



# Enterprise-wide operational resilience

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# Focus on enterprise-wide operational resilience

## 1 Industry landscape



Technology &  
innovation



Supply chain  
complexity



Cost &  
efficiency



24/7 customer  
expectations



Changing  
threats

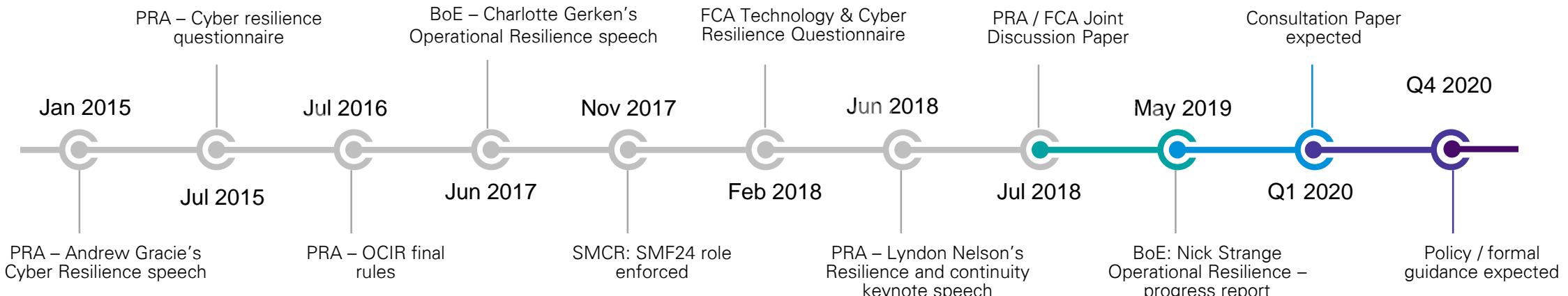


Incident  
visibility



Political  
agenda

## 2 Regulatory agenda



# Bank of England - regulatory objectives

*“Our aim is to improve the ability of the financial services sector to absorb the impact of an unexpected event while continuing to perform its most important activities for the UK economy”*

**Charlotte Gerken, Director, Bank of England, June 2017**

## Regulatory drivers:

Systemic  
Stability

Consumer  
Harm

Firm  
Viability

**Applicable across all Financial Services with differentiated and proportionate application to sectors and firms:**

Universal Banks

Retail Banks

Wholesale Banks

Private Banks

Insurers

FMs

Asset Managers

Cards & Payments

Building Societies

*“We have seen that operational failures can happen and unless something dramatically changes, we can expect them to happen again...Hence the fact that regulators and firms have been pushing operational resilience up the agenda”*

**Lyndon Nelson, Deputy CEO,  
Prudential Regulation Authority  
June 2019**



# Discussion Paper - Key themes

## 1. Board-down

Operational resilience must be driven from the Board with clear ownership and accountability to drive differentiated investment decisions.

## 2. End-to-end

Resilience should be established across end-to-end business services that are mapped and managed across functional and entity silos and include external suppliers.

## 3. Measured

Boards should set clear impact tolerances and enterprise-wide resilience thresholds, then measure and report against set tolerance limits.

## 5. Resilience Culture

Resilience should be embedded as a key criteria across all management decisions and business activities and be core to the organisation's culture.

## 6. Recovery-centric

A recovery-centric mind-set should be adopted with firms able to demonstrate adaptability or substitutability assuming major disruption will occur.

## 7. Communication

Establish a multi-channel, enterprise-wide communications approach to deal with disruption across internal and external stakeholders.

## 4. Testing

Firms should establish rigorous testing programmes which challenge the organisation's ability to stay within set impact tolerances in severe but plausible scenarios.



# Global observations - Industry & Regulatory

UK domiciled banks and building societies first movers

Sector-specific focus on developing service catalogues and associated impact tolerance

Global firms dedicating significant effort to developing globally coherent approaches

Increasing focus and activity across FMs and systemically important platforms & third parties

Regulatory fatigue driving focus on business case, scalability and sustainability

Extensive planning and pilot activities

Currently no agreed international standards

Major regulators appear to be embracing the UK's stance

UK seen as setting the pace with Bank of England/ Consultation Paper expected in Q1 2020

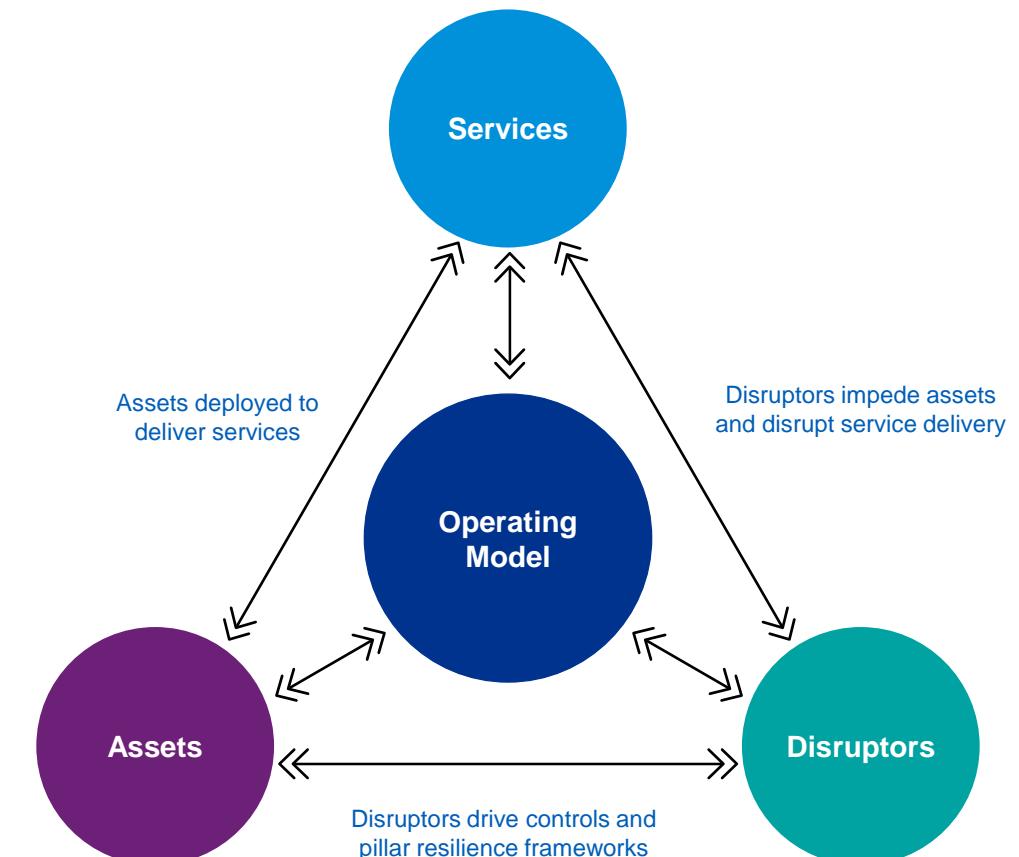
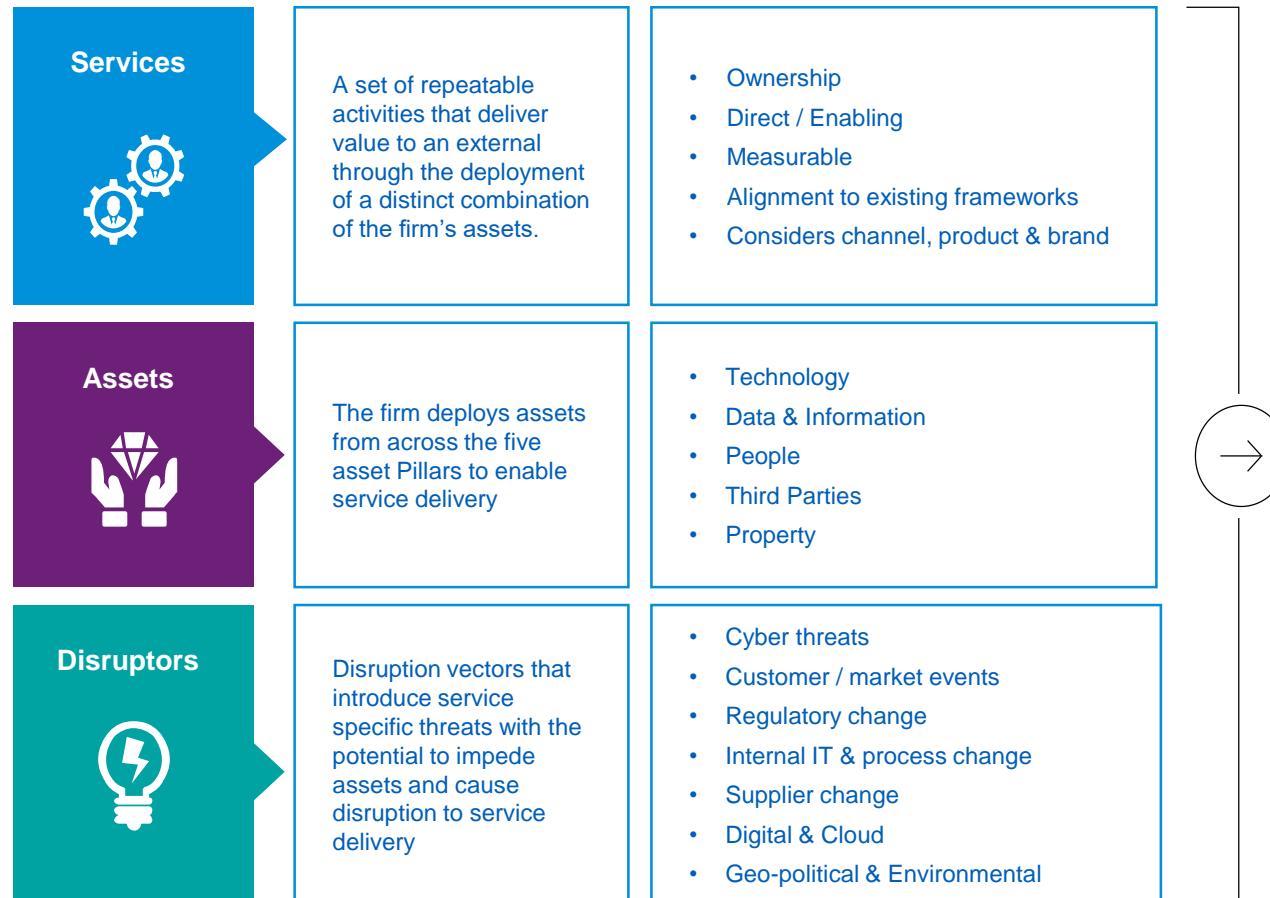
Emerging acceptance that operational resilience must reach an equal footing with financial resilience

Primary focus for global regulators remains cyber with less mature thinking regarding broader aspects of resilience

US regulators' recent focus on key themes addressed in Bank of England Discussion Paper through MRAs and enforcement

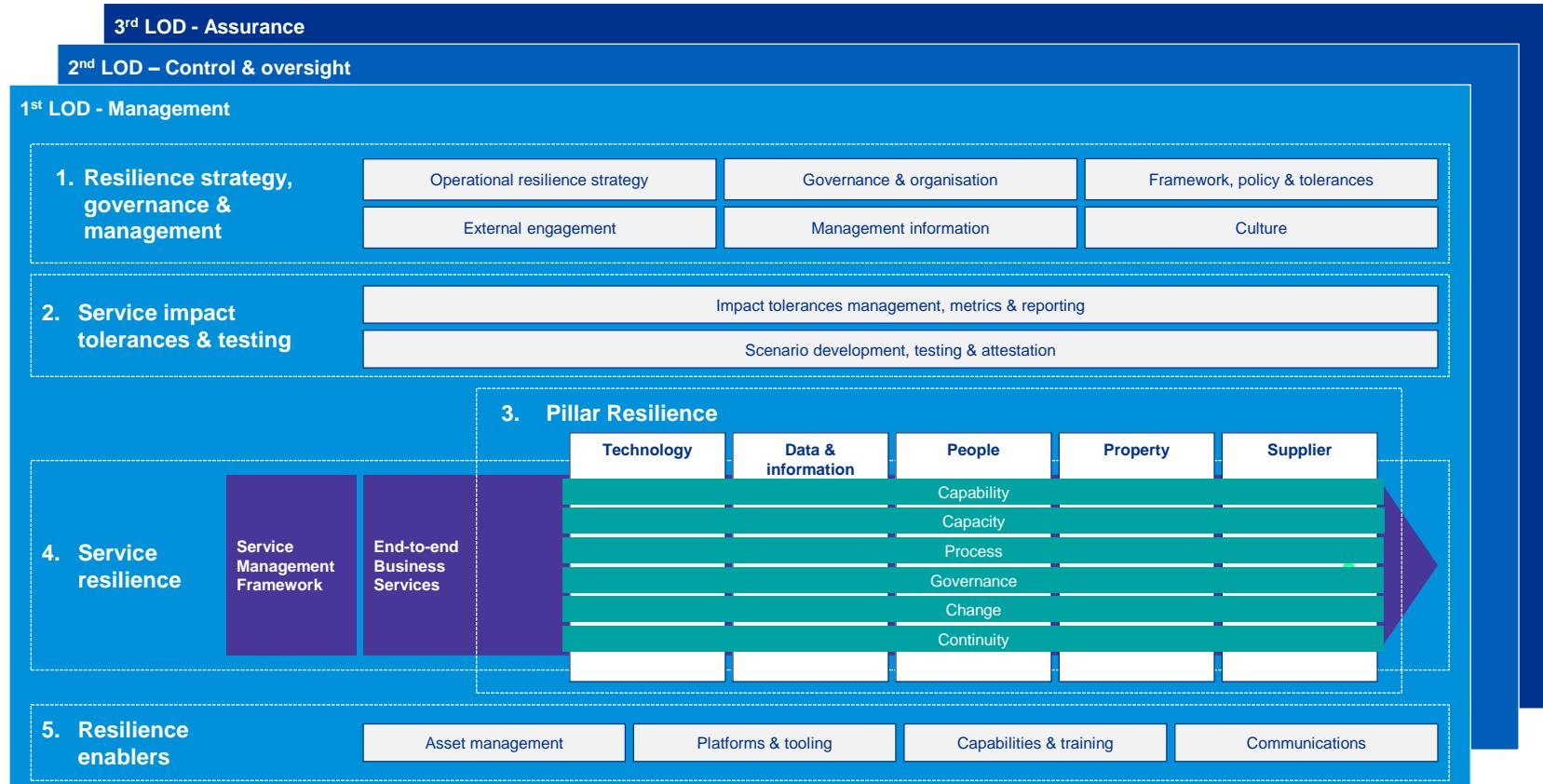
# Enterprise-wide operational resilience

**Enterprise-wide Operational Resilience (EWOR) is achieved when the combination of assets deployed to deliver important business services are able to absorb and adapt to shocks across all dimensions of disruption.**



# Enterprise-wide operational resilience operating model

KPMG has developed an enterprise-wide operational resilience framework and operating model which enables firms to embed resilient practices across the firm, with a particular focus on enhancing resilience of important business services.



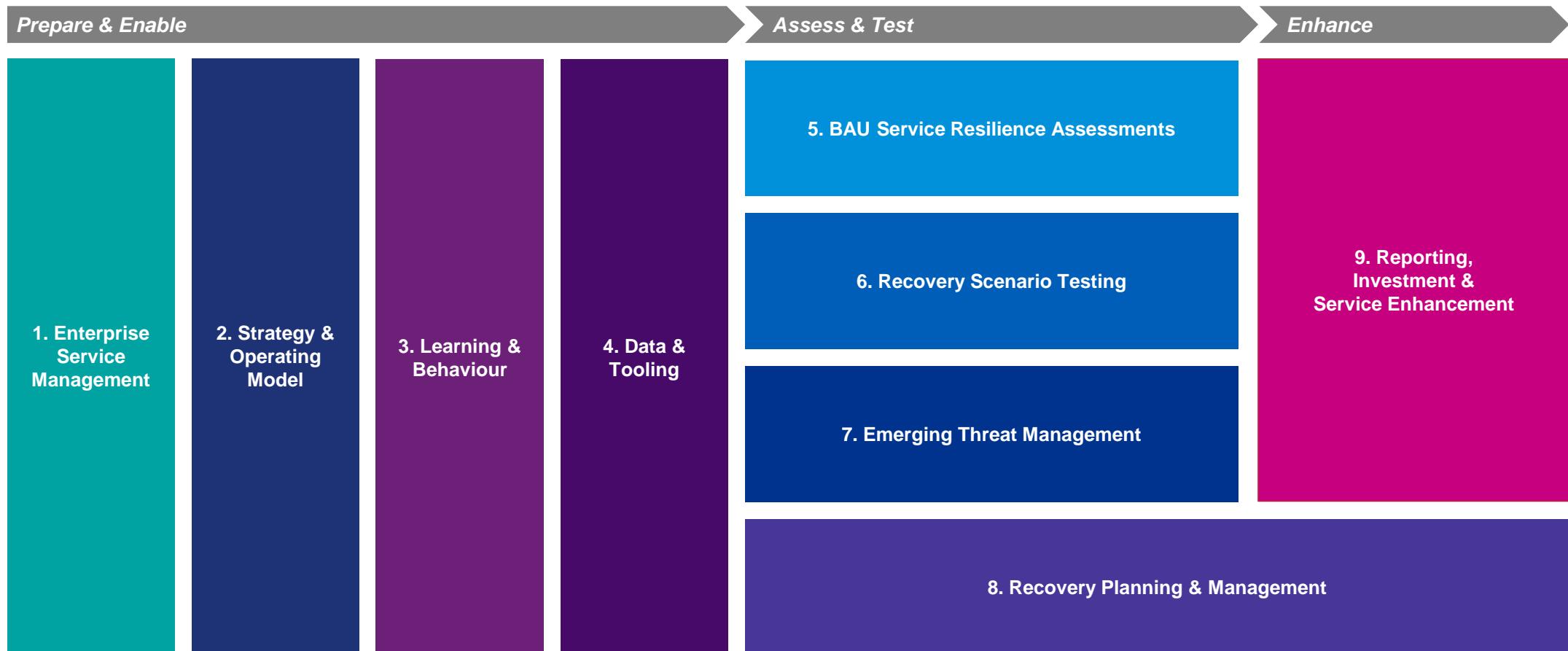
# Leveraging existing assets and capabilities

The enterprise-wide operational resilience operating model must align to and enhance existing firm-wide assets and capabilities.



# Enterprise-wide operational resilience core processes

The processes of the operating model address the key themes outlined in the Bank of England's Discussion Paper, while ensuring firms leverage and adapt existing practices.



# Enhancing Enterprise Service Management to drive Resilience and Value

Managing operational resilience is most effectively addressed by focusing on business services instead of traditional desk and product views. Targeted investment and focus on enterprise service management has the potential to deliver wide-reaching benefits beyond resilience.

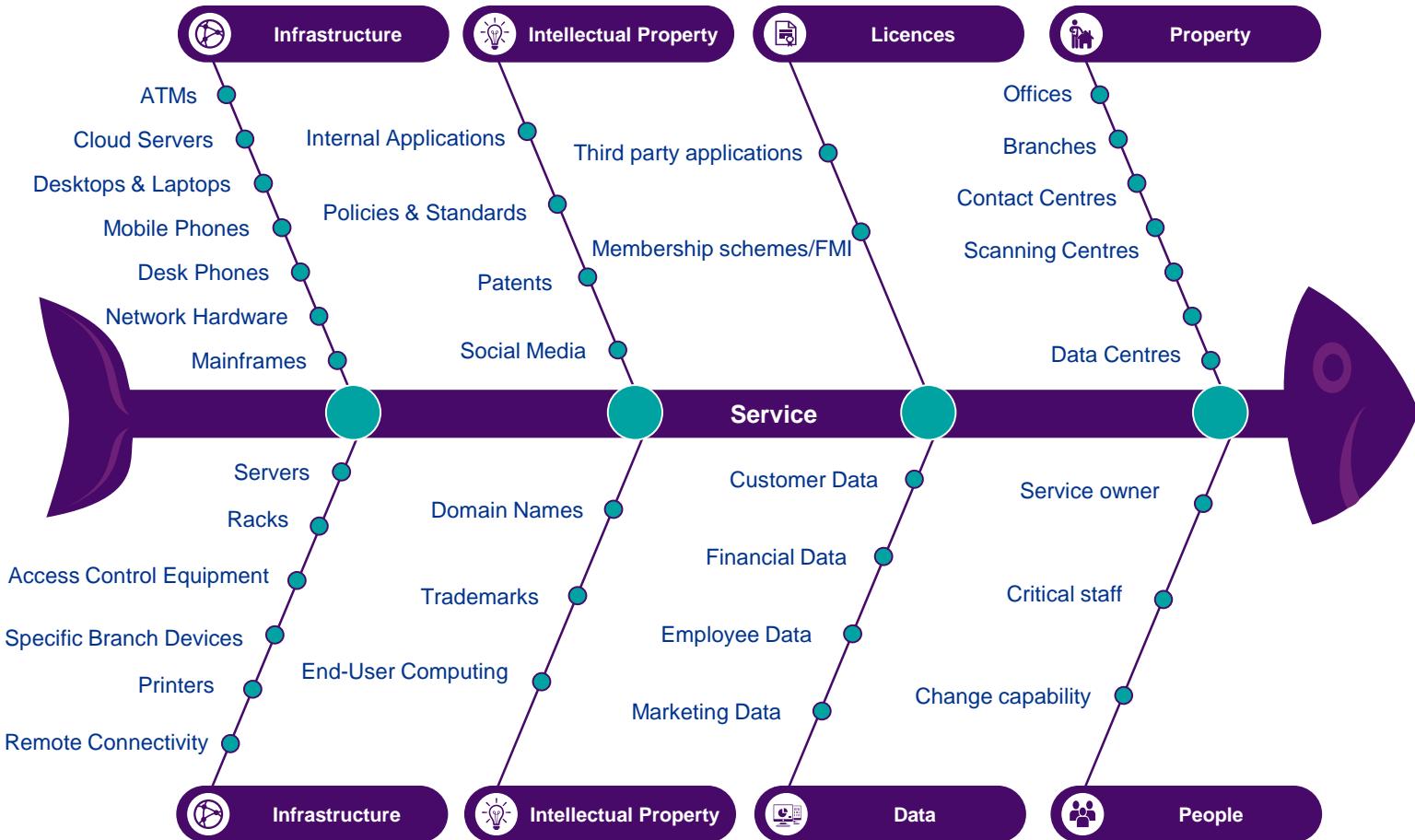


## Enterprise Service Management Benefits:

- Enhance and protect brand and reputation
- Reduce operational risk incidents and associated losses
- Reduce remediation costs
- Support convergence, simplification and de-duplication of regulatory, risk and control frameworks
- Enhanced service understanding enables service innovation and competitive advantage
- Drive simplification of associated risk and regulatory technology infrastructure
- Rationalisation of service / process taxonomies
- Enable cost management and performance optimisation across end-to-end services
- Potential for longer term reduction in capital requirements
- Headcount rationalisation

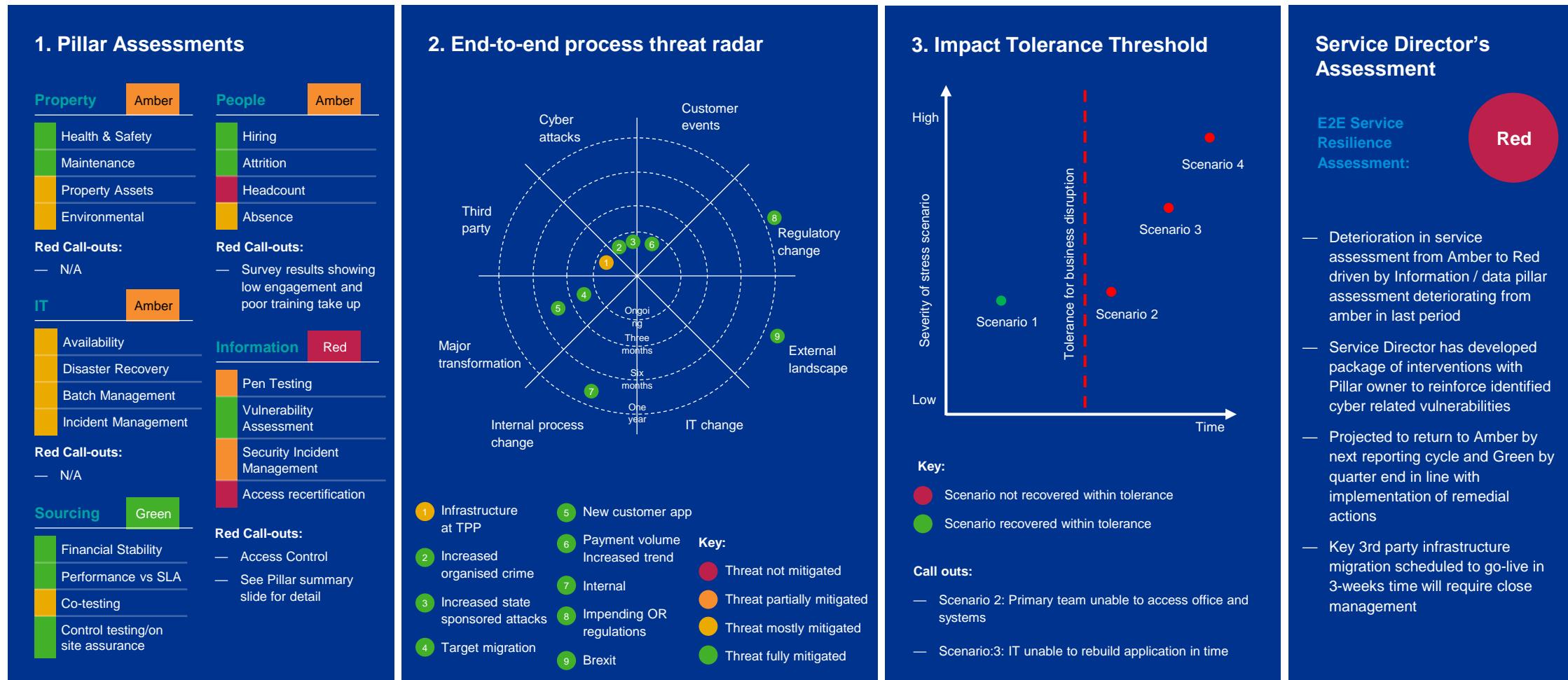
# Mapping of assets to services

Once a service catalogue has been developed, key assets such as technology, data, people, property and suppliers / third parties must be mapped to the service in order to understand fully services dependencies.



# Illustrative service dashboard

Operational resilience requires extensive data sets to be developed and maintained. Effective tooling is essential to overcome some common challenges (e.g. data sourcing, quality, coverage) and ensure the long-term success of embedding resilience across the organisation.



# Data and tooling key challenges



Coverage &  
depth of data



Granularity of  
asset mapping



Multiple golden  
sources



Frequency &  
granularity of  
reporting cycles



Data limitations  
across E2E service



Enterprise  
scalability

# Typical Pilot and Early Stage Execution Activities

- 1**  **Maturity assessment**  
*Current state analysis against key themes highlighted in 2018 Discussion Paper*
- 2**  **Strategy**  
*Outline the ambition for operational resilience implementation*
- 3**  **Operating model**  
*Documenting the processes, governance and roles required to manage EWOR*
- 4**  **Service assessment pilot**  
*Conducting a resilience assessment of a pilot service*
- 5**  **Impact tolerances & scenarios**  
*Define and assess through severe but plausible scenarios*
- 6**  **Roadmap definition & business case**  
*Activities required to embed operating model into BAU*
- 7**  **Data & tooling assessment**  
*Assess tooling for management and maintenance of EWOR*



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