

# Amending digital operational requirements in financial services legislation

On 24 September 2020, the Commission submitted a proposal for a directive amending a number of existing directives governing the regulation and supervision of the financial system, with a view to tackling risks related to information and communications technologies (ICT). The proposal is part of the digital finance package whose overarching objective is to promote innovation and competition in digital finance while mitigating the risks.

## Background

While the financial sector is heavily reliant on ICT, there is a lack of specific and harmonised ICT risk requirements in some domains. Furthermore, the variations in ICT risk requirements across financial services and Member States lead to inconsistencies in protection, detection, containment and recovery capabilities for ICT incidents.

## European Commission proposal

The Commission's [proposal](#) for an amending directive is part of the [digital finance package](#) which also includes a proposal for a regulation on markets in crypto assets ([MiCA](#)); a regulation on a [pilot regime](#) for market infrastructures based on distributed ledger technology (DLT) adopted in May 2022; and a proposal for a regulation on digital operational resilience for the financial sector ([DORA](#)).

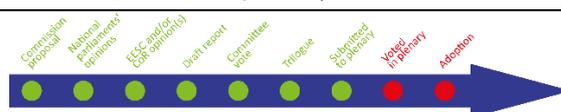
The amending directive would streamline and upgrade the existing EU financial legislation and introduce new requirements to fill the gaps. By introducing precise cross-references in the legislation, it provides further legal clarity and reduces the risk of a cyber-incident spreading across financial markets. Moreover, the proposed amending directive relates to and complements the proposed regulation on DORA, which would establish a horizontal legislative framework for ICT-related operational risks. The directive would [amend](#) the directives on [audit](#), undertakings in collective investment in transferable securities ([UCITS](#)), risk management and supervision of [insurance companies](#) (Solvency II), alternative investment fund managers ([AIFM](#)), banking prudential requirements ([CRD IV](#)), markets in financial instruments ([MiFID II](#)), payment services ([PSD2](#)) and institutions for occupational retirement provision ([IORP II](#)).

## European Parliament position and provisional agreement

The Committee on Economic and Monetary Affairs (ECON) adopted its [report](#) on 1 December 2021. The report [stresses](#) that proportionality should be encouraged, in particular with regard to SMEs, other small financial entities and other micro-enterprises. The amendments include the requirement that issuing institutions must have robust governance arrangements that include 'a clear organisational structure with well-defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks'. Finally, the scope of amendments was expanded to include the Bank Recovery and Resolution Directive and the supervisory review and evaluation process.

On 10 May 2022, Parliament and Council [reached](#) a [provisional agreement](#) that retained Parliament's key amendments as laid out above. The ECON committee [voted](#) in favour of the agreement on 12 July 2022 by 41 to 6. The agreement is to be voted upon during Parliament's November I plenary session.

First-reading report: [2020/0268\(COD\)](#); Committee responsible: ECON; Rapporteur: Mikuláš Peksa (Greens/EFA, Czechia).



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