



Legal Update

Central Bank's Operational Resilience Deadline Approaching

The Central Bank of Ireland (the "Central Bank") published its "Cross Industry Guidance on Operational Resilience" (the "Guidance") in December 2021. This included a requirement for boards and senior management in regulated financial service providers to review the Guidance and adopt appropriate measures to strengthen and improve their related frameworks within an appropriate time period but at the latest within two years of the Guidance. This transition period expires in December 2023.

Background

The Central Bank conducted a consultation with regard to operational resilience for regulated financial services firms in early 2021. This was addressed in consultation paper 140 ("CP140"), which ultimately led to the Guidance later that year. Operational Resilience as a concept is deemed to be the ability of firms to identify, prepare for, learn from and respond to operational disruption. The Guidance aims to communicate the expectations of the Central Bank in this regard, noting that a proportionate approach is acceptable reflecting the nature, scale and complexity of each individual business.

Key Aspects

The Guidance is based on the three pillars which support operational resilience – identification and preparation; responding and adaption; and recovering and learning. These separate elements support a holistic approach to operational resilience and related risks. A key benefit of this

approach is that it fosters continual embedding of lessons learned into preparations for future potential disruptions.

Governance

The Guidance sets out the related expectations of the Central Bank for boards and senior management in particular. It emphasises their related responsibilities and includes specific obligations on them to take appropriate action so that they are in a position to demonstrate that a plan has been developed to meet the requirements of the Guidance.

Next Steps

Future supervisory activities of the Central Bank related to this topic will take a risk-based approach when assessing compliance. However, the Central Bank has confirmed that it will be increasing its engagement with firms to determine their level of operational resilience, and this will include a focus on board ownership and accountability.



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