

PRA SS2/21 Regulations: What are they and how can we support you to remain compliant?

Building upon its strong regulatory infrastructure, the UK's Prudential Regulation Authority (PRA) published a Supervisory Statement on outsourcing and third-party risk management (SS2/21), reinforcing how organisations in the finance sector must remain fully accountable for their own regulatory compliance.

SS2/21 predominately focuses on "important business services", such as business-critical third-party applications, which, if disrupted, would impact the PRA's objectives in creating a more coherent regulatory landscape, a firm's reputation, and ultimately the financial stability of the UK. As a result, the PRA makes it clear that firms should assess the materiality and risks of all third-party agreements against a list of set criteria.

Where such arrangements are identified as being material or high risk, there should be "proportionate, risk based, suitable controls" which are as robust as those which would apply to an outsourcing agreement of equivalent materiality or risk – putting service providers firmly under the microscope and therefore making them an integral element of the requirements set out in SS2/21.

Organisations should assess the resilience of their supply chain, categorising outsourcers on their criticality, financial stability and concentration risk, with particular attention paid to services in the cloud.

Once this is understood, businesses can put the appropriate strategies and systems in place to manage risk. This can include implementing robust onboarding and procurement policies and ensuring software escrow agreements and verification testing are built into any supplier contracts.

What's Required?



By 31st March 2022, every firm must have a pre-developed "stressed exit plan" in place – meaning that they have measures to maintain business continuity should an IT failure occur within their supply chain. These plans must also be tested to ensure that they work, and the results of this must be presented to the regulator.



Firms must ensure that outsourcers have processes in place to anticipate, withstand and respond to disruption.



Section 10.16 of SS2/21 advises the active consideration of escrow agreements as part of a successful stressed exit plan, any alternate solution to an escrow agreement must operate in the same manner and offer the same protection.

Software Escrow Services from NCC Group

We have partnered with NCC Group as our software escrow provider, which means we are able to offer you risk mitigation assurance via our escrow framework agreement.

Software escrow can provide your business with a stressed exit plan as required by the PRA, ensuring that you have the correct measures in place to withstand unforeseen circumstances.

On request, NCC Group is also able to provide a verification service to test that all the required materials have been provided and the process meets the requirements set out by the PRA.

For more information regarding compliance with financial services regulation or NCC Group's Software Resilience services please contact our experts at: partnersupport@nccgroup.com