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04 November 2020

**Agustin Carstens**  
General Manager  
Basel Committee on Banking Supervision  
Bank for International Settlements  
CH-4002  
Basel  
Switzerland

Dear Mr. Carstens,

**CIBAFI Response to the Basel Committee’s Consultative Document “Principles for operational resilience”**

The General Council for Islamic Banks and Financial Institutions (CIBAFI) presents its compliments to the Basel Committee on Banking Supervision (BCBS) and takes this opportunity to express its appreciation of the work that the BCBS is doing to provide principles for operational resilience.

CIBAFI is an international body representing Islamic financial institutions globally, who offer financial services and products complying with Islamic rules and principles (Shariah). CIBAFI acts as the voice of the Islamic finance industry, and our members comprise more than 130 Islamic banks and non-bank financial institutions, both large and small, from over 34 jurisdictions.

We welcome this opportunity to offer our comments and recommendations on the BCBS's Consultative Document (CD) "Principles for operational resilience".

We would like to present the below comments for further enhancement and consideration of the Principles. The comments contained in this letter represent the views of CIBAFI's Secretariat and feedback received from our members. Although our membership is diverse, they can be seen as reflecting largely the concerns of smaller banks, mainly in emerging markets.

**First:** as a general point, the Principles naturally tend to focus implicitly on relatively well-understood types of operational disruptions, including those originating in the institution or its service providers. One of the lessons of the current Covid-19 pandemic has been that the range of possible disruptors is greater than often considered, and planning needs to take account of this, so far as it can. One of our members has pointed in particular to the potential for extreme climate events or natural catastrophes to impact on banking services, including by disrupting infrastructure or supply chains.

**Second:** under the first Principle, the CD highlights the importance of the bank's governance structure in establishing a resilience approach, focusing on the role of the board of directors and senior management. CIBAFI members believe that the text should also recognise the involvement of government and policymakers under special circumstances and there may be a need at least to understand how these would deal with certain situations, for example, a major disaster or a terrorist incident.

**Third:** under Principle 7, the CD indicates the importance of Information and Communication Technology (ICT) resilience including cyber-security. The CD's recommendations are at a high level and are primarily managerial rather than technical. CIBAFI members initially suggested that it might be helpful to have a separate additional document dealing at greater length with operational resilience in the ICT domain (though

recognising that technologies and their use continue to change rapidly). You may consider that this need has now been met by the Financial Stability Board's toolkit of effective practices for cyber incident response and recovery, but if so, a reference to it would be helpful.

**In addition to the above comments, CIBAFI members provided the answers below to Questions 3 and 5 in the CD.**

**Question 3.** Are there any specific lessons resulting from the Covid-19 pandemic, including relevant containment measures, that the proposed principles for operational resilience should reflect?

- Most of the lessons learnt from the current pandemic have been covered in the document. However, the human resources aspect has not been adequately addressed, e.g. percentage of staff required to work either from home or locations, reducing the density of the workforce in the workplace, and ongoing education of employees on how to protect themselves and their families during a pandemic situation.
- The impact of the pandemic on the lack of insurance cover for losses emanating from the pandemic is a new experience for the banks. During the pandemic, insurance companies are either reluctant to provide even normal insurance cover to banks, or they are charging higher premiums and are increasing the deductibles. This has now required banks to have in place policies and processes to address the insurable risks for which no insurance cover will be available, i.e. the luxury of insuring certain risks is no longer available.
- Due to prolonged and sudden lockdowns in various countries, institutions had to rely on virtual meetings, work from homes and restriction of activities etc. Availability of

infrastructure, data security and confidentiality, regulatory reporting etc., are thus essential to be considered.

- This pandemic introduced a new kind of operational risk where every client constitutes a possible threat to the operational environment in the banks. Thus, the principles for operational resilience should recommend best practices applicable under similar circumstances in the future.

**Question 5:** - What kind of metrics does your organization find useful for measuring operational resilience? What data are used to produce these metrics?

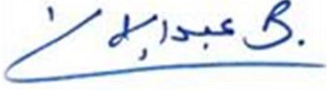
- Measuring the operational resilience through the use of incident management indicators such as, number of defaults and interruptions to services, number of times in which providers were unable to offer the support service on needed time, number of cyber-attacks on the bank's network, the speed of delivering services to customers, customer satisfaction and satisfaction of the staff about the internal process in the front office and back office. The mentioned indicators could be useful to measure the operational resilience in financial institutions or banks.
- Key Metrics: hours of system downtime, material business disruption due to IT systems or glitches, BCM testing and results, as well as cyber-security incidents/attempts.

We remain at your disposal should you need any further clarifications on the above.

The General Council for Islamic Banks and Financial Institutions takes this opportunity to renew to the Basel Committee on Banking Supervision (BCBS) the assurances of its highest respect and consideration.

With kind regards and best wishes.

Yours sincerely,



**Dr. Abdelilah Belatik**  
Secretary General