UK Investment Management Sector
Operational Resilience and Business Continuity
Fourthline Industry Guide

This guide is written for SMF24 holders, Chief Operating Officers, and senior risk and compliance leaders at UK-regulated investment managers, wealth managers, fund administrators, and platform operators. It sets out what the regulators require, where investment management firms typically struggle, and what good looks like from a resilience and business continuity standpoint.

01 THE REGULATORY LANDSCAPE

UK investment management firms operate across a wide regulatory perimeter, from small FCA-authorised discretionary managers through to large multi-strategy asset managers with significant assets under management and global operational footprints. The regulatory architecture is principally FCA-led, with PRA oversight where firms carry deposit-taking or insurance permissions.

- FCA PS21/3 and SS1/21 require firms to identify important business services, set impact tolerances, and demonstrate through scenario testing that they can remain within those tolerances under severe but plausible disruption. The March 2025 testing deadline has passed. Ongoing scenario testing is now a continuing regulatory obligation. The FCA has conducted thematic reviews of investment management resilience and will continue supervisory engagement on this basis.
- FCA SYSC 15A imposes specific ICT risk management, ICT business continuity, and third-party risk management requirements on MiFID investment firms and AIFMD-regulated managers. SYSC 15A aligns closely with DORA principles and, for investment firms with EU operations or EU fund structures, DORA itself may apply in parallel.
- DORA: UK investment managers with EU-regulated funds, EU branches, or EU-domiciled group entities may be caught by DORA for those entities. DORA imposes ICT risk management requirements, 72-hour major incident reporting timelines, and TLPT requirements for firms exceeding size thresholds. UK-only managers are not directly subject to DORA but FCA supervisory expectations are moving toward DORA alignment.
- FCA Consumer Duty (PS22/9) applies to investment firms serving retail clients, including wealth managers, D2C platforms, and retail fund distributors. Consumer Duty requires firms to deliver good outcomes for retail customers at all times, including during operational disruptions. A platform outage that prevents a retail investor from managing their portfolio during market volatility has direct Consumer Duty implications.
- FCA PS26/2 introduces mandatory operational incident reporting and material third-party reporting from March 2027. Investment managers must begin implementation planning now, covering incident classification, reporting thresholds, and third-party register alignment.
- SM&CR and SMF24 accountability: The SMF24 Senior Manager Function carries personal governance accountability for the resilience programme. For investment management firms with complex service architectures and high levels of outsourcing, this places a significant ongoing assurance obligation on the named SMF24 holder.

02 TYPICAL IMPORTANT BUSINESS SERVICES

Important business services in investment management are defined by what the firm delivers to its clients or investors. Across sub-sectors, the following services are most commonly identified:

Asset Management and Fund Operations	Wealth Management and Platforms
Portfolio Management and Rebalancing	Fund Administration and NAV Production
Order Management and Trade Execution	Retail Platform Trading and ISA/SIPP Servicing
Settlement and Reconciliation	Wealth Management and Advisory Services
Client Reporting and Valuation	Drawdown and Decumulation Processing
Custody and Asset Safeguarding	Regulatory and Investor Reporting (MiFIR, AIFMD, PRIIPS)
Platform and Portal Client Access	Transfer Agency and Registry Services

03 WHERE HARM OCCURS: THE IMPACT TOLERANCE VIEW

Investment management disruptions create harm across several distinct dimensions, some of which are specific to the nature of financial markets and the time-sensitivity of investment operations.

- Market exposure harm: An inability to execute trades, rebalance portfolios, or manage hedges during a disruption leaves clients with unintended market exposure. In volatile markets, even a short operational window can result in material financial loss that cannot be recovered after the fact.
- Settlement and custody risk: A failure in the settlement or custody chain creates counterparty exposure and potential regulatory breach under MiFID II client asset rules. CASS obligations require client money and assets to be segregated and protected at all times, including during an operational incident.
- Retail platform harm and Consumer Duty: For D2C platforms and retail-facing wealth managers, a platform outage or trading suspension during market volatility creates direct financial harm for retail investors. The FCA's Consumer Duty framework creates a clear and evidenceable obligation to maintain platform availability for retail clients.
- Fund valuation integrity: A failure in NAV production or fund valuation affects dealing prices and investor fairness. Errors or delays in NAV production can trigger regulatory notification obligations and expose the firm to investor redress claims.
- Reputational harm from outage visibility: Investment management is a relationship-led industry. A publicised platform or trading outage affects client retention and AUM flows in ways that outlast the operational incident itself. The reputational impact of a visible failure is typically disproportionate to the technical duration of the event.

04 UNIQUE CHALLENGES FOR INVESTMENT MANAGEMENT FIRMS

Investment management firms face a distinct set of operational resilience challenges that reflect the structure of the industry, the time-sensitivity of investment operations, and the depth of outsourcing that characterises the sector.

- Market hours dependency: Unlike banking or insurance, investment management operations are tightly coupled to market hours and settlement cycles. A BCM plan that restores capability after the market close has a fundamentally different risk profile from one that can restore capability within the trading day. Impact tolerances must reflect this distinction.
- Outsourcing depth and opacity: The investment management value chain is among the most deeply outsourced in financial services. Fund accounting, custody, transfer agency, middle office, and technology infrastructure are routinely outsourced. Many firms do not have a complete picture of the resource chain underpinning their important business services, particularly below the first tier of suppliers.
- Platform and API concentration risk: Retail and D2C platforms are heavily dependent on a small number of underlying platform providers (Bravura, SS&C, FNZ, Pershing, GBST). A failure at any of these providers simultaneously affects multiple investment firms and their underlying retail clients. Firms must plan for scenarios in which the failure is at the infrastructure layer and outside their direct control.
- CASS complexity: The FCA's Client Asset Sourcebook imposes a near-zero tolerance for operational failures that affect client money or asset segregation. BCM plans for investment management firms must specifically address how CASS compliance is maintained through a disruption, not merely how services are restored.
- Multi-jurisdictional fund structures: Investment managers running UCITS, AIFs, or other regulated fund structures across multiple jurisdictions must maintain resilience evidence that satisfies both UK and relevant EU or offshore regulatory requirements simultaneously. DORA applicability assessments are a growing priority for this group.
- Talent and key person dependency: Particularly in discretionary wealth management and smaller asset management boutiques, portfolio management and client relationship functions are highly concentrated in a small number of individuals. BCM plans that assume key person availability may not be credible under stress scenarios involving staff unavailability.

05 CRITICAL RESOURCE DEPENDENCIES

The following represent the most common critical dependencies in investment management resilience assessments. These are the points at which third-party failure most directly translates into important business service disruption.

Technology Platforms	Critical Third Parties
Order Management Systems (Charles River, Aladdin, SimCorp, PORTIA)	**Custodians and Sub-Custodians (State Street, BNY Mellon, Citi, HSBC)**
Portfolio Accounting and Reporting (SS&C Advent, Investran, Eagle PACE)	**Transfer Agents and Fund Administrators**
Platform Infrastructure (FNZ, Bravura Solutions, GBST, Pershing Nexus)	**Middle Office Outsourcing Partners**
Trading Connectivity (Bloomberg TSOX, Fidessa, Refinitiv)	**Pricing and Data Vendors (Bloomberg, Refinitiv, ICE)**
Risk and Compliance Systems (Axioma, FactSet, MSCI RiskMetrics)	**IT Managed Service Providers and Cloud Providers (AWS, Azure)**

The consistent gap FourthLine identifies is that investment managers have a list of their key technology platforms but have not mapped those platforms to specific important business services, tested recovery against a platform failure scenario, or documented operable exit plans for their most critical arrangements.

06 THE FOURTHLINE PERSPECTIVE: WHAT GOOD LOOKS LIKE

FourthLine has delivered operational resilience programmes for UK investment managers, wealth managers, and platform operators across a range of sizes and business models. The distinguishing characteristic of firms that perform well under FCA scrutiny is not the volume of their documentation. It is the specificity and testedness of their evidence.

- The firms that satisfy FCA supervisory review can present a clear chain of evidence: here are our important business services, here are the impact tolerances we set and why, here is the scenario we designed to test those tolerances, here is what the test found, and here are the actions we took as a result.
- For wealth managers and D2C platforms, Consumer Duty has raised the bar. The question is no longer whether the firm has a BCM policy. The question is whether the firm can demonstrate that its retail clients will not experience intolerable harm during a disruption of a defined severity and duration.
- CASS-specific resilience planning is an area where most mid-tier investment managers have significant gaps. A generic BCM plan that does not specifically address client asset protection through a disruption is not adequate under FCA expectations.
- Scenario testing in investment management must be grounded in market reality. A scenario that postulates a gradual, orderly recovery from an IT outage during a quiet period is not severe but plausible. Effective scenarios combine operational failure with market stress, staff unavailability, and third-party outage.

The FCA is not satisfied by a documentation exercise. The question being asked in supervisory meetings is: have you tested your programme against a scenario that would actually reveal whether your tolerances are achievable?

07 HOW FOURTHLINE WORKS WITH INVESTMENT FIRMS

FourthLine delivers structured, proportionate resilience programmes for FCA-regulated investment managers, wealth managers, and platform operators. Our core services include:

- Operational Resilience Diagnostic: A structured assessment of current programme maturity against FCA PS21/3, SYSC 15A, and Consumer Duty obligations. Delivered in four to six weeks with a board-ready gap register and remediation roadmap.
- BCM Programme Design and Documentation: End-to-end programme delivery including IBS mapping specific to investment management service architecture, impact tolerance setting with market-hours consideration, BIA, departmental BCRPs, and SMF24 sign-off support.
- CASS-Specific Resilience Planning: Development of BCM provisions specifically addressing client asset and client money protection through disruption scenarios, aligned with CASS 6 and CASS 7 requirements.
- Scenario Testing and Exercising: Design and facilitation of tabletop exercises grounded in investment management scenarios. Platform failure during market volatility. Key person unavailability. Custodian or transfer agent disruption. Third-party ICT outage.
- Supplier Exit Planning: Development and testing of exit plans for material outsourcing arrangements, including platform provider, fund administrator, and custody relationships.
- DORA Applicability Assessment: Analysis of whether DORA applies to the firm's EU-facing operations and, where it does, a structured gap assessment against DORA ICT risk management and incident reporting requirements.
- PS26/2 Implementation Support: Incident classification framework, reporting threshold design, third-party register alignment, and notification process development ahead of the March 2027 implementation date.

START A CONVERSATION

If you are an SMF24, COO, or Head of Risk at a UK-regulated investment management firm and you want to move from documentation to demonstrable resilience readiness, we would like to talk.

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