

This time, DORA poses challenges to financial organizations

As part of the new EU Digital Finance Package, Regulation 2022/2554 of the European Parliament and of the Council on the digital operational resilience of the financial sector, shortly 'DORA', entered into force earlier this year.

Due to increasing digitalisation, the financial system is one of the sectors most exposed to cyber threats and occasional disruptions of digital systems. In order to effectively respond to disruptions and ever-changing and increasing cybersecurity risks, DORA's proposal emphasizes the need to create and maintain durable digital systems and tools that can withstand potential threats and minimize the negative impact of risks inherent in digital systems.

The regulation therefore aims to help protect against cyber threats, operational risks and other potential disruptions that could damage financial stability. That sounds great, **but what does it mean in practice?**

What is digital operational resilience?

DORA defines 'digital operational resilience' as the ability of a financial entity to build, ensure and review its operational integrity and reliability by using, directly or indirectly, the full range of IT-related capabilities necessary to manage the security of the network and information systems that the financial entity uses, using services provided by third-party IT service providers, and which support the continued provision and quality of financial services, including in the event of disruptions.

Who is affected by DORA and what is its specific task?

DORA affects various financial market participants, including investment firms, insurance and reinsurance undertakings, insurance intermediaries, institutions for occupational retirement provision but also related IT firms.

Financial entities should in future have in place an **internal governance and control framework, i.e. a risk analysis and related action plan and organisational mechanism** to ensure effective and prudent management of IT risk in order to achieve a high level of digital operational resilience. The management body of the financial entity should identify, approve, monitor and be responsible for the implementation of all measures related to the IT risk management framework.

When will DORA be applicable?

Fortunately, there is still more than a year to prepare, as DORA will be applicable **from January 17, 2025**. At the same time, since many internal policies and processes that are not only related to IT need to be created in order to comply with it, it is advisable to start preparing as soon as possible.