

26 July 2021

Dear CEO

Platforms Portfolio strategy update

Our Platforms Portfolio Strategy [Letter](#) of 6 February 2020 set out our major concerns, expectations and strategy for supervising Platforms. All the key areas of harm in that letter are still relevant and we will continue to review progress in mitigating them.

We are writing to you now to update you on our focus over the coming months on priority areas of harm. We plan to share our priorities together with any feedback from our work on a regular basis.

Technology and operational resilience – unavailability of services

During the coronavirus pandemic there have been surges in retail investor activity. On 9 November 2020, several firms also experienced IT outages and severe operational issues due to the surge in trading activities. These were clear examples of severe but plausible operational disruptions causing harm to consumers and negatively affecting market confidence.

We expect firms to invest in their systems to ensure that they keep pace with the growth of their business and remain fit for purpose. IT upgrades and migrations should undergo thorough analysis and testing to reduce incidents and outages that cause harm to customers. Firms must have contingency plans in place to deal with operational disruptions and ensure that the plans have been tested. Shortly, we will be asking for specific data about service disruptions on an ongoing basis, which will better enable us to identify outliers and take appropriate action.

Policy Statement PS21/3 sets out our final rules and guidance on building operational resilience with which firms should be familiar. The rules and guidance, which come into force on 31 March 2022, set out that applicable firms must identify their important business services for the purposes of operational resilience. Firms must set impact tolerances at the point at which disruption would cause intolerable harm to consumers or risk to market integrity. Firms must map the resources that support their important business services and test their ability to remain within their impact tolerances through a range of severe but plausible events. Firms must have communication strategies in place to respond quickly and effectively to operational disruptions. Firms should compile, and regularly review, a self-assessment document which shows how they meet our operational resilience requirements. The document should be made available to us on request.

SUP 15 notification requirements

We expect firms to notify us of any matter which could have a significant adverse impact on the firm's reputation, or which could affect the firm's ability to continue to provide adequate services to its customers¹. This includes material service degradation incidents e.g. operational disruptions. To date, we do not believe all material incidents at platforms that meet the SUP 15 requirements, are being reported to us. We expect this to change.

Transfer times

The FCA is supportive of the progress STAR has made on improving transfer performance to date. We will continue to monitor metrics related to transfer times and focus on firms that are seen as outliers. Furthermore, in 2022 we will carry out a review of the progress made and consider whether we need to take further regulatory action. We will be reviewing the STAR MI published ahead of the planned review. If any IT changes are required to meet STAR requirements, we expect firms to budget and plan for it accordingly and share with us their plans for compliance.

Brexit

The EU withdrawal transition period came to an end on 31 December 2020. We expect you to have considered how this affects you and your customers and taken any required actions. We also expect you to have considered the changes made to the FCA Handbook to reflect the UK's exit, and the FCA's approach to using the [temporary transitional power](#) (TTP). The TTP came into effect at the end of the transition period and ends on 31 March 2022. For more information visit our [Brexit website](#).

Diversity and Inclusion Discussion Paper

Diversity and inclusion supports a healthy culture. It is an integral element of good conduct through creating diversity of thought, promoting innovation and unlocking talent. We are engaging financial services firms and other stakeholders in a discussion on how we can accelerate the pace of meaningful change on diversity and inclusion. We take diversity and inclusion seriously and we expect regulated firms to do the same. We encourage firms to contribute to [D&I Discussion Paper 21/2](#).

Our engagement with your firm will focus on addressing the above-mentioned areas and going forward other areas which may cause harm.

If you have any questions, please contact your named supervisor, or the Supervision Hub on 0300 500 8082.

We also recognise that there may be times when your firm faces urgent issues of strategic importance. In such significant circumstances, please contact the Head of Department for

¹ SUP 15.3.1 - A firm must notify the FCA immediately it becomes aware, or has information which reasonably suggests, that any of the following has occurred, may have occurred or may occur in the foreseeable future: (1) the firm failing to satisfy one or more of the threshold conditions; or (2) any matter which could have a significant adverse impact on the firm's reputation; or (3) any matter which could affect the firm's ability to continue to provide adequate services to its customers and which could result in serious detriment to a customer of the firm; or (4) any matter in respect of the firm which could result in serious financial consequences to the UK financial system or to other firms.

Investment Platforms and SIPP Operators, Andrea Konrath on 020 7066 0840 or at andrea.konrath@fca.org.uk.

Yours sincerely,

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