POSITION PAPER

ESBG response to the BCBS consultation on operational risk and resilience

ESBG (European Savings and Retail Banking Group)

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ESBG

Dear Sir/Madam,

The European Savings and Retail Banking Group (ESBG) and its members welcome the opportunity to contribute to the Basel Committee on Banking Supervision (BCBS) consultation on operational resilience. We would like to share with you some reflections that we believe will contribute to the work on operational resilience and, therefore, we hope will be considered by the BCBS.

ESBG's comments:

Question 1: Has the Committee appropriately captured the necessary requirements of an effective operational resilience approach for banks? Are there any aspects that the Committee could consider further?

In our opinion, the operational resilience principles properly address and cover the relevant internal governance arrangements.

Question 2: Do you have any comments on the individual principles and supporting commentary?

Proposal to revise Principle 2:

1. Original text:

Banks should leverage their respective functions for the management of operational risk to identify external and internal threats and potential failures in people, processes and systems on an ongoing basis, promptly assess the vulnerabilities of critical operations and manage the resulting risks in accordance with their operational resilience expectations.

2. Revised text:

Tracked version:
Banks should leverage their respective ***second line of defence*** functions for the management of operational risk ~~***to identify external and internal threats and potential failures***~~ **resulting** ***from inadequate or failed internal processes, people and systems or from external potential operational risk events*** on an ongoing basis ***in their critical functions*** ~~***promptly assess the vulnerabilities of critical operations and manage the resulting risks***~~ ***and continuously identify and assess the internal and external threats exploiting vulnerabilities for information assets*** in accordance with their operational resilience expectations.

Clean version:
Banks should leverage their respective second line of defence functions for the management of operational risk resulting from inadequate or failed internal processes, people and systems or from external potential operational risk events on an ongoing basis in their critical functions and continuously identify and assess the internal and external threats exploiting vulnerabilities for information assets in accordance with their operational resilience expectations.

Explanation: The harmonsation requirement concerns second line of defence functions. The aim is to segregate the threat and vulnerability which is used in ICT risk management in relation to information assets, whereas in operational risk framework, the operational risk event is used as materialisation of operational risk sub-risk types in an actual or potential loss resulting from inadequate or failed internal processes, people and systems or from external events. Nevertheless, threat and vulnerability analysis can result in a potential operational risk event.

Question 4: Do you see merit in further consolidation of the Committee's relevant principles on operational risk and resilience?

Yes, we see a merit in consolidating the principles in a main chapter and the explanatory parts in annexes.

About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.

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