

**NEW DEVELOPMENTS IN REGULATIONS ON TECHNOLOGY-RELATED RISKS AND THEIR SUPERVISION**

In an increasingly digital world, financial institutions rely entirely on technology to implement their business models and to smoothly and securely offer the products and services that their customers demand. In order to ensure the institutions' operational resilience, i.e. their capacity to continue providing services in the face of any adverse situation, it is crucial to ensure the resilience of their IT systems, not only against the increasingly frequent and sophisticated cyberattacks financial institutions suffer, but also against other types of disruptive situations, such as natural disasters or the global COVID-19 pandemic.

Over the past five years, Europe's regulators have pushed to improve the resilience of the financial sector, with particular emphasis on IT and digital resilience. Two initiatives stand out:

- i) European Banking Authority (EBA) guidelines on ICT and security risk management (EBA/GL/2019/04).
- ii) The EU proposal for a Digital Operational Resilience Act (DORA).

The EBA guidelines, which have been in force since 30 June 2020, apply to credit institutions, payment institutions, account information service providers, electronic money institutions and investment firms. Their implementation should always take into account the principle of proportionality. They also include obligations for the competent authorities.

Among these guidelines' most notable aspects are their requirements regarding governance and strategy, risk management and security and business continuity testing, which heighten and align the standards.

Meanwhile, the text of the legislative proposal for a new regulation, DORA, was published in late September 2020 and is currently being discussed by the European Council and European Parliament. DORA is part of the European Commission's digital finance strategy, and its aim is to mitigate the risks associated with digitalisation and strengthen the resilience of the European financial sector.

For the first time in the European Union, a single regulation on technological resilience will apply to all types of financial institutions, in proportion to their size and complexity. The text includes requirements for institutions on managing technology-related risks, managing and notifying technological incidents, resilience testing of systems and managing relations with third parties. It also fosters information sharing between institutions and cooperation between authorities.

One of the main new developments introduced by DORA is an oversight framework for critical technology providers in the financial sector. Given that financial institutions are increasingly reliant on their technology providers, this proposal represents a very significant step towards improving the resilience of the European financial sector as a whole.