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RE: Proposals for legislation to improve the UK's cyber resilience

About the Investment Association

The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 270 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £9.4 trillion for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 44% of this is for overseas clients. The UK investment management industry is the largest in Europe and the second largest globally.

Our response

The IA welcomes the opportunity to comment on the Department for Digital, Culture, Media and Sport (DCMS) consultation on proposals for legislation to improve the UK's cyber resilience.

We are broadly in support of the proposals. Moreover, we welcome any measures that increase the level of cyber resilience across the economy generally.

We consider it prudent to manage the security threat presented by companies which may have privileged access to the internal systems of other companies whilst at the same time allowing these important services to continue. The IA therefore welcomes bringing managed service providers under the UK's cyber security regulatory framework. With regards to the proposal to remove the blanket exemption for small and micro-businesses in order to make it possible to capture specific entities, regardless of size, based on the risk they pose, we would hope that this measure would only be applied after careful consideration of its potential effect on stifling innovation and start up investment in Financial Services if smaller specialist firms or FinTech start ups are captured too early in their development.



The IA supports the proposal to establish proactive supervision of large digital services providers deemed critical to the resilience of the UK economy and to national security. We also support the proposal to grant the government powers to designate certain entities currently outside the scope of NIS Regulations as critical suppliers, effectively bringing such designated entities under the remit of the NIS Regulations.

Digital supply chain risk is an important issue for the investment management industry and the nature of outsourcing in our sector is significant. Third party technology dependencies increase firms' attack surfaces and we welcome these proposals to create a baseline security expectation for companies that our members rely on for services. Investment management firms, like other financial service firms, are expected to undertake thorough due diligence and to conduct ongoing monitoring of outsourced arrangements. Further, many of our members rely on third party suppliers who currently sit outside of the regulatory perimeter. We hope that the proposals will lead to such companies being better able to demonstrate their controls, resilience and security to their financial services clients, which in turn will assist financial services firms in being able to meet their own regulatory responsibilities.

We are pleased that the consultation document acknowledges the need for digital service providers to keep their customers informed and to provide any reasonable information that customers need. IA members have observed that some service level agreements with vendors only allow customers to perform a certain level of due diligence before the vendor begins to charge the customer. In our view vendors should be more open to sharing information and customers should not be charged extra for trying to gain the transparency that they are compelled to seek because of financial services regulation. In this vein we support the suggestion in the consultation document for the Government to consider whether further guidance on supplier-customer cyber resilience cooperation is necessary.

Yours faithfully,

James King
Senior Policy Adviser