The Basel III Accord – What Is It For?

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YES, YOU HAVE A BUSINESS CONTINUITY PLAN .... BUT WILL IT WORK?

Paul Kilduff B.Comm FCA, Business Continuity Planning consultant at Risk Reward Limited, summarises the key components of a successful Business Continuity Plan which are required to ensure your financial organisation can survive a disaster.

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There are enough types of disasters in the world today – hurricanes, floods, fires, terrorism, sabotage, pandemics, riots, ash – without your Business Continuity Plan being added to the list. Many organisations today have recovery plans in place but few plans have ever been invoked in anger. And these threats to business are on the increase with examples such as riots in

Athens, extreme weather conditions across the globe and further terrorist related incidents.

A Business Continuity Plan (BCP) is a holistic management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.

Essentially, a BCP is about making proactive and reactive plans to help your organisation survive crises and disasters and thus being able to quickly return to 'business as usual' should they occur. Otherwise your organisation may perish. BCP is essential to banks and other financial institutions where customers demand reliable and timely service and failure often comes with a large cost.

Here are ten easy yet essential topics to address when evaluating the effectiveness and completeness of your own business continuity plan:

1. **The Plan** – do you have a BCP? I don't mean that people know what to do in the event of a crisis but is there a documented plan in place in the organisation? Where do you keep your plan? Is it in your desk drawer and just in case you also keep a copy on your office PC. That's not enough.

Take a hard copy home and keep it safe. If you drive to work then keep a hard copy in your car. Or save a copy to a memory stick and add it to your key ring in order to be able to retrieve the plan at any PC. But remember at all times that the BCP is confidential and it should be kept safely.

Is your plan too light at 5 pages or is it unusable at 100 pages plus? Do you have many diverse individual departmental or business unit plans? A single company –wide plan is preferable.

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2. Accountability – Is your BCP important enough (and it should be) to have been formally approved by the CEO and/or Chairman? Did you present it to the Board of Directors in person and were they impressed with its relevant and comprehensive nature? Are the top management in your organisation as engaged with BCP as they are with market risk, credit risk or operational risk? They should be, since a serious BCP incident presents as much threat as any rogue trader or bad debt.

One of the biggest causes of weak BCP is a lack of commitment from senior management. Is your BCP process owned by some middle ranking operations manager or by someone more senior?

Did you offer your BCP to your internal audit department and ask them for an honest opinion?

3. Crisis Management Team – Only the Crisis Management Team (CMT) should be able to activate the BCP. Do you know who is in the CMT, who will convene the CMT, how they will do so and who will lead the team in a crisis? The CMT should include all the heads of the key functions – it should include the most important people in the organisation. If one of the CMT is away as is bound to occur when disaster strikes, do you have nominated alternates for each member?

4. Command Centre – Do you know where the CMT will meet? It is best to select a few locations to suit possible different circumstances – include a room in head office, a room in a nearby hotel and a room far away or a room in the recovery site. Do you know where the CMT will get key resources such as laptops? Do you have a checklist of the first tasks to be performed by the CMT?

Have you conducted training for the CMT, such as notification training (an assembly of the team to ensure that they know where to go), table-top training (a pre-scheduled gathering conducted as a brainstorming meeting), or simulation training (a realistic disaster scenario played out for their benefit which evolves courtesy of an expert facilitator).

5. Recovery Site – Have you agreed the location of your recovery site? Is it a 'hot site' where your systems and facilities are ready for staff to walk in anytime and sit down to work or is it a 'warm site' where a few hours of work will be required to activate systems and processes before staff arrive?

Are too many people going to the recovery site? Why not give them a laptop to use at home now?

Will you have enough space for your needs and have you got confirmation in writing that no other organisations in your vicinity will use any shared facilities in the event of a local disaster. Do staff know where the recovery site is located and have they visited the site to ensure their familiarity? Is the recovery site too near your office to suffer collateral damage or is it too far way to reach easily?

Will staff even reach the recovery site? Remember the example of a bank in a London suburb whose plan was to ask staff to drive their cars to the recovery site, only to learn that in a real invocation due to a power outage, the electronic gates and barriers in the banks car park were firmly locked shut.

If your recovery plan involves flying staff to other locations in Europe, have you updated your plan in the event that, once again, European airspace is closed for six days due to volcanic ash clouds?

6. Awareness – You have a BCP but is it one of those 'secret' plans that are only known to the CEO, the Board of Directors, management and those who co-ordinate BCP? Do the other staff who will relocate to alternate locations know about the plan? Have you held staff briefings for all the staff annually, have you designed and mandated

online BCP courses for staff, do you have a BCP intranet web page containing all relevant BCP information and is BCP on the agenda of staff meetings?

When you invoke your BCP will the telephone call tree used to contact your staff be up to date so that everyone can be reached? Or do you have a toll-free number or an internet page ready to be updated with the latest information for staff once they enter their login and password details? Few things matter as much in the event of a disaster as the ability to communicate to your staff.

7. Testing – Having a BCP and not testing it regularly is like confidently driving your car knowing that you have a spare tyre in case of an emergency, only to find that when you have a blow out that the spare tyre hasn't been tested for years and is deflated. BCP should be tested

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annually and the critical elements should be tested semi-annually. An untested BCP is almost worthless.

The only constant in business is change itself so when was the last time your BCP was tested? Did you postpone the scheduled test for another few months because one department was 'too busy'?

Testing is only worthwhile if test failures are identified and resolved in a timely manner. Are you still doing basic simulation and parallel testing when it's really time to do a

full interruption test? The most mature BCP-ready organisations dare to test in an unannounced manner. Remember that there are only three things that matter in BCP – have a plan, test it and resolve any test failures.

8. Media Communications – When disaster strikes you will be inundated with media requests for information. Do not follow the example of BP after the Gulf of Mexico oil spill and allow your CEO to do unscripted gaffe-ridden interviews with TV crews. Instead

prepare standard scripts in advance to cover different scenarios and include these as Appendices in your BCP.

Nominate one experienced communications person to speak to the media. Everyone else in the company should be told not to conduct interviews. Only bring your CEO out to face the press when he/she is fully briefed and prepared.

Remember the Commandments of Crisis Communications – Thou Shall Not Say 'No Comment', meet

the storm head on, do not speak off the record, do not hide from media but do repeat the message.

9. Enterprise-wide BCP. This is not jargon but it is the policy driven requirement that the business continuity plan exists to support or otherwise safeguard every employee in every company location in the world regardless of organisational alignment or functional role of the individual. Recall the corporate motto of Tesco which applies equally well to BCP – 'Everything, everyone, everywhere.'

Does your BCP cover all locations, all offices, all legal entities, all systems applications, all hardware, all business processes, all vendors, all people? Remember that out of sight is out of mind so don't forget to include that lesser known building located well away from your main city centre office.

Enterprise-wide BCP also requires consistency across the organisation and requires that BCP is co-ordinated by a single Unit or a single Manager with enough staff, a budget and a high profile.

10. Certification – If you have answered all the prior questions satisfactorily then target the ultimate industry accolade. The British Standards Institute will certify your BCP if you meet the specifications of their BS 25999 standard. They will perform a remote desk-top review of your BCP and later their assessor will visit your offices to complete the certification process, and all for a reasonable fee.

The benefits of BSI certification are many – clients will be impressed, it provides a useful benchmarking exercise, it improves compliance with best practice and it is a competitive edge when it comes to tenders or service level agreements.

In conclusion, the effectiveness of business continuity planning depends upon the involvement of the board and senior management and it requires a continuous, process-oriented approach that includes comprehensive planning and testing. BCP should be developed on an enterprise-wide basis and the effectiveness of the BCP must be validated through at least annual testing. The BCP and test programme should be updated to reflect and respond to any changes in the organisation.

Only then can an organisation stare down disaster with confidence.