a “compliance failure” under section 196 of the Banking Act 2009, which can result in the imposition of a sanction under section 198 to 200 of the Banking Act 2009 (financial penalty, management disqualification, and in certain specified circumstances, a closure order). It can also involve publication of the details of the compliance failure and any sanction imposed (section 197 Banking Act 2009).

Commencement

- C. These amendments to the code of practice come into force on 31 March 2022.

Citation

- D. The part of the code of practice set out in Annex B may be cited as the Bank of England Recognised Payment Systems Code of Practice: Operational Resilience.

[DATE]

Annex A

PART 1: GOVERNANCE

1 APPLICATION AND DEFINITIONS

- 1.1 This part of the code of practice applies to a *RPSO* that is not operated by a recognised clearing house or a central securities depository unless 1.2 applies.
- 1.2 The Bank of England may notify a *RPSO* that this part of the code shall not apply to it where:
- ...
- 1.3 The following definitions shall apply to the entire code and are not limited to this part:
- ...

Annex B

PART 2: OPERATIONAL RESILIENCE

1 APPLICATION AND DEFINITIONS

1.1 This part of the code of practice applies to a *RPSO* that is not operated by a recognised clearing house or a central securities depository, and also to a *specified service provider (SSP)*.

1.2 The Bank of England may notify a *RPSO* or *SSP* that this part of the code shall not apply to it where:

(1) the *RPSO* or *SSP* is not incorporated in the UK; and

(2) the Bank of England considers that:

(a) the *RPSO* or *SSP* is subject to a domestic supervisory or oversight regime that has the objective of protecting and enhancing financial stability and which implements the Committee for Payment and Market Infrastructure and the International Organization of Securities Commissions 'Principles for financial market infrastructures'; and

(b) arrangements in place for international cooperation enable it to discharge its statutory requirements and supervisory functions in respect of the *RPSO* or *SSP*.

1.3 In this part, the following definitions shall apply:

important business service

means;

- in respect of a *RPSO*, a service provided by a *RPSO* to an end user which, if disrupted, could threaten the transfer of payments or safety and efficiency of a payment system.
- in respect of a *SSP*, a service provided by a *SSP* to a *RPSO* which, if disrupted, could threaten the transfer of payments or safety and efficiency of the *RPSO*.

impact tolerance

means the maximum tolerable level of disruption for an *important business service*.

specified service provider or SSP

means a service provider to a payment system specified in a Treasury order made under section 206A of the Banking Act 2009.

2 OPERATIONAL RESILIENCE REQUIREMENTS

- 2.1 A *RPSO* or *SSP* must identify its *important business services*.
- 2.2 A *RPSO* or *SSP* must, for each of its *important business services*, set an *impact tolerance*.
- 2.2.1 The *impact tolerance* set for each *important business service* must be set at the maximum level of disruption to the *important business service* which can be tolerated prior to such disruption threatening the safety and efficiency of the payment system.
- 2.2.2 A *RPSO* must set an *impact tolerance* taking into account the recovery times specified in the CPMI-IOSCO Principles for Financial Market Infrastructures, the nature of the *important business service* and any contractual arrangements made in relation to it.
- 2.2.3 A *SSP* must set an *impact tolerance* for each of its *important business services* taking into account its obligations to any relevant *RPSO*.
- 2.3 A *RPSO* or *SSP* must take all reasonable actions to ensure it remains within its *impact tolerance* for each *important business service* in the event of an extreme but plausible disruption to its operations.
- 2.4 A *RPSO* or *SSP* must comply with the rule in 2.3 within a reasonable time of the rule coming into effect and in any event by no later than 31 March 2025.

3 STRATEGIES, PROCESSES AND SYSTEMS

- 3.1 A *RPSO* or *SSP* must have in place sound, effective and comprehensive strategies, processes and systems that enable it adequately to:
- 3.1.1 identify its *important business services*;
- 3.1.2 set an *impact tolerance* for each *important business service*; and
- 3.1.3 identify and address any risks to its ability to comply with the obligation under the rule in 2.3.
- 3.2 The strategies, processes and systems required by the rule in 3.1 must be proportionate to the nature, scale and complexity of the *RPSO* or *SSP*'s activities.

4 MAPPING

- 4.1 As part of its obligation under the rule in 3.1, a *RPSO* or *SSP* must identify and document the necessary people, processes, technology, facilities and information required to deliver each of its *important business services*.

5 SCENARIO TESTING

- 5.1 As part of its obligation under the rule in 3.1, a *RPSO* or *SSP* must carry out regular scenario testing of its ability to meet its *impact tolerance* for each of its *important business services* in the event of an extreme but plausible disruption of its operations.
- 5.2 In carrying out the scenario testing required by the rule in 5.1, a *RPSO* or *SSP* must identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to its business and risk profile and consider the risks to delivery of the *RPSO* or *SSP's important business services* in those circumstances.
- 5.3 The scenario testing required by the rule in 5.1 must be proportionate to the nature, scale and complexity of the *RPSO* or *SSP's* activities, and informed by its previous experience.

6 WRITTEN RECORDS

- 5.4 A *RPSO* or *SSP* must prepare and regularly update a written record of the assessments made as a result of its compliance with the requirements of this Part.
- 5.5 The content and level of detail of a *RPSO* or *SSP's* written record produced in compliance with 6.1 must be proportionate to the nature, scale and complexity of the *RPSO* or *SSP's* activities but should include as a minimum:
- i) the identification of *important business services*;
 - ii) the setting of its *impact tolerance* for those *important business services*;
 - iii) the mapping and identification of interdependencies in relation to those *important business services*; and
 - iv) the testing, monitoring and reporting of its *important business services'* ability to stay within their *impact tolerance*.
- 5.6 A *RPSO* or *SSP* must maintain, and be able to provide to the Bank on request, a current version of its written record, produced in compliance with rule 6.1, together with all versions produced during the preceding three years.

7 GOVERNANCE

- 7.1 A *RPSO* or *SSP* must ensure that its *board* approves the *important business services* identified by the *RPSO* or *SSP* in compliance with the rule in 2.1.
- 7.2 A *RPSO* or *SSP* must ensure that its *board* approves the *impact tolerances* set by the *RPSO* or *SSP* in compliance with the rule in 2.2.
- 7.3 A *RPSO* or *SSP* must ensure that its *board* approves and regularly reviews the written record required by the rule in 6.1.