OPERATIONAL RESILIENCE · THIRD-PARTY CONCENTRATION

When the Supplier *Becomes the Systemic Risk*

On 13 July 2026 the UK designated AWS, Microsoft, Google and Oracle as Critical Third Parties. For insurers and reinsurers this is an operational-risk, capital and board-reporting story — not an IT one.

SEVEN DOMAINS. ONE COUNSEL.

EXECUTIVE SUMMARY

On 13 July 2026 HM Treasury designated four cloud providers — Amazon Web Services EMEA SARL, Microsoft Ireland Operations Limited, Google Cloud EMEA Limited and Oracle Corporation UK Limited — as Critical Third Parties to the UK financial system, the first use of the designation power in the Financial Services and Markets Act 2023. The providers most of the sector already depends on are now part of the sector's supervised perimeter, overseen by the Bank of England, the PRA and the FCA. For insurers and reinsurers this is not an IT story. It is an operational-risk, capital and board-reporting story, and it makes a concentration that firms have long tolerated newly legible to their supervisors. This brief sets out what the designation does, why cloud concentration is a cross-domain exposure rather than a procurement line item, what obligations remain squarely with the firm, and the four gaps a risk function should close now.

§ 1

What changed on 13 July

The designation does not, by itself, impose new obligations on regulated firms. It creates a supervised relationship between the regulators and the four named providers. Under the Critical Third Parties (CTP) oversight regime the regulators can now gather information from a designated provider, assess its resilience arrangements, and make and enforce CTP-specific rules. It is the first exercise of a designation power that Parliament created in the Financial Services and Markets Act 2023 and that the regulators operationalised over the following two years.

What has changed is not the dependency — the sector's reliance on a handful of hyperscale providers is years old — but its regulatory status. A concentration that was previously a matter each firm managed inside its own outsourcing framework is now a named financial-stability concern with a supervisory apparatus attached to it. That shift in status is the signal insurers should read.

§ 2

The regime the designation switches on

The oversight framework was finalised in the Bank of England's policy statement **PS16/24** on 12 November 2024 and commenced in January 2025; the July 2026 designations are the moment it acquires named subjects. The framework rests on two pillars. The first is a set of **CTP Fundamental Rules** — conduct-level expectations that a designated provider act with due skill, care and diligence and be open and cooperative with the regulators. The second is a body of **Operational Risk and Resilience Requirements**: dependency and supply-chain mapping, identification of "key Nth-party" subcontractors, self-assessment, scenario testing and incident-playbook exercises, with the results shared with both the regulators and the firms that rely on the provider.

BROADER THAN DORA — AND IT LEAVES YOUR CONTRACTS TO YOU

Two design choices matter for how an insurer reads this. First, the UK regime is technology-neutral: a Critical Third Party can be any critical supplier, not only an ICT one, which is broader than the EU's DORA, whose oversight framework is confined to ICT third parties. Second, unlike DORA, the UK regime does not mandate specific contractual terms between the provider and the firms that use it. The regulators supervise the provider's resilience; they do not rewrite your outsourcing contracts. The duty to map the dependency, test it and price its failure stays with the firm.

§ 3

Why the concentration is the point

The rationale is not abstract. A 2024 Bank of England / FCA survey found that Microsoft, Google and Amazon between them accounted for roughly **73% of UK financial-sector cloud services**. That is the concentration a designation regime exists to address. When a supermajority of firms rely on the same few suppliers, a single provider's outage stops being one firm's operational incident and becomes a correlated, sector-wide event.

The failure mode the regulators are guarding against is not "a vendor is unreliable" — these are among the most reliable operators in the economy — but "everyone fails in the same place at the same time, and no one can fail over, because the alternatives are the other three designated firms." Reliability at the level of the individual provider does not dissolve concentration at the level of the system; if anything it masks it, because each firm's own experience of the provider is excellent right up until the correlated event.

§ 4

The cross-domain reading

This is the cross-domain transmission problem in a single, unusually legible example. Operational resilience, third-party risk and systemic concentration are usually modelled as three separate exposures, owned by three different parts of the risk function. Here they are one exposure wearing three labels. A CTP outage that coincides with a peak-claims period — a windstorm, a flood, a cyber-accumulation event — would land operational disruption and underwriting stress on the balance sheet at the same time, through the same node.

That simultaneity is exactly what a single-domain view misses. An operational-risk register that treats "cloud outage" as a standalone scenario, and a catastrophe model that treats a windstorm as a standalone scenario, will each individually understate the loss because neither carries the correlation between them. The designation is a prompt to model the two together.

§ 5

The insurer's residual obligations did not go away

It would be a mistake to read the designation as the regulators taking the problem off firms' desks. The opposite is closer to the truth: the designation raises the supervisory stakes around dependencies firms are already required to manage. A firm relying on a designated CTP still has to:

1. **Assess and document the outsourcing arrangement** — due diligence, materiality assessment, and exit and substitutability analysis — under the existing PRA and FCA outsourcing and operational-resilience expectations.
2. **Notify the regulators** before entering into, or materially changing, an important outsourcing or third-party arrangement.
3. **Maintain a Register of Information** on material third-party arrangements and submit it annually, aligned to the incident and third-party reporting framework the Bank confirmed in **PS7/26** (March 2026).
4. **Ensure its contracts enable timely incident information** to be received, so the firm can meet its own reporting timelines when the provider has an event.

None of that is discharged by the designation. The provider being supervised does not relieve the firm of understanding, documenting and stress-testing its own dependency on that provider.

§ 6

Four gaps to close now

ACTION	WHAT IT MEANS IN PRACTICE
Map to the named entities	Resolve resilience mapping to the actual legal entities — AWS EMEA SARL, Microsoft Ireland Operations Ltd, Google Cloud EMEA Ltd, Oracle Corporation UK Ltd — including where they sit inside your key Nth-party chain. The SaaS vendor whose product you touch is often running on one of the four underneath; concentration hides one layer down.
Scenario-test a CTP outage	Model a multi-hour to multi-day outage of your primary provider, timed to coincide with a peak-claims or renewal window, and test whether you stay within your important-business-service impact tolerances. If your failover target is a second designated CTP, name it as such — that is a concentration, not a mitigation.
Carry it into the ORSA	Treat CTP concentration as a named, quantified operational-risk scenario with a capital or management-action consequence, not a paragraph of assurance. Where the exposure correlates with underwriting stress, the ORSA is the right place to make that linkage visible to the board.
Give the board the number	Directors should be able to answer, in one line: what share of our critical services depends on a single CTP, and what happens on day two of an outage? If that number is not currently reported, that is the first thing to fix.

§ 7

Where Abgalis fits

Abgalis maps how a single shock moves across the seven domains of an insurer's risk — market, credit, liquidity, insurance, operational, climate & ESG, and strategic & emerging — and where it lands on capital. A Critical Third Party outage is a clean instance of the general problem: an operational trigger with underwriting, capital and regulatory-pressure consequences that a domain-by-domain view keeps apart. The designation is a signal that supervisors now regard cloud concentration as a matter of financial stability, not procurement. Firms that already model third-party failure as a transmission channel, rather than a line in an IT risk register, will find the news changes little except the supervisory attention it attracts. Firms that do not have roughly eighteen months of regulatory momentum, and one clearly worded 73% statistic, telling them where to start.

COLOPHON · SOURCES · TRADEMARKS · NOTICES

ABOUT ABGALIS

Abgalis is a climate and cross-domain risk intelligence platform for insurers and reinsurers. The name draws from the Sumerian *Abgal* — the seven sages of the earliest civilisation of record — re-instantiated as

seven cooperating analytical domains: market, credit, liquidity, insurance, operational, climate & ESG, and strategic & emerging risk.

SOURCES

HM Treasury / Bank of England / PRA / FCA Critical Third Parties designations (13 July 2026); Bank of England **PS16/24**, "Operational resilience: Critical third parties to the UK financial sector" (12 November 2024); Bank of England **PS7/26**, "Operational resilience: Operational incident and third-party reporting" (March 2026); Bank of England / FCA cloud-concentration survey (2024); Financial Services and Markets Act 2023. Where the text refers to specific instruments, the primary text is authoritative; this paper does not paraphrase regulatory rules.

TRADEMARKS & METHODOLOGY IP

References to Abgalis frameworks — the **Abgalis Engine™** (Abgalis's cross-domain transmission framework), **ICRIP™** (Integrated Climate Risk Intelligence Platform) and **The Cascade™** (Abgalis's monthly intelligence brief) — are trade marks of Abgalis Limited, used and explained inline. The internal mathematical methodology is reserved to Abgalis Limited and is not disclosed in this document.

VERIFICATION STANDARD

This paper is multi-source verified, hallucination-scanned and editorial-panel reviewed at the four-gate NEXUS standard (citation, cross-check, sanity, currency). The four designated entities and the 13 July 2026 effective date were verified against primary supervisory publication.

NO ADVICE; NO ALLEGATION

This paper is general thought leadership and does not constitute legal, regulatory, actuarial, investment or compliance advice. Nothing in it alleges deficiency at any named firm; references to firms are to publicly-available primary disclosures.

REGULATORY FRAMING & CONFIDENTIALITY

FPO Art. 19. Editorial commentary for insurance and reinsurance professionals and other investment professionals within the meaning of FPO Art. 19. Not a financial promotion; not investment advice; not a regulated actuarial opinion. Abgalis Limited is not authorised by the FCA. Onward redistribution permitted with attribution.

Published by Abgalis Limited, a company registered in England and Wales (No. 17247499) ·
London ·

“Reliability at the level of the individual provider does not dissolve concentration at the level of the system. It masks it — right up until the correlated event.”

FROM §3 — WHY THE CONCENTRATION IS THE POINT

THE SERIES

One of a standing series of **Abgalis Position Briefs** — cross-domain risk-intelligence papers from Abgalis Research, released as supervisory and market signals warrant.

SUBSCRIBE TO THE CASCADE

abgalis.com/cascade — Abgalis's monthly cross-domain climate-risk intelligence brief.

CONTACT & REPRINT

Abgalis Research · Abgalis Limited · info@abgalis.com · linkedin.com/company/abgalis

Seven Domains. One Counsel.

ABGALIS

Published by Abgalis Limited, a company registered in England and Wales (No. 17247499)
London · United Kingdom