

To: Basel Committee on Banking Supervision

3 November 2020

Dear Sirs,

Standard Chartered's response to the Basel Committee on Banking Supervision (BCBS) Consultative Document on *Principles for operational resilience*.

Standard Chartered welcomes the publication of the Consultative Document (CD) by the BCBS and the opportunity to provide feedback. Our feedback is focused on ensuring the concepts are practically applicable and deliver the intended benefits and we recommend that the authority give further consideration to the responses outlined below.

Q1. 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?

The requirements captured in this CD will help towards building an operationally resilient Bank. While definitions and approaches may differ slightly from current methodology, we believe that the underlying approach and assumptions are appropriate. However, we would like to suggest the following for consideration:

Service view: A more direct correlation between customer service and the management of resilience within the principles. A service lead resilience approach ensures actions are driven against client outcomes in addition to internal risk management.

Tolerance and risk definitions: A more comprehensive exploration of the interaction between resilience tolerance, risk appetite, capacity and profile would enable a consistent and comparable approach across sectors.

Standardising implementation: Operational Resilience as a concept is under development across several jurisdictions within which we operate. As we found with Recovery and Resolution Planning Regulations, a coordinated approach through a regulatory-led CMG forum helps standardise terminology, approach, reporting, assurance and implementation timelines. A similar approach will ensure implementation of operational resilience is efficient for firms while ensuring outcomes are delivered for Regulators.

Q2. Do you have any comments on the individual principles and supporting commentary?

We broadly agree with the principles and offer the following by exception only. We recommend the committee consider the suggestions associated with these selected principles:

Principle 1 - Governance: We suggest more guidance on the interaction between operational resilience and risk is necessary. We believe that operational resilience helps the bank deliver a service to the customer and is not a risk type. While we recognise the appropriateness of risk management procedures in supporting the management of resilience, further guidance on how the committee links operational resilience to risk appetite, risk capacity and risk profile would be valuable.

Principle 2 - Operational Risk Management: We recommend more clarification on the timeliness of assessments and identification as proposed in the CD as policies differ across organisations. In addition, the definition of “*to the extent possible, prevent these threats from affecting critical operations*” need

further exploration as to what are considered plausible scenarios that firms are expected to consider as to their business continuity planning.

Principle 5 - Third-party dependency management: Managing third-parties in support of operational resilience will require coordination at a sectorial level. The CD should make more explicit guidance across the range of regulated and non-regulated Financial Markets Infrastructures and supply chains. It is recommended that resilience considerations associated with cloud and other related remote service providers should be given specific consideration in the guidance.

Principle 6 - Incident management: We recommend a focus on proactive threat “hunting” as well as reactive incident management as described. This is particularly relevant for cyber incidents and the timely minimisation of impact on customer services.

Principle 7 - Information and Communication Technology (ICT) including cyber security: We agree with the principle that banks should consider ICT and cyber security as fundamental to resilience. However, we would recommend that guidance associated with operational resilience methodologies take a pragmatic and balanced approach across all operational assets including ICT. Operational resilience should remain risk agnostic, whilst recognising the priority of cyber risk in security and more broadly in resilience.

Q3. Are there any specific lessons resulting from the Covid-19 pandemic, including relevant containment measures, that the proposed principles for operational resilience should reflect?

There has been a notable increase in internal and external reporting requirements under the global pandemic. Where possible standard and predetermined reporting by scenarios should be developed to aid incident management.

Increased working from home (WFH) during the pandemic raises the possibility of sustained remote working by a significant percentage of the workforce on a sustained basis during non-crisis normal operations. This would reduce concentration risk in major office buildings. Increased WFH and the associated ICT enablement brings other resilience considerations which should be included in the guidance.

The managing of concentration risk and the potential fragility of extended global supply chains during a pandemic should be considered within the guidance.

Q4. Do you see merit in further consolidation of the Committee’s relevant principles on operational risk and resilience?

Our recommendation is to consider where clarity is necessary on the interaction between the principles, methodologies and outcomes of operational risk versus operational resilience, prior to any consideration of consolidation.

Q5. What kind of metrics does your organisation find useful for measuring operational resilience? What data are used to produce these metrics?

Metrics associated with operational service levels, control performance against operational risk appetite and tolerance indicators.

Thank you for the opportunity to comment.

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