DORA – safeguarding the resilience of finance

Joint ESAs public event on DORA

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Background

- Financial sector increasingly dependent on technology / tech companies for provision of financial services
- Makes financial sector vulnerable to problems with underlying tech, e.g. caused by cyber attacks
- Cyber risks partially addressed at EU level:
  - General rules: partial application finance, unevenly implemented
  - Financial services rules: patchy, inconsistent, fragmented

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Upgrade EU rules to promote resilience

- Dedicated framework to safeguard digital operational resilience for finance – DORA [2022]
- Links to general framework
  - Substitutes (core provisions) via lex specialis status
    - NIS2 – Directive on measures for a high common level of cybersecurity [2022]
  - Complements
    - CER – Directive on resilience of critical entities [2022]
    - CSA – Cybersecurity Act [2019]
    - CRA – Cyber Resilience Act [under negotiation]

Scope

- Wide range of financial entities regulated at EU level
  - credit institutions; payment institutions; account information service providers, electronic money institutions; central securities depositories; central counterparties; investment firms; trading venues; trade repositories; data reporting service providers; managers of alternative investment funds and management companies; insurance and reinsurance undertakings; insurance and reinsurance intermediaries and ancillary insurance intermediaries; institutions for occupationnel retirement provision; administrators of critical benchmarks; securitisation repositories; actors in the crypto-assets area (crypto assets service providers, issuers of asset-referenced tokens); crowdfunding service providers; credit rating agencies.
- Exemptions and proportionality
  - Exemptions or simpler rules foreseen by the sector rules in the financial services acquis
  - Microenterprises

DORA – main pillars

ICT risk management

- Set of key principles and requirements on ICT risk management framework

ICT-related incident reporting

- Harmonise and streamline reporting + extend reporting obligations to all financial entities

Digital operational resilience testing

- Subject financial entities to basic testing or advanced testing (e.g. TLPTs)

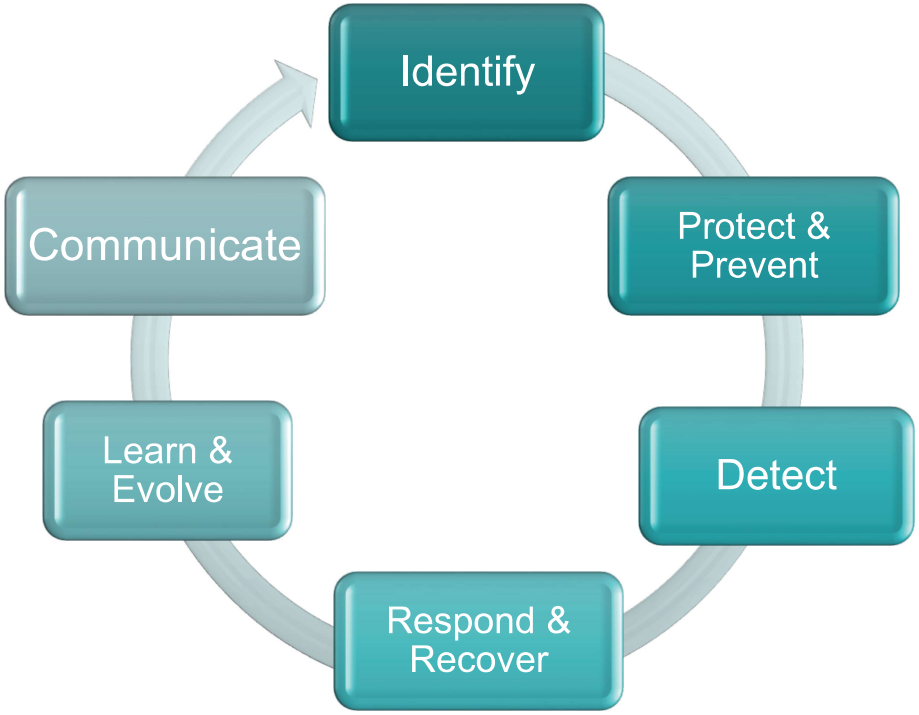
ICT third-party risk

- Principle-based rules for monitoring third-party risk, key contractual provisions + oversight framework for critical ICT TPPs

Information sharing

- Voluntary exchange of information and intelligence on cyber threats

1. ICT risk management
(Articles 5-16)



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2. Incident reporting
(Articles 17-23)

General requirements

- Establish and implement a management process to monitor and log ICT-related incidents
- Classify ICT-related incidents based on criteria set out in DORA and to be further developed by the ESAs

Reporting of major ICT-related incidents to competent authorities

- To national competent authorities (NCAs)
- Harmonized reporting content and templates
- Initial notifications, intermediate and final reports
- NCAs to provide details to institutions and authorities (ESAs, ECB, NIS2 authorities)
- Voluntary notification of significant cyber threats to NCAs

3. Testing
(Articles 24-27)

Basic testing

- All financial entities

Advanced testing

- Financial entities identified by competent authorities
- Tests done every 3 years, frequency can be adjusted by CAs
- Mutual recognition of TLPT results
- Use of external and internal testers (with safeguards)

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4. Third party risk
(Articles 28-44)

General principles	• Full responsibility of the financial entity • Strategy on ICT third-party risk • Register of Information • Preliminary assessment of concentration risk…
Harmonisation of key elements of relationship with ICT third-party service providers	• Description of functions and services; • Indication of the location / storage of data • Assistance by the ICT third-party service provider • Right to monitor and inspect…
Union Oversight framework for critical ICT third-party service providers	• Designation by the ESAs • ESAs as Lead Overseers with powers to monitor & issue recommendations • Oversight Forum - cross-sectoral coordination on all ICT risk matter and preparatory work for individual decisions and collective recommendations • Joint Oversight Network – coordination between LOs

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DORA – latest developments

- **Level 1**
  - Publication in the Official Journal in December 2022
  - Entry into force 20 days after – applicable from 17 January 2025
- **Level 2**
  - ESAs to develop level 2 acts further specifying certain requirements (2024)
  - Commission to propose delegated acts (criticality, oversight fees) based on ESA advice (2024)

Thank you

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