

# DRIVING TANGIBLE RESILIENCE IMPROVEMENTS

Rico Brandenburg Matthew Gruber Greg Rattray Strengthening operational resilience is a major priority for boards, executives, and regulators. Boards and executives want to avoid major operational disruptions that can severely impact customer and market conf dence in their f rms, result in signif cant f nancial losses, or lead to severe reputational harm. Regulators want to maintain the safety and soundness of f nancial institutions and of the overall f nancial system. Boards, executives, and regulators all recognize that the risk of operational disruption is increasing, as geopolitical tensions raise the specter of cyber and physical conf ict, complexity and interconnectedness increase, and the pace of change quickens.

In response, many f nancial institutions globally have appointed a Chief Resilience Of cer and designed a framework for operational resilience. They are focused on developing a framework, identifying their important business¹ services (IBS), building out resilience capabilities, establishing impact tolerances,² and conducting exercises in line with the principles established by the Basel Committee on Banking Supervision (BCBS)³ and guidance from regulators, for example, Bank of England,⁴ Central Bank of Ireland,⁵ the US Federal Reserve System.⁶ The European Commission's new Digital Operational Resilience Act (DORA) and the growing number of jurisdictions with proposals out for enhanced regulatory requirements around operational resilience (for example, Canada, Australia) are only increasing the pressure on f rms to implement operational resilience ef ectively.

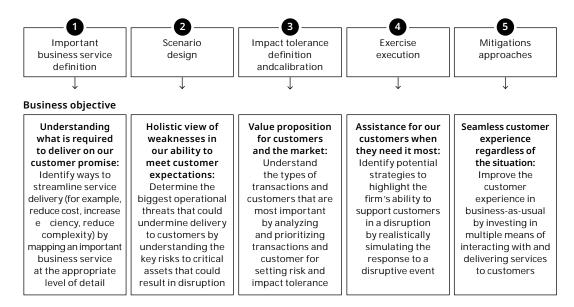
However, building a successful and sustainable operational resilience program is challenging. Chief Resilience Of cers need to contend with competing priorities, organizational siloes, and decades of processes and technology built with resilience as an afterthought.

In light of these challenges, we recommend f ve practical initiatives that typically have an outsized impact on the successful and sustainable implementation of the operational resilience program:

- Drive front-line engagement
- · Learn from crises
- Build an exercise capability
- Develop resilience risk insights
- Create a sustainable foundation

The following pages explain how these initiatives help f rms increase resilience to disruptive events with tangible examples.

# **DRIVE FRONT-LINE ENGAGEMENT**



Source: Oliver Wyman analysis

## **LEARN FROM CRISES**

A key element of operational resilience is continuously improving. The frst step is to learn

scenarios (for example, data corruption). They may not have the technical capabilities to



## Objective

Establish a sustainable exercise program through a pilot that allows the organization to assess its level of resilience against defined impact tolerances for its important services



### Exercise pilot

Realistic disruption simulation with a broad set of functional elements to exercise the organization's ability to deliver an important business service

#### Half-day exercise commitment

#### Allowing for the ability to simulate a multi-day, severe but plausible disruption with both discussionbased and functional elements

#### **Broad business participation**

Representation from multiple business units and functions (for example, deposit operations, commercial banking, AML, technology, crisis management)



## €ှို Functional elements

Simulating functional responses to disruption to generate additional learnings beyond those from a tabletop

Wire intake Enabling front-line sta to practice receiving instructions over phone/email	Wire prioritization Prioritizing a set of real transactions from a previous day	Analysis of wires in process  Determining the status of wires at the time of disruption
Manual wire processing	Crisis escalation/ communications	Customer communications
Processing wires manually in a backup environment to assess throughout	Convening crisis team, analyzing impact, sharing updates, and making decisions	Drafting mass communications and guidance for relationship managers

## **DEVELOP RESILIENCE RISK INSIGHTS**

Assessing and monitoring the level of resilience and the impact of investments on resilience risk reduction help f rms optimize strategic investment decisions and give stakeholders (for example, board, executives, regulators) more conf dence in the resilience program.

We have helped clients measure the ef ect of resilience investments using a structured scenario analysis approach. The approach leverages available internal data (for example, service mapping, aggregated customer information, threats/vulnerabilities) to estimate the impact to customers, the broader market, and the f rm under a set of severe but plausible risk scenarios, considering both current capabilities and future capabilities once resilience investments are made. Ultimately, the goal is to show how resilience investments are reducing the expected impact of a severe but plausible scenario. Using this analysis can also help prioritize investments before they are made by allowing f rms to compare the expected risk reduction of difit ee fit r re

# **CREATE A SUSTAINABLE FOUNDATION**

# **CONCLUSION**

The safety and soundness of f nancial institutions rely on strengthening operational resilience. As f rms advance on their operational resilience journey, they must be thoughtful about developing and implementing an ef ective, sustainable, and continuously improving program while delivering tangible resilience risk reduction in the short-, medium- and long-term. By keeping in mind the practical initiatives outlined above, f rms can increase their likelihood of success and inspire conf dence among boards, executives, regulators, and customers.

# **ENDNOTES**

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2	Impact tolerance is o measulfeed blyllv/l	defned as the m MM	aximum tolerable level of disru *	ption to an important business service as

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