Cyber Risk in the Financial Sector

Remarks at the Federal Reserve Bank of Atlanta’s Financial Markets Conference

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The views are the author’s and not necessarily those of the Federal Reserve System or the U.S. Treasury.
How cyber events can affect financial stability

**Shocks**

*Cyber events*; malicious events are cyberattacks

**Vulnerabilities**

**Firm Level**

*Cyber events become cyber incidents*

Vulnerability: weak controls, defenses, and recovery ability of firms

**System Level**

*Cyber incident becomes systemic*

Vulnerability: digital interdependencies, lack of substitutes for critical services, role of confidence

**Implications**

Systemic cyber incidents can affect financial stability

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Cyber big picture

Operational Risk

Cyber Risk

Vendors

Blockchain

Fintech

Digital Assets

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Some recent initiatives

Mitigate vulnerabilities through supervision

- Expanding resources and capabilities
- Notification Rule for Banking Orgs and Bank Service Providers

Collaborate across the official sector

- Response playbook and communications
- G7, FSB, and other international exercises and collaboration

Monitor vulnerabilities to financial system stability

- Cyber risk in *Financial Stability Report* and assessment
- Cyber risk research

Expand understanding of cyber risk measurement

- FRB Rich-Board-MIT collaboration
- Data and metrics for measuring cyber risk

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