Operational Resilience at the Centre of ICARA and Wind-Down Planning

Operational resilience is increasingly becoming a defining feature of an effective governance and risk management framework. While often viewed as a standalone regulatory requirement, it has a direct influence on a firm's ability to assess harms under ICARA and, where necessary, execute an orderly wind-down.

At the heart of operational resilience is a firm's ability to prevent, adapt, respond to, and recover from disruption while continuing to deliver its Important Business Services (IBS). Identifying and understanding IBS is a significant component of the operational resilience framework, helping firms determine which services are critical to clients, market integrity, and the firm's ongoing viability.

KEY PERSPECTIVE

IBS define what must be protected. Incident management determines how effectively a firm responds when those services are threatened.

From service mapping to incident response

However, resilience extends beyond identifying services and mapping dependencies. Firms must also develop robust incident management capabilities to respond effectively when disruption occurs. Whether faced with a cyber attack, technology outage, third-party failure, or operational control breakdown, organisations need clear governance, escalation procedures, decision-making processes, and communication plans to minimise disruption and support recovery.

“Operational resilience is not defined by the absence of disruption. It is defined by how effectively a firm continues to deliver its Important Business Services when disruption occurs”

The connection to ICARA is becoming increasingly important. Significant operational incidents can lead to client detriment, regulatory breaches, financial losses, and reputational damage, all of which represent harms that firms are required to assess. Operational resilience testing and incident response exercises provide valuable insight into how severe but plausible scenarios could impact the firm, helping to inform ICARA assessments, mitigation strategies, and resource adequacy requirements.

The link to Wind-Down Planning is equally relevant. While firms focus considerable effort on recovery and continuity planning, there is also a need to consider circumstances where recovery may not be achievable. A severe cyber event, prolonged operational disruption, or critical supplier failure could challenge a firm's long-term viability.

In such scenarios, firms must demonstrate how they would continue to meet regulatory obligations, protect clients, maintain records, and manage operational dependencies throughout the wind-down process. Many of these activities rely on the same capabilities that underpin operational resilience, including a clear understanding of Important Business Services, dependency management, and effective incident response arrangements.

Resilience extends beyond the firm

Increasing attention is also being placed on the resilience of third-party providers and other external dependencies. While many firms have invested significant effort in identifying and mapping their own IBS's, there is often less visibility of how those services rely on critical suppliers, technology platforms, cloud providers, and outsourced arrangements. Recent cyber incidents and widespread technology outages have demonstrated that disruption can originate well beyond a firm's direct control, yet still have a material impact on its ability to deliver Important Business Services. Understanding and mapping these external dependencies is therefore becoming an increasingly important component of operational resilience, enabling firms to better assess concentration risk, identify potential single points of failure, and develop appropriate contingency arrangements.

A connected resilience framework for anticipating disruption, managing harms, responding effectively, and ensuring an orderly exit where necessary.

Rather than viewing Operational Resilience, ICARA, Incident Management, and Wind-Down Planning as separate regulatory exercises, firms may achieve greater value by considering how they work together as part of a broader resilience strategy.

As regulatory expectations continue to evolve, boards and senior management may wish to consider a simple question:

How confident are we that our Important Business Services, incident management capabilities, ICARA assessments, and wind-down plans have been tested together and would operate effectively during a significant disruption?

Increasingly, that may be the true measure of organisational resilience.

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