

Financial Stability Board (FSB)

Date: 2018.07.13

CRO Forum's response to public consultation on FSB's draft Cyber Lexicon

Dear Financial Stability Board,

In response to the public consultation regarding the draft Cyber Lexicon, the CRO Forum would like to draw your attention to its recently released paper on cyber risk¹ – 'Supporting on-going capture and sharing of digital event data'.

This paper proposes a taxonomy that can be used to record digital events (in line with the scope of the draft Cyber Lexicon) and is aimed at supporting greater awareness of the cyber risks across insurers, their policyholders and society.

The taxonomy proposed by the CRO Forum can help to empower individual companies to understand and benchmark their own cyber exposure, which we believe is key to enhance financial stability and help improve cyber resilience as society and industry becomes increasingly digitally dependent.

The CRO Forum has been actively researching ways to promote cyber resilience, management of cyber insurance exposure and understanding around the transferability of cyber risks through cyber insurance for nearly 5 years and published three papers.

The first paper we published in 2014 (Cyber resilience – The cyber risk challenge and the role of insurance) set out a definition for cyber risk and practical steps to enhance cyber risk management frameworks including exploring the role that insurance can play. The paper has been widely referenced in academic and policy literature including by the IAIS and OECD.

Since this publication, the focus has been on exploring how to build a solution to the challenge posed by the limited and fragmented data on cyber risks that can support wider risk management and insurance. In 2016, we published a concept paper proposing a methodology for common categorisation. As digital dependency and cyber risks pose significant operational risks, the methodology was built around the operational risk requirements in Solvency II and Basel frameworks, but enhance this with definitions and terminology from taxonomies currently used by insurers and information security experts (e.g. STIX and VERIS).

¹ The CRO Forum consists of 20+ members, leading international (re)insurance groups (mostly headquartered in Europe), and 19 of its members were actively contributing to the working group, which developed the paper.

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The CRO Forum undertook a trial of the taxonomy in in 2017 with support from the operational risk database consortiums ORX and ORIC. The findings of this trial supported the hypothesis that it is possible combine taxonomies built for different purposes (e.g. Solvency II, RMS, AIR, VERIS and STIX) to produce descriptions of digital/cyber events that can be analysed from different perspectives and for different purpose, as well as being anonymised and aggregated to enable sharing and benchmarking. The common benefit being that the taxonomy can form a blueprint for promoting better data that is essential for cyber risk management.

The conclusions of this work were published in early 2018 and have been presented to the OECD in their recent conference in Paris on *Unleashing the potential of the cyber insurance market*, and are being taken forward by the Geneva Association and will be discussed with FERMA in their conference in October 2018.

The CRO Forum is continuing to work on cyber risk and currently scoping its future work. We are keen to have an active dialogue with you and other organizations as well as regulators to explore the potential for this industry developed taxonomy.

In case if you have any questions on the above mentioned papers, the CRO Forum is happy to answer.

I enclose copies of the CRO Forum papers for your information and I look forward to discussing this topic with you.

Yours sincerely

A handwritten signature in blue ink, appearing to read "P. Raaflaub".

Patrick Raaflaub

Chairman