

Operational Resilience

A new module from HKMA

On 31 May 2022, the HKMA released the new Supervisory Policy Manual (SPM) module OR-2 on Operational Resilience. SPM OR-2 aims to set out HKMA’s approach and supervisory expectations on operational resilience by providing guidance on the general principles that authorized institutions (AIs) should consider when building their operational resilience.



According to the HKMA, “Operational disruptions (including those due to pandemics, cyber incidents, technology failures and natural disasters) can affect the viability of individual financial institutions, and in turn, the stability of the wider financial system”. This underscores the significance of operational resilience as a supervisory focus.

We are here to help – Deloitte believes the development and implementation of an operational resilience framework will strengthen your broader business proposition in addition to aligning with HKMA’s expectations and supervisory approach, which are based on the relevant work of The Principles for Operational Resilience (POR) issued by the Basel Committee on Banking Supervision (BCBS) and are Deloitte’s key areas of expertise.

HKMA expects all AIs to be compliant with requirements relating to the development of its operational resilience framework by 31 May 2023, and those relating to the implementation of the framework no later than 31 May 2026. At a minimum, the HKMA expects AIs to include the following components within its operational resilience framework:

Operational Resilience Parameters

- Mechanism for determining operational resilience parameters, namely identifying critical operations, setting tolerance for disruption for critical operations, and identifying severe but plausible scenarios.

Risk Management Policies and Frameworks

- Leverage different risk management frameworks, as appropriate, to offer holistic and comprehensive support to the critical operation, and be prepared to manage all risks with the potential to affect critical operations delivery.



Mapping Exercises

- Identify and document: (i) the people, processes, technology, information, facilities; and (ii) the interconnections and interdependencies among these factors that are necessary for the AI to deliver its critical operations.

Scenario Testing

- Regular testing of the operational resilience framework to ensure the ability to continue delivering critical operations through disruptions, including under severe but plausible scenarios

Incident Management

- Establish an effective incident management programme to manage all incidents, especially those that may impact critical operations.

Given the importance of operational resilience for an AI to deliver critical operations through disruption and remain viable under extreme scenarios, an AI’s Board of Directors (Board) and senior management are expected to actively participate in establishing, implementing and overseeing the operational resilience framework.



Deloitte, a leader and pioneer in Operational Resilience and Crisis Management

As leaders and pioneers in resilience and crisis management, we have a depth and breadth of expertise and are well placed to help AIs understand the complexities and nuances involved in building operational resilience.



Extensive Financial Services Experience

Our deep understanding of the challenges and good practices within the FS sector allow us to provide strategic and technical advice to our clients across the full range of operational resilience issues.

Proven expertise

We have long-established relationships with a number of clients in the FS sector and have worked with them to develop their operational resilience capabilities, both in terms of putting in place frameworks and practically executing on them.

Cross Industry Insight

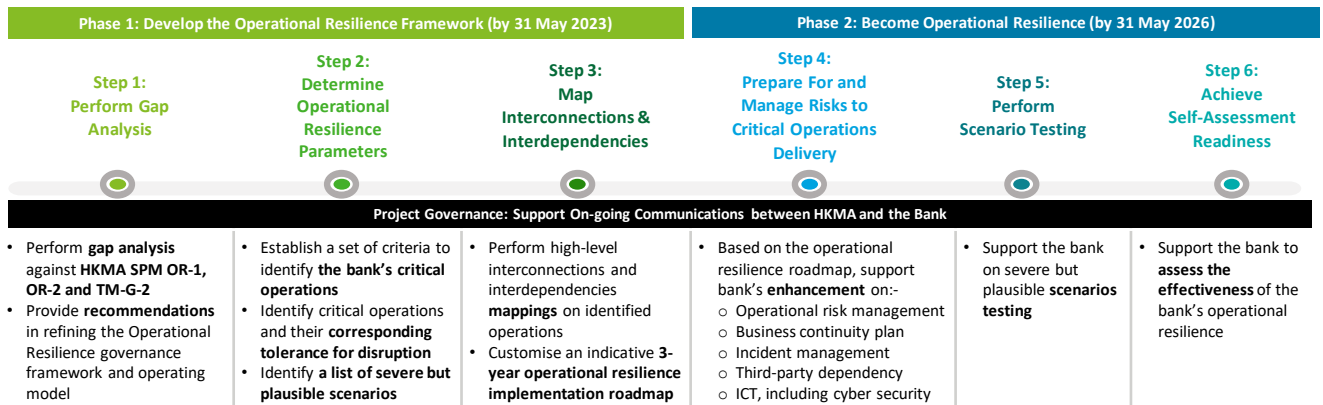
Through our work with a wide range of organizations, we have accumulated an extensive repository of operational resilience frameworks and approaches, including governance, operating models and approaches to identifying and mapping important business services and setting impact tolerance statements.

Deep Thought Leadership

We have issued several point of view papers on operational resilience ([International regulatory alignment on operational resilience - making steady progress](#)) offering practical guidance on execution of operational resilience within FS sectors

How can Deloitte help?

We have identified six key steps that need to be undertaken to achieve the right outcomes for operational resilience.



Contact Us



Adelide Yeung
Financial Industry Risk and Regulation Leader

adeyeung@deloitte.com.hk
+852 2238 7778



Eileen Cheng
Partner, Risk Advisory Cyber

eicheng@deloitte.com.hk
+852 2238 7119



Justin Lau
Director, Assurance - Complex Accounting (FSI)

juslau@deloitte.com.hk
+852 2852 6317



Wai Ling Ho
Associate Director, Risk Advisory

who@deloitte.com.hk
+852 2531 1432



Alan Wong
Associate Director, Risk Advisory

alancwong@deloitte.com.hk
+852 2740 8635



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