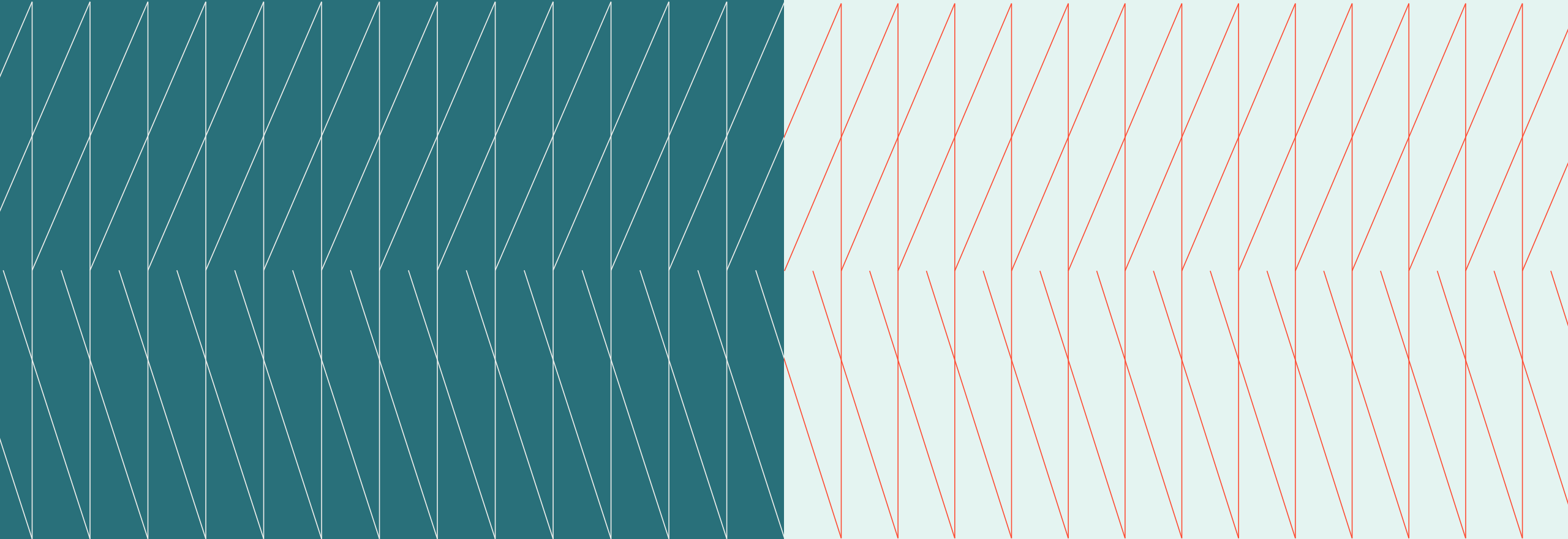


Financial Services

Kyndryl Thought Leadership Exchange

Q1 Executive summary
March 12, 2024





Overview

In this Leadership Exchange session, several financial services executives convened to discuss the Digital Operational Resilience Act (DORA). The executives focused on the implementation timeline, prioritization of critical business processes, and third-party risk management. The agenda was created based on advance interviews with participants.

Host

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SME

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Key topics

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Timeline for DORA Implementation

- There is significant interest among financial industry leaders around the EU's Digital Operations Resilience Act (DORA), which is set to go into effect in January of 2025. Leaders are working to ensure they comply with the new regulations, but many questions remain about how the regulation will work in practice. Although the final rules were supposed to be released by now, the release date for the finalized details has been pushed back to July 2024.
- There have been different conjectures from players in the industry with operations in the EU as to how stringent or forgiving reviewers will likely be during the first round of audits. Many financial industry leaders view it as contributing to increased safety and vigilance for the customer, which is a positive thing, regardless of meeting regulations. It is forcing financial

services companies to understand and prioritize their core operations first, and then their ancillary business functions and vendor partners secondarily.

- The DORA deadline is January 17, 2025, an expedited timeline that is causing concern for many financial leaders. Many organizations have been working toward this deadline and thinking about how to do compliance and reporting for 18 months or more. However, it is extremely unlikely that companies will get things 100% correct the first time out. Rather, the EU will be looking to make sure that companies are putting systems in place to define and track their compliance with the new rules and reporting requirements.

“It’s people, process, and technology. The focus is on defining your minimal viable enterprise and focusing on those processes first. That’s really the core of what the DORA legislation is trying to achieve.”

– Kyndryl SME Conal Hickey

“We cannot ignore the date of 17th of January 2025, because it’s a rule and it’s a law, so in no way will we say that we are not compliant. Nevertheless, we’ll accept some level of distance to a perfect situation during an interim period.”

– Leadership Exchange member

Kyndryl and DORA

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Prioritization of Critical Business Processes Is a Key Strategy

- In preparation for DORA, leaders have been working to identify their most critical operations. Once these areas are identified, next steps involve determining where there are gaps, or where more resilience is needed, to ensure their most important business operations.
- The prioritization process for some organizations involves putting different parts of their businesses into different categories, or “buckets,” ranging from absolutely critical to not critical at all. One executive mentioned using six different categories while another one had three different buckets. Categories and priorities vary between organizations as well. For example, one financial institution might have their ATM system as their most critical operation whereas another might have business loans as its main business.
- The prevalence of mergers and acquisitions can make the DORA process even more complex for banks with operations in the EU, because it may make identifying and prioritizing operations more complicated. In addition, having more outlets and operating in more countries may add to the complexity of compliance since some countries may take a much more stringent approach to evaluating and auditing DORA than others.

“This is what we are already explaining to our supervisors: that the speed at which we will implement in some countries will not be the same as others. It will vary depending on the materiality of impact. Nevertheless, the framework is global. It’s a global framework that will be rolled out globally, with the materiality approach, and with different speeds in some locations.”

– Leadership Exchange member

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Third-Party Risk Management Considerations

- Similar to ESG, DORA is impacting how companies are thinking about their third-party vendors and customers. Leaders in banking and financial services are thinking through their partnerships with other vendors to clarify and formalize responsibilities for compliance and reporting. This can go both ways as well, with some customers now asking if firms are DORA compliant.

- As for third-party vendors, it typically isn't large vendors, such as Microsoft and other cloud technology providers, that executives are concerned about. Such providers have the resources and bandwidth to handle all the new requirements. The challenge is with smaller third-party vendors that don't have the capacity or infrastructure to do a lot of data collection and reporting, prompting financial services organizations to re-evaluate how to navigate those relationships. In some cases, smaller vendors are opting out of working with the financial industry for this reason.

“I think the large players, they know this is coming and they're ready for it. It's the smaller ones that I think are going to struggle. It's also those that we deal with through European entities but are themselves not subject to DORA as being part of the EU. How do we adjust the agreements with all of them? For us, we're trying to do it pragmatically, which means sort of a standardized addendum to all of the agreements.”

– Leadership Exchange member

Kyndryl Security and Resiliency Services

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The Financial Services Thought Leadership Exchange is hosted by [Kyndryl, Inc.](#) Please contact the hosts of this exchange, [Jerome Calmelet](#) or [Conal Hickey](#), or contact the program's facilitator, [Mona Schwartz](#), with any questions about this community.

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