



**BANCHE E SICUREZZA**

**Operational Resilience, the phoenix of Business Continuity.**

Milan, May 20<sup>th</sup> 2022

Empowering  
Communities to Progress. |  **UniCredit**

# Agenda

*«Come l'araba  
fenice:  
Che vi sia, ciascun  
lo dice;  
Dove sia, nessun  
lo sa.»*

P. Metastasio

1

## **The initiative**

Bringing Operational Resilience forward in UniCredit

2

## **Building operational resilience**

FCA Policy Statement in a nutshell

3

## **Continuity and Resilience**

The Operational Resilience's vision and key distinctive features

4

## **Testing is the key success factor**

How to successfully test for operational resilience





1

# The initiative

Bringing Operational Resilience forward in UniCredit

- > Key rationales



# Bringing Operational Resilience forward in UniCredit

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  - Can **support the Business** in improving resilience of important and well recognized (by **customers**) services



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- **UniCredit proactive** reasoning on a **risk-based approach** for operational resilience
  - Can **support the Business** in improving resilience of important and well recognized (by **customers**) services
  - Offers the possibility to harmonize, simplify and **unleash synergies with connected practices already in place**, while **anticipating future regulatory requirements**





# 2

## **Building operational resilience**

FCA Policy Statement in a nutshell

- Operational Resilience definition
- FCA proposed methodology in a nutshell





“Operational resilience (is) the ability of firms and FMIs and the financial sector as a whole to prevent, adapt, respond to, recover and learn from operational disruptions. [...] Operational disruptions and the unavailability of IBS<sup>1</sup> have the potential to cause wide-reaching harm to consumers and market integrity, threaten the viability of firms and cause instability in the financial system.”

## Financial Conduct Authority

(1) IBS: Important Business Service  
Source: <https://www.fca.org.uk/>



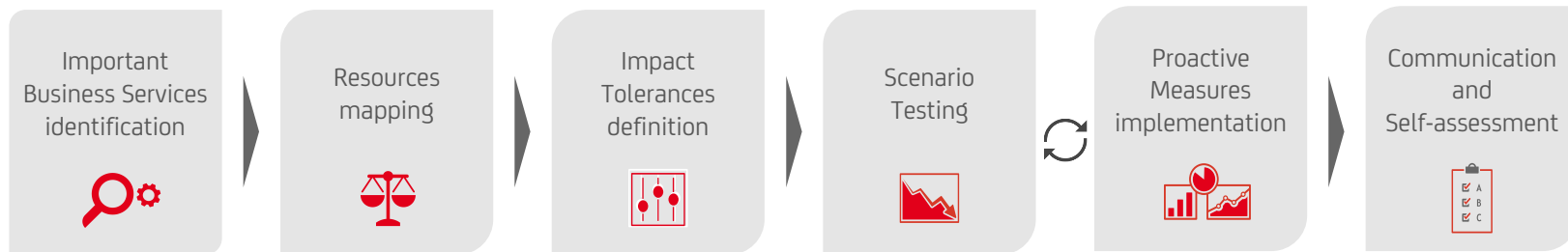
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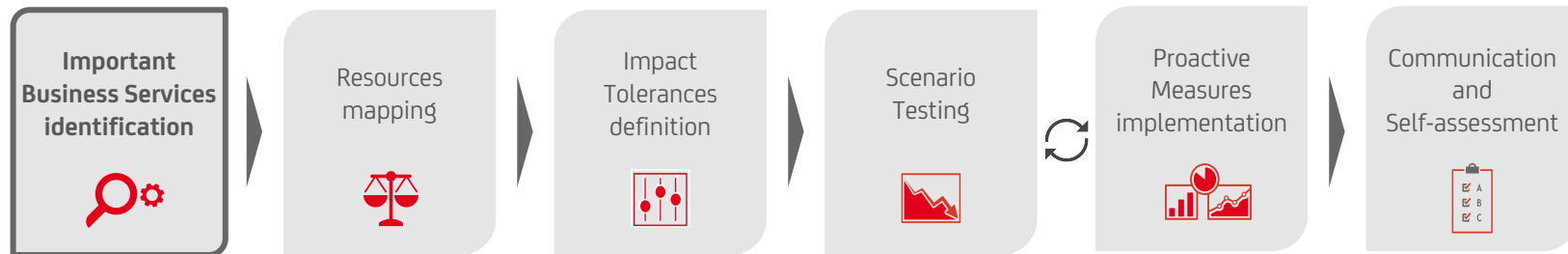
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# FCA Policy Statement in a nutshell



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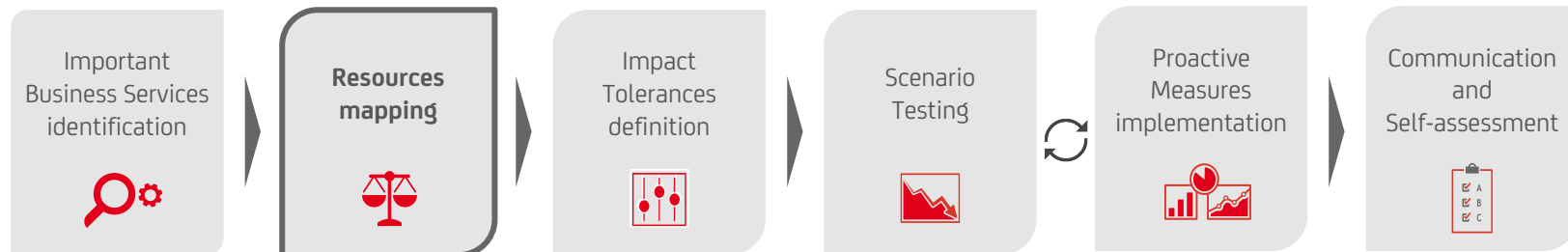


A **service** provided by a firm which, if disrupted, **could cause intolerable levels of harm to its clients** or pose a risk to the soundness of the **financial system**



# Building operational resilience

## FCA Policy Statement in a nutshell



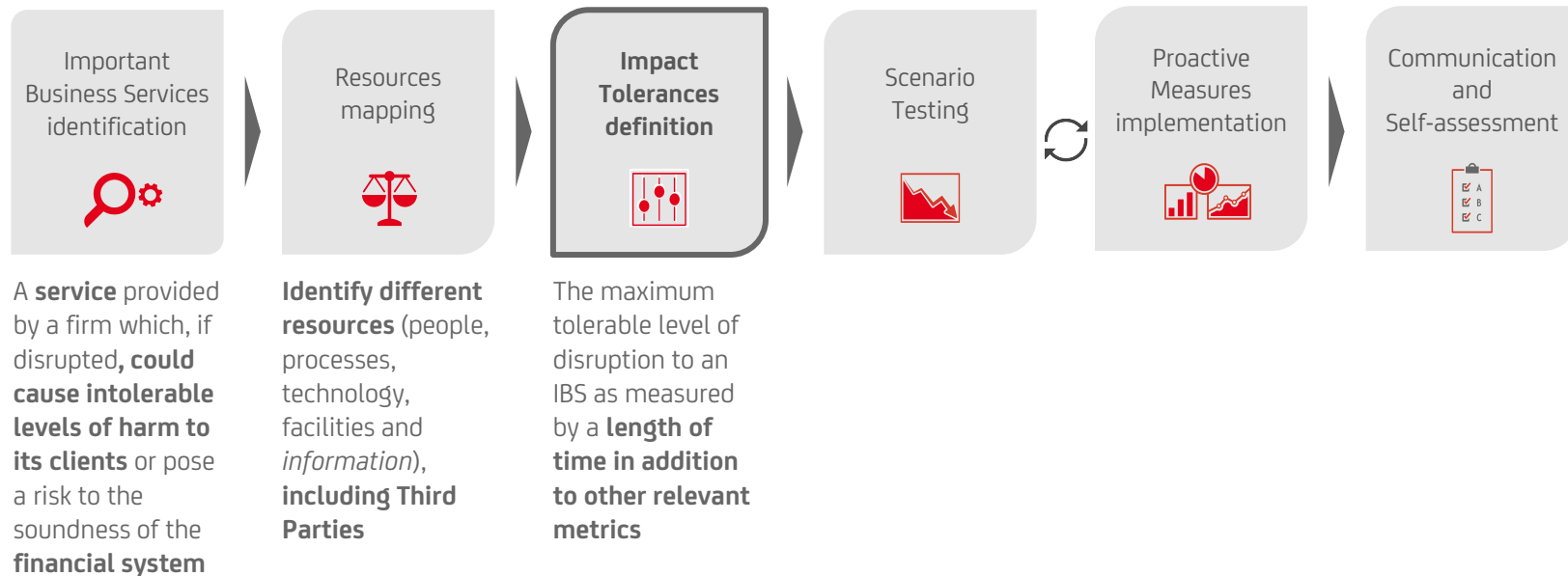
A **service** provided by a firm which, if disrupted, **could cause intolerable levels of harm to its clients** or pose a risk to the soundness of the **financial system**

**Identify different resources** (people, processes, technology, facilities and *information*), **including Third Parties**

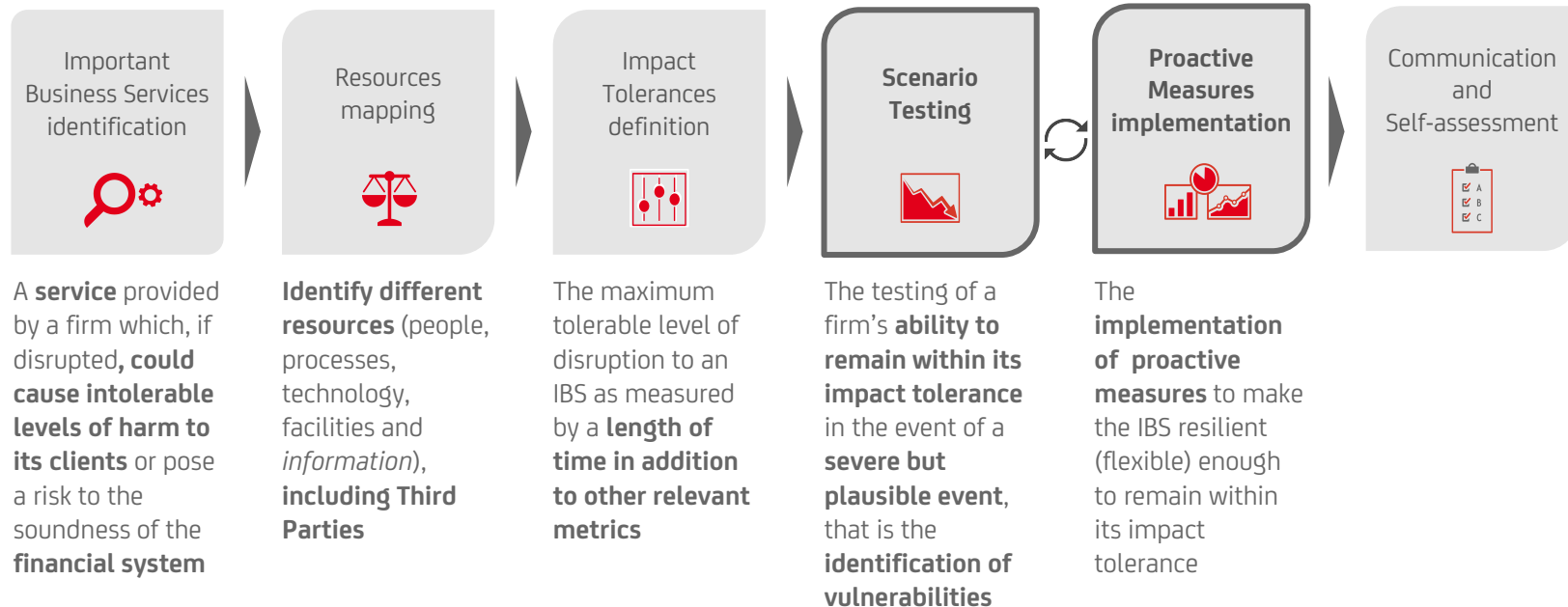


# Building operational resilience

## FCA Policy Statement in a nutshell

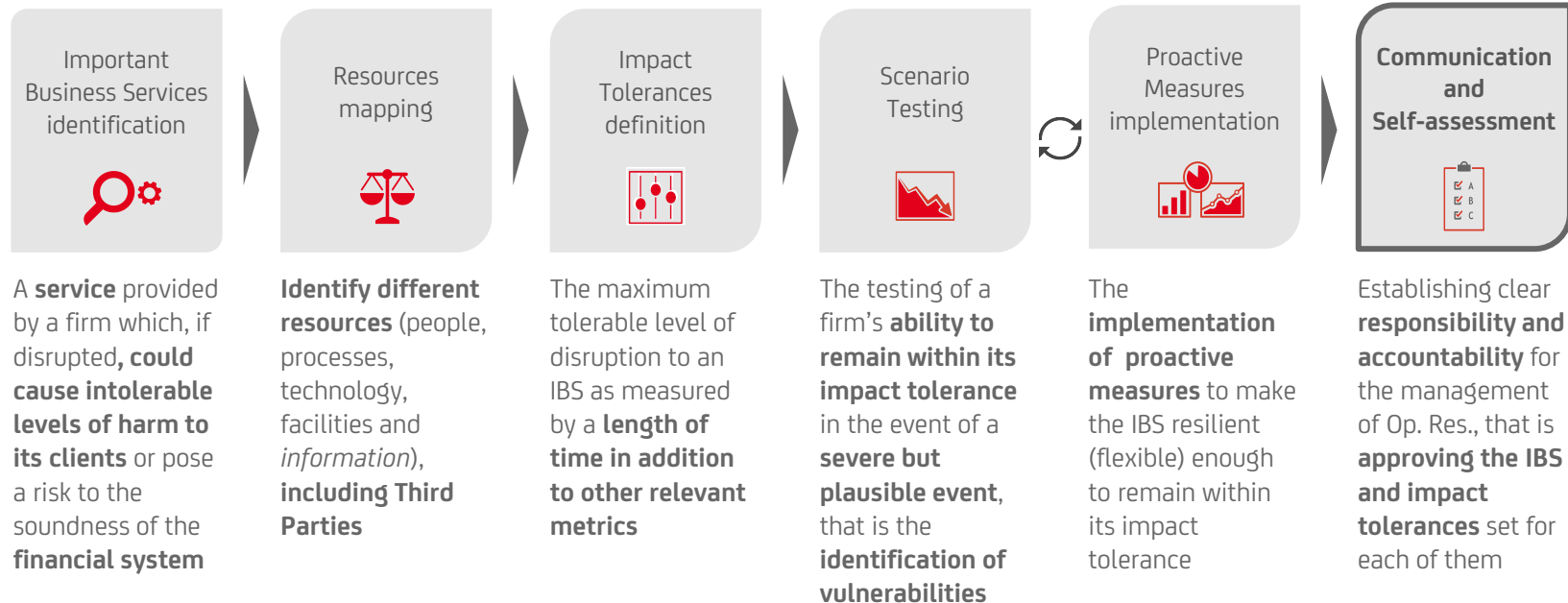


# FCA Policy Statement in a nutshell



# Building operational resilience

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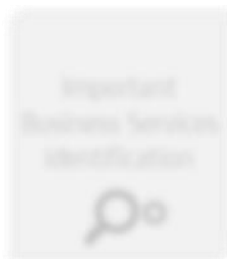




# Building operational resilience

## FCA Policy Statement in a nutshell

### Synergies unleashed



A service provided by a firm which, if disrupted, could cause intolerable levels of harm to its clients or pose a risk to the soundness of the financial system



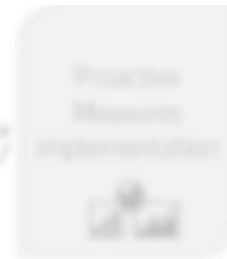
**Identify different resources** (people, processes, technology, facilities and information), including Third Parties



The maximum tolerable level of disruption to an IBS as measured by a length of time in addition to other relevant metrics



The testing of a firm's ability to remain within its impact tolerance in the event of a severe but plausible event, that is the identification of vulnerabilities



The implementation of proactive measures to make the IBS resilient (flexible) enough to remain within its impact tolerance



Establishing clear responsibility and accountability for the management of Op. Res., that is approving the IBS and Impact Tolerances set for each of them

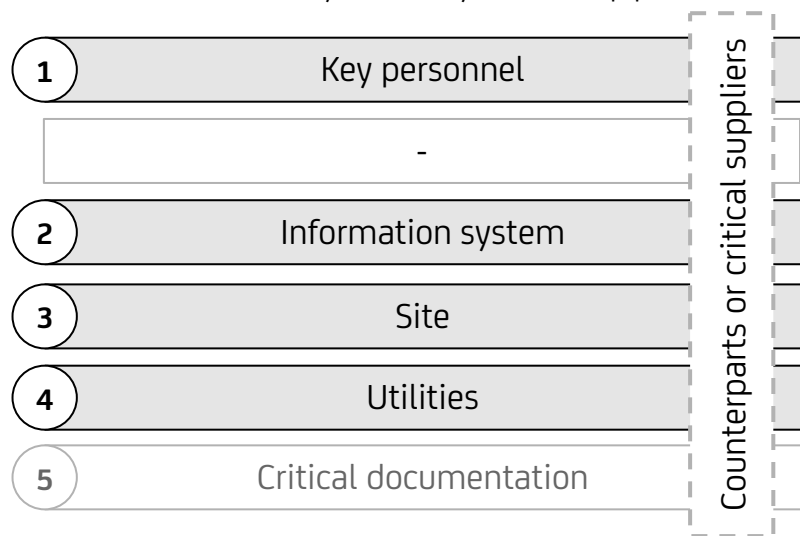


# Continuity and Resilience

## Leveraging on existing information

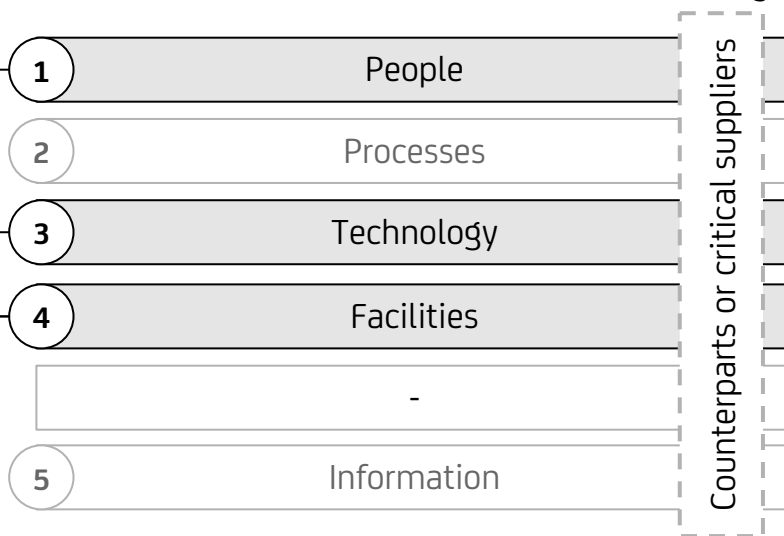
### Business continuity (Circ. 285 BoI)

**5 assets underlying 5 scenarios** simulating an event of their total unavailability to identify the back-up plan



### Operational resilience (PS21/3 FCA)

**5 resources to be mapped** to better understand the CJ, identify weaknesses and enable firms to conduct scenario testing



 Match  No match





# 3

## Continuity and Resilience

The Operational Resilience's vision and key distinctive features

- Traditional approach vs Operational resilience
- Introspective vs external E2E view
- Being aware of the gaps

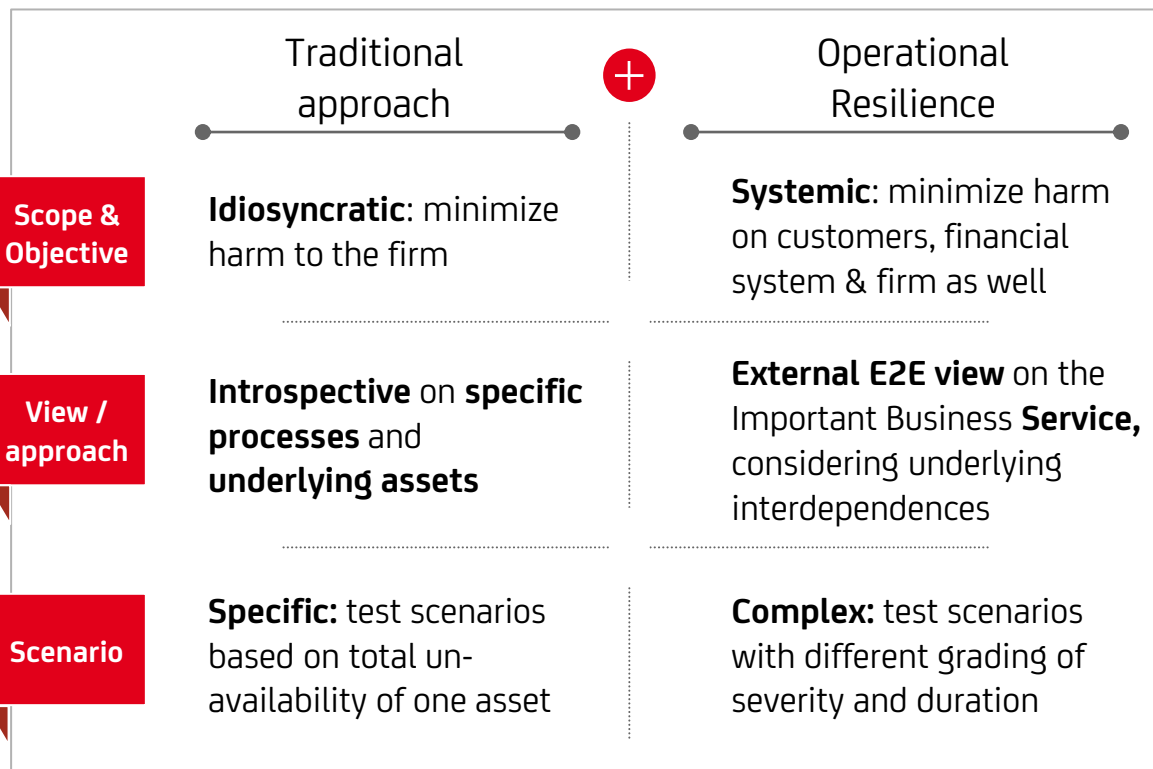


## Having a mature BCM process in place is crucial...

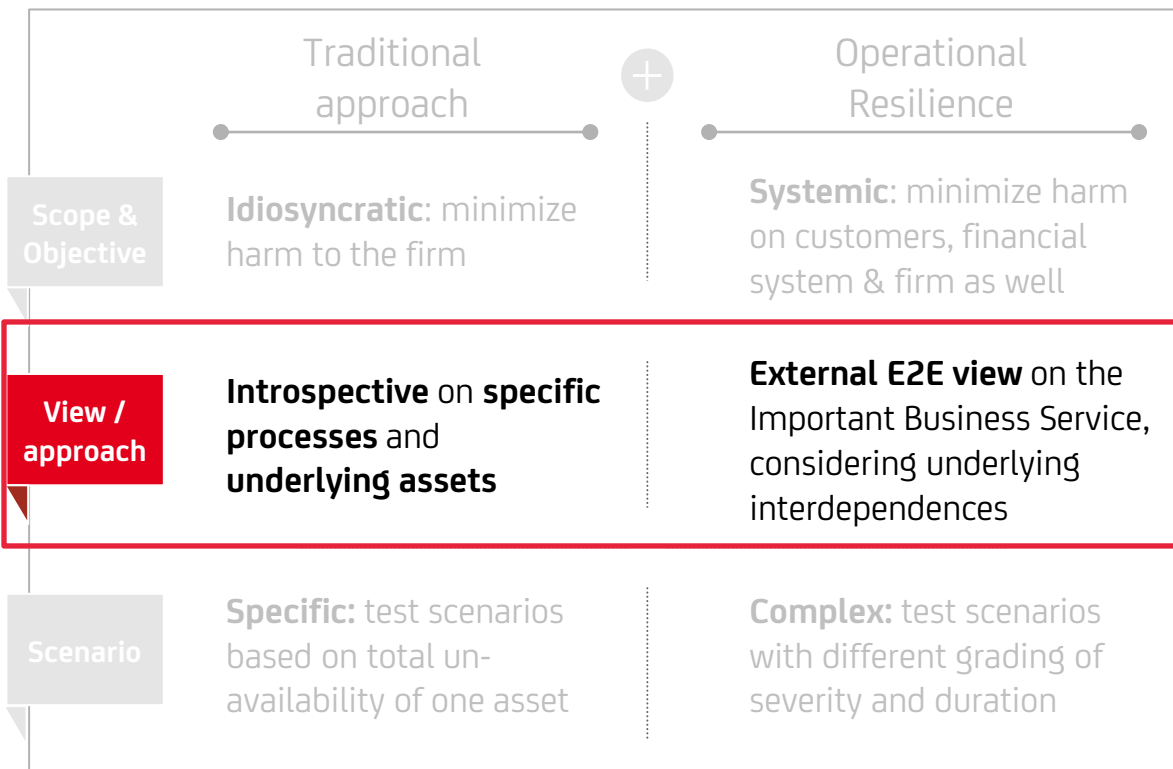
*Having a mature BCM process in place is the first and concrete step on the path to resilience, but we need to be aware that **BCM is not the panacea for all ills.***



## The Operational Resilience's vision and key distinctive features

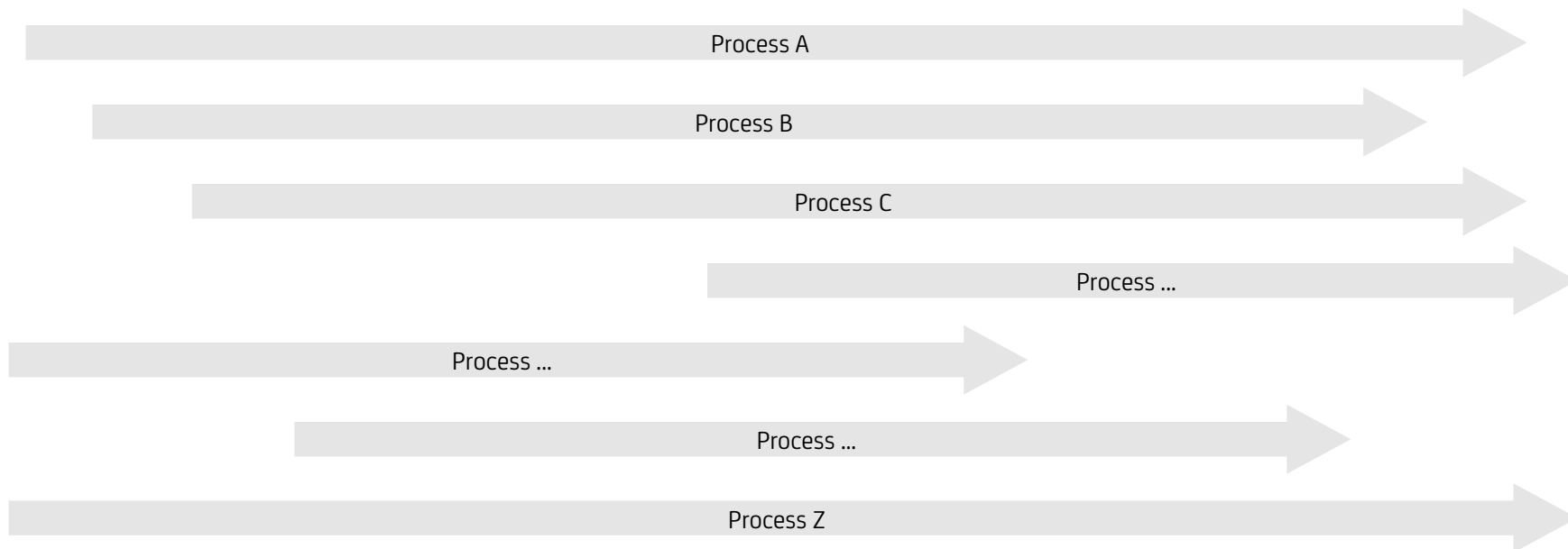


## The Operational Resilience's vision and key distinctive features



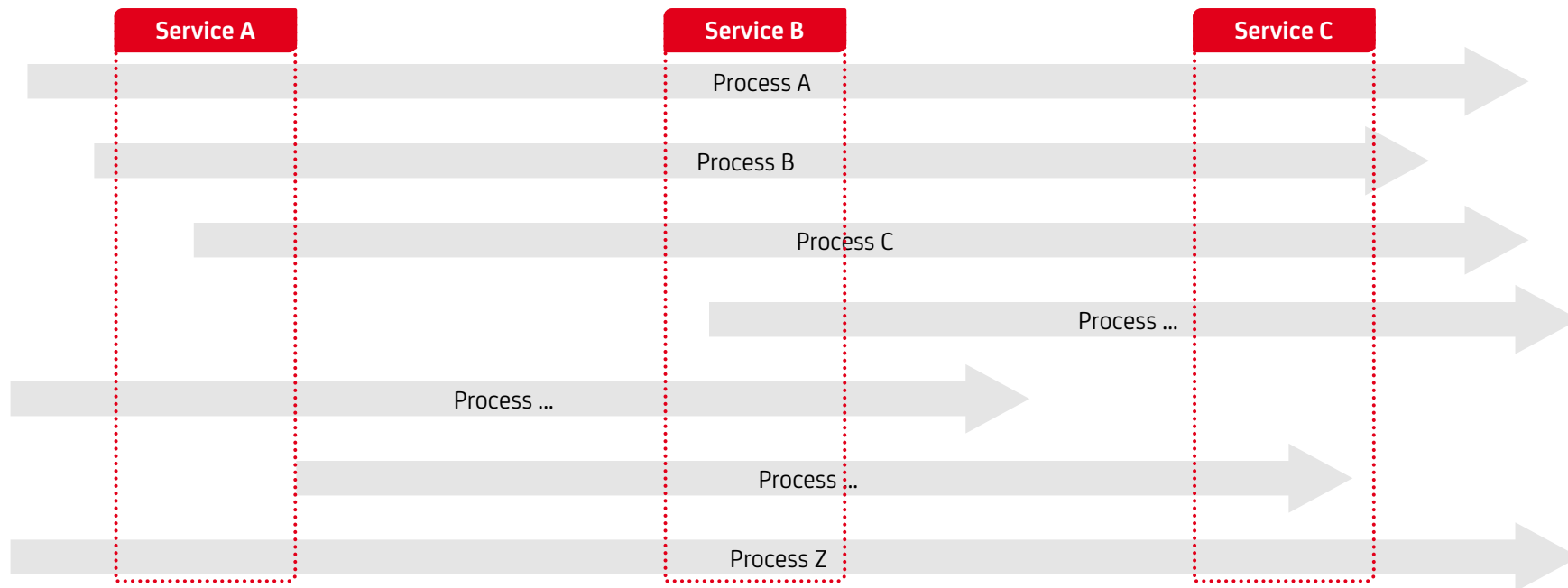
# Introspective vs external E2E view

A simplified representation of the **process / service** view



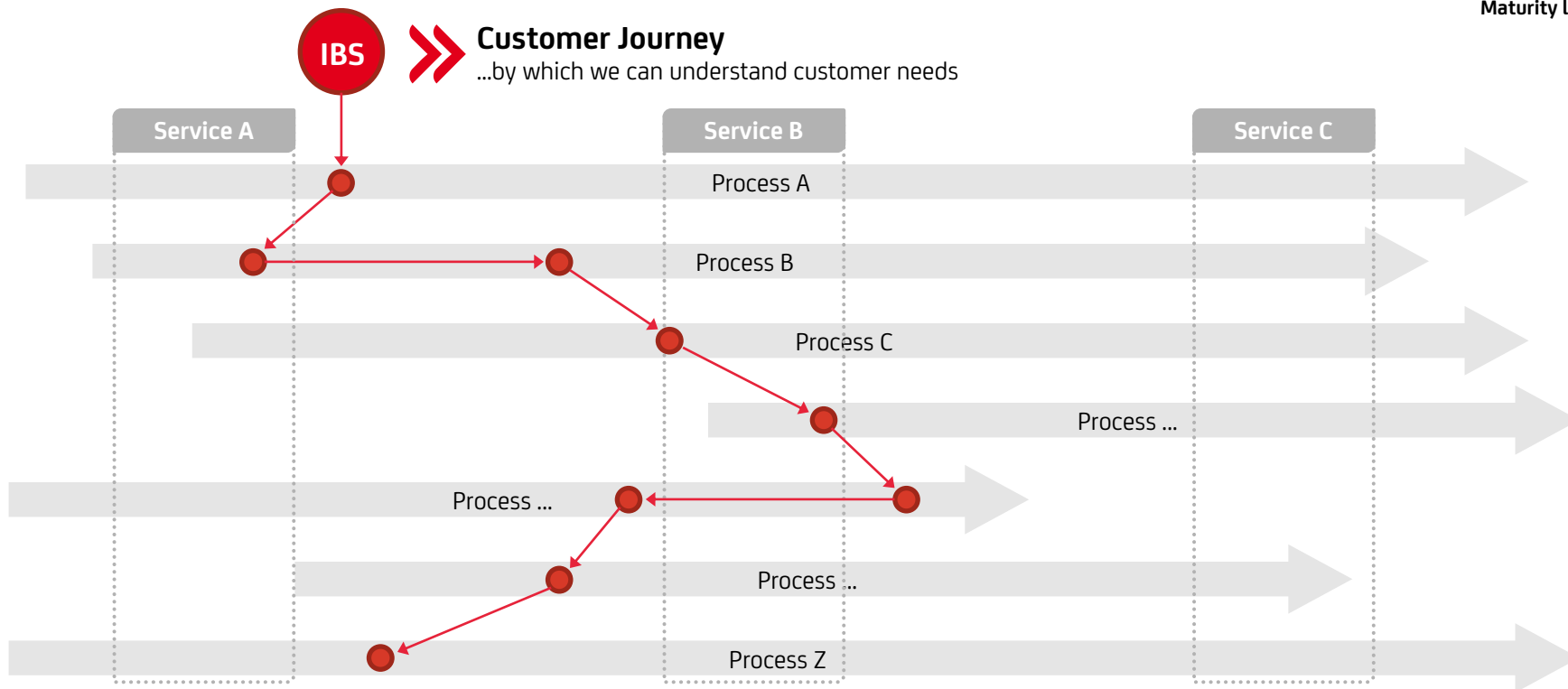
# Introspective vs external E2E view

A simplified representation of the **process / service** view





# Introspective vs external E2E view





# 4

## Testing is the key success factor

How to successfully test for operational resilience

- Testing continuity and resilience
- Start testing for the customer (journey)
- Testing the ability to stay within impact tolerances





*At the end of the day,  
it's all about testing.*

*Failing a test should  
(almost) always be  
considered a **positive**  
**result** because it  
allows you to improve  
and have an effective  
solutions when  
needed*

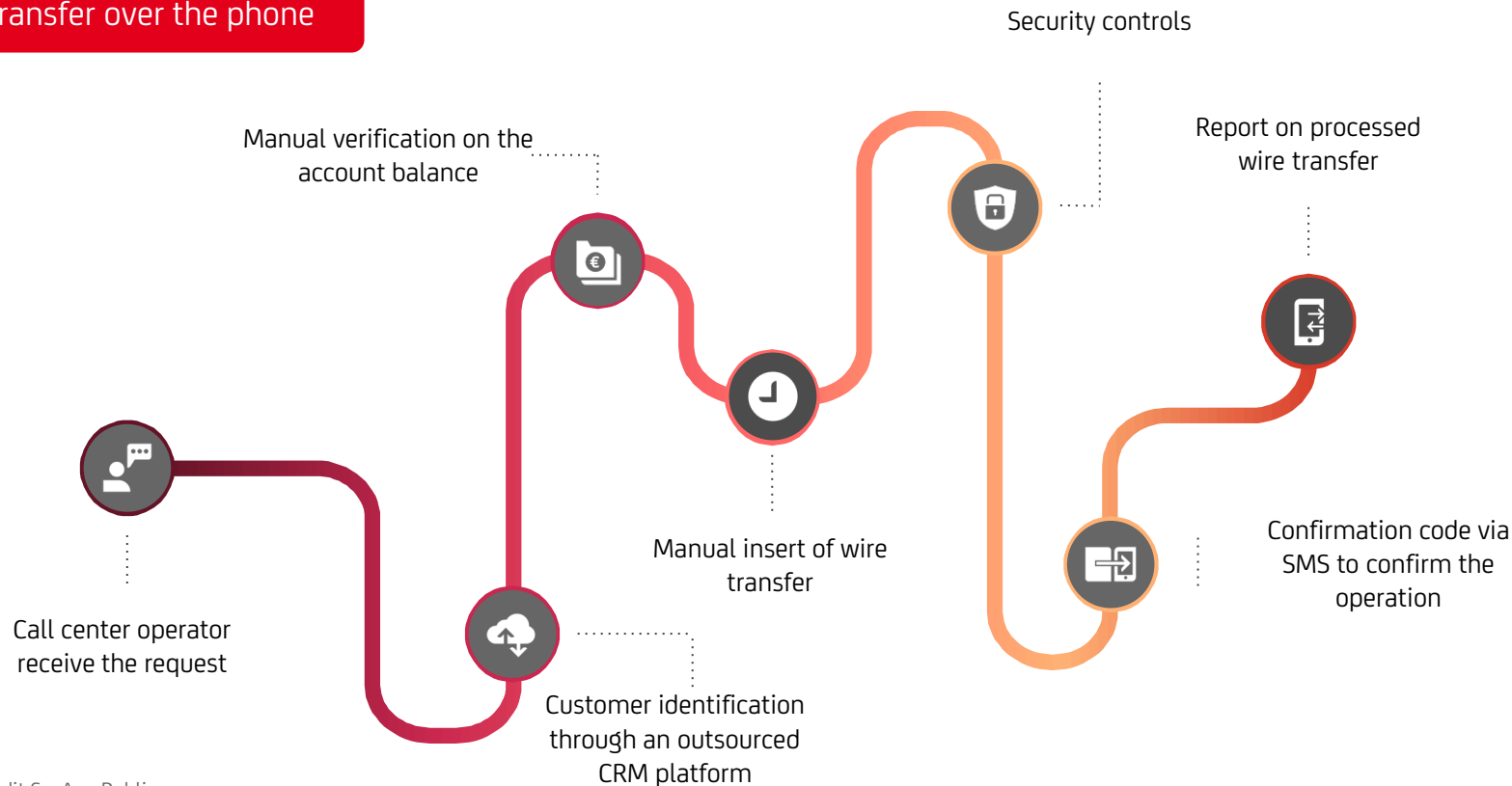


# Successful testing

## Start testing for the customer (journey)

### Wire transfer over the phone

EXAMPLE



# Testing continuity and resilience

## Business continuity

- ✓ **Verify** that **business continuity solutions** are working effectively
- ✓ Tests are normally performed with a **silos approach for a worst-case scenario**, such as: total unavailability of IT (e.g., entire datacentre), total unavailability of facilities, total unavailability of peoples, etc
- ✓ Tests are (usually) **planned and designed taking into consideration likelihood** of an event, or due to regulatory requirements
- ✓ ...

## Operational resilience

- ✓ **Verify** the **ability to remain within impact tolerances** (for each IBS)
- ✓ Test are performed with a **cross-functional** approach (following the customer journey) for a **severe but plausible disruption** to key resources of the considered IBS
- ✓ Test are **planned and designed** not taking likelihood into consideration, because Operational Resilience assumes **the event occurs** (Black-swan concept)
- ✓ ...

**Both are contributing to improve organizational resilience**



# Testing the ability to stay within impact tolerances



## What it is not

“Testing the ability to stay within impact tolerances **should not focus only on preventing incidents from occurring or the probability of the incident taking place**”



## What it is

“Testing should instead focus on the **response and recovery actions firms would take to continue the delivery of an IBS**, assuming a disruption has occurred.

- In some circumstances taking the systems and therefore the business service off-line might be the safest and most effective immediate response to the event
- Firms should consider whether a partial resumption, or the delivery of an alternative service, would mitigate impact even if their tolerance is breached.”





- Incidents happen... (black swan concepts)
- **Operational Resilience** is not replacing existing risk management processes (e.g., Business Continuity, Operational Risk, etc). It **leverages on existing frameworks to create** (an understandable and concrete) **value** for the Business, while minimizing harm to our customers.
- Need to move from a process to a **service approach**, from an internal to an **external point of view**
- While being prepared to **react to a disaster** through our ability to ensure the **continuity of critical processes**, we need to **proactively focus on** that specific **important services**.



**Grazie !**

**Stephane Speich**

Stephane.speich@unicredit.eu

