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);

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making
C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms: Operational Continuity Instrument 2016
D. The PRA makes the rules in Annexes A to C of this instrument.

Commencement
E. This instrument comes into force on 1 January 2019.

Citation
F. This instrument may be cited as the PRA Rulebook: CRR Firms: Operational Continuity Instrument 2016.

By order of the Board of the Prudential Regulation Authority
4 July 2016
Annex A

In this Annex, the text is all new and is not underlined.

Part

OPERATIONAL CONTINUITY

Chapter content

1. APPLICATION AND DEFINITIONS
2. FACILITATION OF EFFECTIVE RECOVERY AND RESOLUTION PLANNING
3. DETAILS OF OPERATIONAL CONTINUITY ARRANGEMENTS
4. GROUP ARRANGEMENTS FOR OPERATIONAL CONTINUITY
1 APPLICATION AND DEFINITIONS

1.1 This Part applies to a CRR firm that receives critical services if it fulfils any of the following conditions on 1 January of any year:

(1) the average of the firm’s total assets it was required to report in the previous 36 months in accordance with Chapters 7 and 9 of the Regulatory Reporting Part of the PRA Rulebook exceeds £10bn;

(2) the average of the firm’s safe custody assets it was required to report in the previous 36 months in accordance with SUP 16.14 of the FCA Handbook as amended from time to time exceeds £10bn; or

(3) the average total amount of received sight deposits it was required to report in the previous 36 months in accordance with the ITS on supervisory reporting, or that it would have had to report if the ITS on supervisory reporting had been in force, exceeds £350m.

1.2 This Part ceases to apply to a CRR firm to which it applies under 1.1 if the firm does not meet any of the conditions in 1.1 on 1 January in each of two consecutive years.

1.3 1.2 does not prevent this Part applying to a CRR firm on a subsequent occasion if one of the conditions in 1.1 is met again.

1.4 A firm must calculate the averages in 1.1 by adding the values it was required to report each time a report was due and dividing the total by the number of times the report was due.

1.5 In this Part, the following definitions shall apply:

critical functions

has the meaning in section 3(1) and (2) of the Banking Act 2009.

critical services

means activities, functions or services performed for one or more business units of the firm or for the firm and another member of its group, whether by the firm itself, any other group member or a person outside the firm’s group, the failure of which would lead to the collapse of or present a serious impediment to the performance of the firm’s critical functions.

safe custody asset

has the meaning in the FCA Handbook as amended from time to time.

group provider

in relation to a firm, means

(1) a member of its group that provides critical services to it; or

(2) the firm itself if one of its business units provides the critical services to it.

ITS on supervisory reporting
2 FACILITATION OF EFFECTIVE RECOVERY AND RESOLUTION PLANNING

2.1 A firm must ensure the operational arrangements for the critical services it receives facilitate the effective execution of:

(1) its recovery plan; and

(2) the group recovery plan of its group.

2.2 A firm must ensure the operational arrangements for the critical services it receives facilitate the effective planning for and effective taking of actions in the event of:

(1) circumstances in which all or part of its business is likely to fail; or

(2) the failure of all or part of its business.

2.3 A firm’s operational arrangements must ensure the continuity of the critical services it receives in the event of:

(1) circumstances in which all or part of the business of any other member of its group is likely to fail; or

(2) the failure of all or part of the business of any other member of its group.

3 DETAILS OF OPERATIONAL CONTINUITY ARRANGEMENTS

3.1 If a firm receives critical services from one of its business units, it must document:

(1) the details of the critical services; and

(2) the transition arrangements for these critical services in the event of the firm being restructured or resolved.

3.2 If a firm receives critical services from another party, it must ensure the agreement governing the provision of these services:

(1) does not permit the other party to terminate, suspend or materially alter the services or facilities or the agreement as a result of the deterioration in the financial circumstances or the resolution of the firm or any of its group members; and

(2) entitles the firm to continue to receive those services during the firm’s resolution or restructuring as long as the firm fulfils its payment obligations under the agreement.

3.3 A firm must ensure the charging structure for the critical services it receives is predictable, transparent and set on arm’s length terms.
3.4 A firm must ensure access by the firm, the service provider and the PRA to the operational assets supporting critical services is not disrupted in the event of a group member being restructured or resolved.

4 GROUP ARRANGEMENTS FOR OPERATIONAL CONTINUITY

4.1 This chapter applies to a firm that receives critical services from a group provider.

4.2 A firm must ensure the group provider has a governance and management structure in place that supports the continuity of the provision of critical services to the firm.

4.3 A firm must ensure that in the event of the deterioration in the financial circumstances of another group member the group provider continues to provide the critical services to the firm in accordance with the agreement governing the critical services provision or the documentation required under 3.1.

Externally defined glossary terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition source</th>
</tr>
</thead>
<tbody>
<tr>
<td>critical functions</td>
<td>section 3(1) and (2) of the Banking Act 2009</td>
</tr>
<tr>
<td>safe custody asset</td>
<td>FCA Handbook</td>
</tr>
</tbody>
</table>
Annex B

In this Annex, deleted text is struck through.

Part

RECOVERY PLANS

... 1.2 In this Part, the following definitions shall apply:

...  

*group recovery plan*  

means a group recovery plan drawn up by a BRRD undertaking in accordance with Chapter 3.

...  

*recovery plan*  

means a recovery plan drawn up by a firm in accordance with 2.
In this Annex, deleted text is struck through and new text is underlined.

**Glossary**

*group recovery plan*

means a group recovery plan drawn up by a *BRRD undertaking* in accordance with Recovery Plans 3.

*recovery plan*

means:

1. (except in the Group Supervision Part of the *PRA Rulebook*, the Recovery Plans Part of the *PRA Rulebook* and the Operational Continuity Part of the *PRA Rulebook*), the recovery plan required to be provided by a firm to the PRA under Undertakings in Difficulty 3.1(2); and

2. (in the Group Supervision part of the *PRA Rulebook*), the recovery plan required to be provided by a *relevant insurance group undertaking* to the PRA under Group Supervision 4.4(2); and

3. (in the Recovery Plans Part of the *PRA Rulebook* and the Operational Continuity Part of the *PRA Rulebook*) a recovery plan drawn up by a *firm* in accordance with Recovery Plans 2.