



Operational Resilience

How the Risk Management can help building the resilient bank of the future in light of Basel's Operational Resilience principles

ABI Supervision, Risks & Profitability

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Operational Resilience is the ability to prevent harm to all relevant stakeholders through an holistic approach



Operational Resilience is the **ability** of a bank **to identify and protect** itself from threats and potential failures, respond and adapt to, as well as recover and learn **from disruptive events** in order to minimise their impact on the delivery of **critical operations through disruption***.

Principles for operational resilience, Basel Committee on Banking Supervision, March 2021

The main objective is the mitigation and control of the impact of disruptive events to critical operations, ensuring **customers protection** and **firm safety and soundness** and preserving **system stability**.



**Systemic
Stability**



**Avoid
Consumer
Harm**



**Firm
Safety and
Soundness**

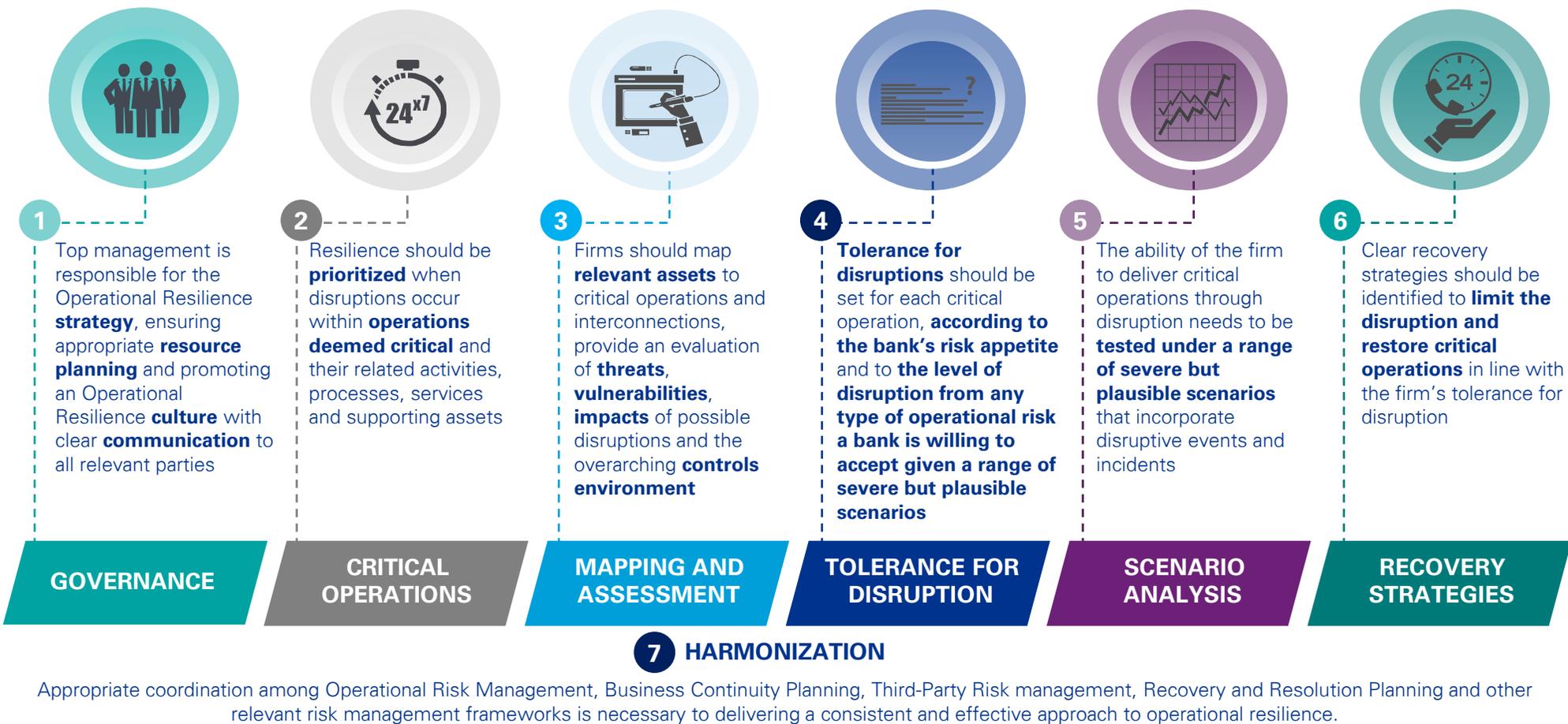
This requires a holistic approach to Operational Resilience including

- **the integration of a bank-wide view on critical operations** i.e. the alignment of all control and management functions to the continuation of the critical operations, their operational resources (people, IT, data & information, services and property), vulnerabilities and threats
- **a holistic identification of all relevant stakeholders, their dependency on the bank's operations** and the maximum acceptable level disruption



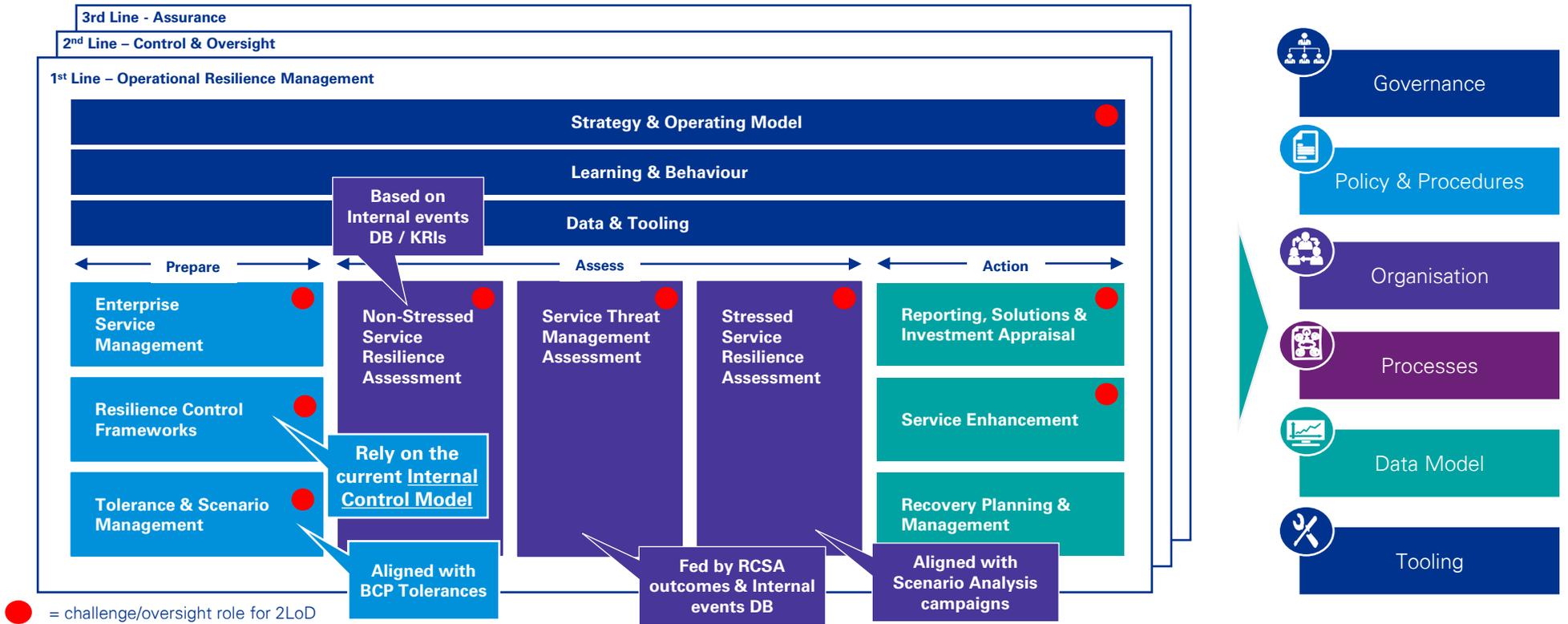
Operational Resilience should not be considered an exercise in compliance but rather the result of good business and risk management

The necessary fields of action affects many areas of bank management and require an integration of the existing management frameworks



(* **Critical operations** are defined as activities, processes, services and their relevant supporting assets the disruption of which would be material to the continued operation of the bank or its role in the financial system. These correspond to the "important business services" of BoE, PRA and FCA.

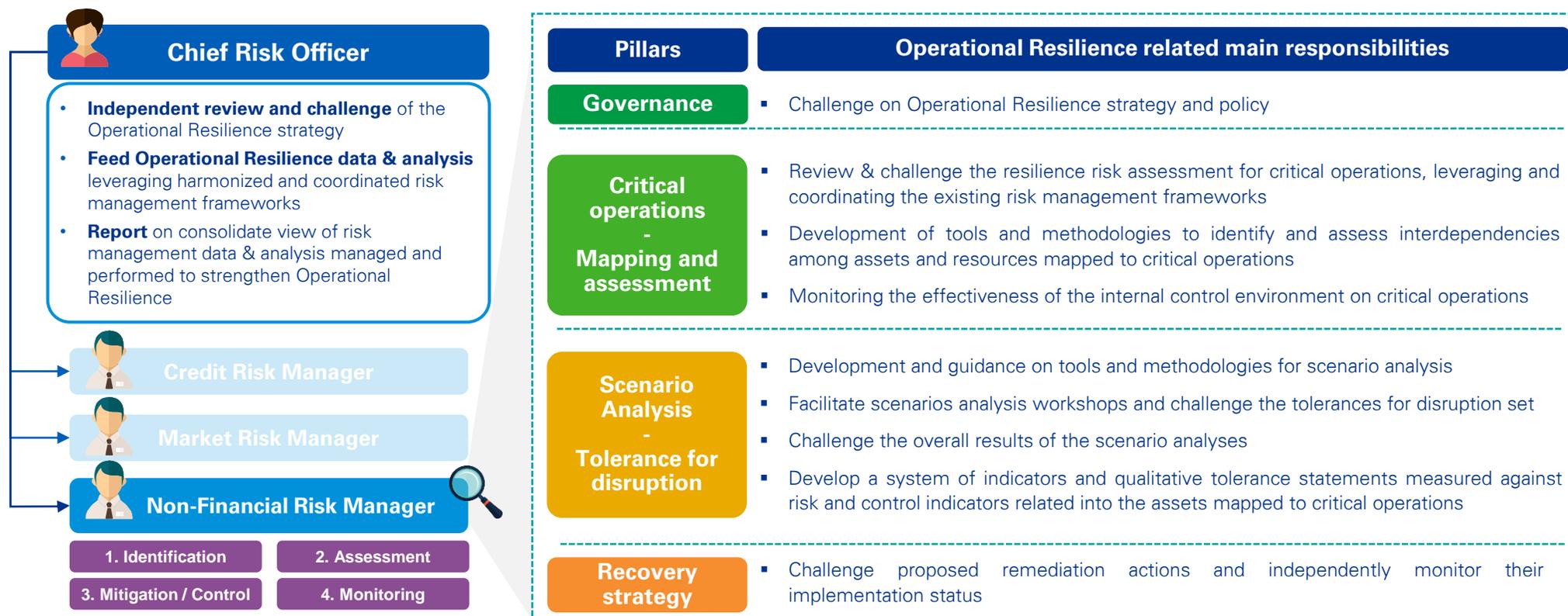
An overarching operational resilience framework requires an integrated approach that implements Operational Resilience across all lines of defences



While the business units as the 1st line of defense are responsible for the implementation and maintenance of the bank's Operational Resilience framework, the 2nd line of defense needs to exercise proper challenge and oversight of the Operational Resilience strategy and of the outcomes of the framework

Being responsible for managing the firm-wide exposure to risks, the CRO plays a key role in the design & implementation of Operational Resilience

The Chief Risk Officer, responsible for the oversight of the proper use of risk management tools by the business, acts **ensuring an harmonization across risk management frameworks** for an effective management of operational resilience



The existing risk management frameworks need to be harmonized and aligned with the aim of continuing critical operations



Key takeaways

1

Operational resilience is already an area of focus for **Regulators**: the **journey has begun** and expectations are unfolding

2

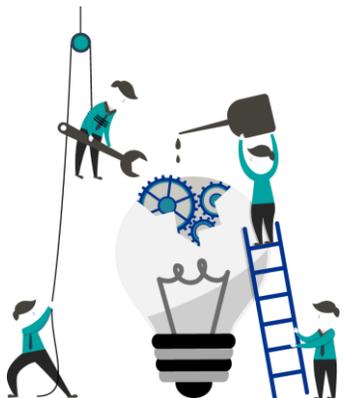
Tackling Operational Resilience is **not just a technical challenge, it's a matter of strategy and harmonized governance and approaches** across many different areas (currently managed within "silos")

3

Operational resilience is an outcome that benefits from the effective management of operational risk: thus, within this interconnected framework, the **Risk Function (specifically the ORM Function ?)** should play a **pivotal role from the very beginning of the journey**

According to KPMG international experiences, larger organization has already started dedicated initiatives about Operational Resilience....

It's time to move



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