Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

6 November 2020

EY Comments on BCBS Principles for Operational Resilience

Ernst & Young Global Limited, the central coordinating entity of the Ernst & Young organization, welcomes the opportunity to offer its views on the *BSBS Principles for operational resilience, August 2020.*

Based on our experience with banking clients in over 150 countries, we know the importance of operational resilience to organizations, customers and financial ecosystems. Over the last 10 years, operational resilience has become a more prominent topic internationally. EY's annual global risk management survey with the Institute of International Finance highlights that historically the focus for banks has been on compliance, conduct, fraud, cybersecurity and other IT risks – we are seeing a shift towards enhancing operational resilience and addressing new challenges brought on by digitization such as data privacy and cloud security.[1] This is likely to intensify as the full impact of COVID-19 on the operational resilience of banks is still being realized, an issue EY will explore in the next edition of the survey due to be published early next year.

We welcome and agree with the Basel Committee's proposed principles, which begin to clarify and align some of the outcomes and terminology that are being used in different countries to manage and measure this topic. We hope that the final iteration of the principles should form a solid bedrock of common regulatory expectations, whilst leaving some room for individual country specificities, so that banks operating in multiple jurisdictions have clarity on the outcomes and metrics they need to work towards.

From our experience working with global banks and reviewing the draft principles we would like to raise the following points to the Basel Committee's attention:

- The COVID-19 pandemic has unexpectedly tested financial institutions' crisis response planning and preparedness in a live environment. We believe that institutions that have made more progress in moving from legacy IT and operational infrastructures and towards new capabilities such as cloud, have been better able to demonstrate the resilience, as well as other business benefits, of their investment. The pandemic has accelerated the pace of digital transformation and we expect to see that acceleration continue over coming

[1] EY/IIF Tenth Annual global bank risk management survey. 2019.

years. This acceleration may lead to additional exposure to ICT risks, particularly cyber risks, but will also provide for incremental resilience benefits. It highlights the need for principles which can be flexible and adapt to the rapidly changing technology and IT infrastructure trends.

- The overview and essential elements of operational resilience, as described in the paper, adequately captures the spirit and outcomes that are being pursued by authorities around the world. We agree with the general definition of resilience that is provided and the expanded definition given to the term ‘critical operations,’ which is consistent with international best practice. Having defined principles of resilience helps give clarity around what is expected from banks to achieve a desired outcome.

- Global standards can help to promote consistency in terminologies and or approaches. This could be especially helpful for banks with international coverage as they consider how to interpret and apply these terms across their structure and for many SIFIs, global businesses.

- Based on our experience with banking clients, we have a seen a variety of metrics and data used to inform operational resilience. One of the largest challenges is the range of data, from different areas and sources that can be required to build a picture of critical operations or a bank’s resilience. For example, we have seen data being broken down into two broad categories, program or compliance metrics and capability metrics.

Please contact Keith Pogson, EY Global Assurance Leader, Banking & Capital Markets if the Basel Committee would like to discuss EY’s views in more detail.

Yours sincerely,

Keith.

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