BUSINESS CONTINUITY MANAGEMENT CURRENT TRENDS AND BEST PRACTICES

Alessandro Caillat, MBCI, CIAM
Senior Financial Officer
Treasury Corporate Services

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Operational Risk and Business Continuity

Business Continuity Management (BCM) addresses subset of OR risks outside organization’s control

Integral part of the overall risk management program of financial industry participants and financial authorities
Risk and Impact

Threat: event that might have adverse effect on organization’s business resources and supported business processes

Exposure: business processes/resources subject to the threat/outage

Vulnerability: some organizations absorb and recover more/less readily because of their resource capacity, planning and culture

Risk: probabilistic function (likelihood) of threat, exposure and vulnerability

Impact: function of exposure and vulnerability
BCM Lifecycle

Framework to respond to and recover from business disruptions and safeguard organization’s:

- Strategic objectives
- Assets and income
- Key stakeholders’ interests

Source: BCI Good Practice Guidelines 2013
1. Policy and Program Management

Define BC organizational policy for BCM

Initially as “a project”
- BCM program manager, BC coordinators
- Roles, responsibilities and authority to act during emergencies
- Program adequately funded

Adhesion to BCM Standards in the long run
- Formalized method to align BCM work program to organization’s resilience requirements
2. Analysis

Risk Assessment – Risk Registry

- Identify threats that can adversely affect business operations and resources
- Estimate likelihood of threats

Criticality Assessment – Inventory of Critical Processes

- Identify organization’s critical processes, prioritized by level of impact

Business Impact Analysis – Inventory of Critical Resources

- Quantifies business impacts from disruptive events on the organization’s processes and resources
Business Impact Analysis

For identified critical business functions and processes

Identify necessary resources to assure continuity of operations:
  • Staff
  • Systems
  • Facilities…

Quantify impact from disruption

Determine the vulnerability of the organization

Define BCM metrics (MTPDs, RTOs, RPOs,…)

Maximum Tolerable Period of Disruption

MTPD: The period of time after which the disruption of a business process would create an intolerable impact to the organization.

After some time, the disruption impact becomes intolerable for the organization.

Impact Curve

Timeline of Disruption

- High
- Medium
- Low

2 Hours 4 Hours 1 Day 3 Days
Recovery Point Objective and Recovery Time Objective

RPO: Maximum targeted period in which data might be lost from an IT service

RTO: Period of time within which activities/resources must be resumed recovered
Identifying Critical Processes and their MTPDs

- High Impact: Settlements
- Medium Impact: Cash Management
- Low Impact: Accounting, Travel

Period of Disruption:
- 2 Hours
- 4 Hours
- 1 Day
- 3 Days

Identifying Critical Systems and their RTOs

- High Impact: SWIFT
- Medium Impact: Cash Systems, Front-Office Trading System
- Low Impact: Accounting

Period of Disruption:
- 2 Hours
- 4 Hours
- 1 Day
- 3 Days
3. Design

Identify the strategies which will allow the organization to recover in a time frame in line with defined MTPDs

Primary goal to maximize speed of recovery and minimize cost

Ensure separate or duplicate sets of critical resources:

- Staff (training/work location)
- Copy of business records/data
- Vendors
- Production/alternate sites (facilities/IT systems)
Planning for Impact

Strategies should focus on:

Impact of Disruption:
- IT Systems
- Internet
- Facilities
- Staff

Magnitude of Disruption:
- Regional
- City
- Single Building
- Firm Only

Plan for worst case
1. Ex-ante mitigation and risk reduction strategies to protect capacity response
2. Increase speed of recovery through pre-disaster planning and organizational management
4. Implementation

In large or complex organizations, strategic, tactical and operational plans are developed and maintained.

Plans should contain the following elements:

- Assumptions
- Response team membership and responsibilities
- Communications procedures with stakeholders
- Continuity and Recovery actions
Facility Loss – BC Plan

Plan Assumptions
• Main building is not available
• Systems are running

Initial Response Framework
• Roles and responsibilities
• Communications with staff/Stakeholders

Operational Procedures
• Staff working from alternate site
• Prioritization of operations
• Expected service level

Recovery Prioritization
• Back to “business as usual”

Timeline of Disruption

1. Incidence Response Plan
2. Continuity of Operations Plan
3. IT Disaster Recovery Plan
4. Recovery Resumption Plan
BC Plan – Recovery Procedures

In financial industry, vast majority of business processes depends on IT systems

Workaround procedures should be in place to recover operations in case of system unavailability

Planning complexity increases with the complexity of organization processes

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WP = Workaround Procedures
5. Validation

BCM strategy and planning cannot be considered reliable until it has been exercised

As organization constantly changes, BC maintenance program will ensure organization’s resilience remains constant or increase

Verify BCM program meets objectives defined in the BC policy
BC Exercise

Exercise program to periodically ensure:

- Critical staff is trained
- Validate all plan information

Identify issues and gaps that will need to be reviewed and remediated

Test plan designed to maximize business benefits while minimizing business disruptions
Maintenance and Review

Many issues and gaps recorded during exercises are results of changes in the organization (staff, systems,…)

Establish a process to constantly monitor and evaluate changes in the resources and their interdependencies

Review/challenge assumptions made in the BIA and recovery objectives

BCM program to be part of the scope of the organization’s audit and governance policies
6. Embedding BCM

Senior Management to promote organizational culture to place high priority on BCM

Diffuse a risk culture within the organization with the appropriate accountability and ownership

Financial and human resources to implement BCM program

Training and awareness program on staff roles and responsibilities
BC program management long term goal objective is to improve organization’s resilience through successive iterations of the BCM Lifecycle.
References


• The Economist (Nov. 8th 2012), “Business Continuity: Making it through the storm”
Contact Details

Alessandro Caillat
Senior Financial Officer
202-458-4046
acaillat@worldbank.org
treasury.worldbank.org