Knowledge Sharing Session
“Business Continuity Management – Creating Continuity, Building Resilience”

Business Continuity Management: The needs to compliance

CyberSecurity Malaysia
31 Oct 2007

Mohd Daud Dahar
Risk Management Unit
Bank Negara Malaysia
Outline

• Past experiences & lessons learnt
• Guidelines on Management of IT Environment (GPIS 1)
• BCM in Bank Negara Malaysia (BNM)
Past experiences

World Trade Centre ("WTC"), 11 September 2001

- 1,200 businesses & 50,000 workers affected
- Cost of physical destruction alone could reach $US34 billion
- An estimated $US3.2 billion spent to replace lost technology and systems
- An estimated 150 businesses will be closing down as they were not able to revive their core operations

Lessons Learnt

- Many recovery plans:
  - did not cater for the loss of key personnel
  - did not cater for the degree of trauma among staff
  - did not recognise the impact on subscribed / shared recovery services
  - seriously underestimated how long it would take to recover
- Need for regular offsite backup of business critical data
  - greater use of electronic backup
Post 9/11....

On 14 August 2003 - failures of electrical power grids in the northeast US and most of eastern Ontario, Canada resulted in power outages where in some areas, lasted into the weekend.

- Backup electrical power systems at large number of FIs in the affected areas were activated automatically, enabling FIs to avoid a sudden disruption in their systems or loss of essential data.

- The financial system and its participants were largely able to complete their end-of-day operations in an orderly fashion.

- Wholesale and retail payments and trading and settlements proceeded with only a few delays. The large majority of banks had established backup power at larger branches and retail banking services were adequate to meet consumer needs.

- There were no discernable effects on consumer confidence in the US or Canadian financial systems. On the whole, consumers were patient and proved able to cope with the situation, including the temporary loss of access to local branches and ATM machines.

- There were no unusual currency demands or runs on banks.
Local scenario....

Declaration of HAZE Emergency in Kuala Selangor and Port Kelang in August 2005

FIs.
- Communicated to ABM to inform the banks in the two towns to remain open with vital operations including ATMs, Cash, Remittances, Cheque clearing

BNM
- All CMT members on standby
- All critical depts on alerts and support depts must report to Ops Room
- Heighten communication to staff on development of haze situation
- Defer all on-site inspection until informed.
Business Continuity Management (BCM)

“Assists organisation in developing an enterprise-wide business continuance strategy that addresses in a proactive fashion, data availability and reliability issues, as well as provides for the continuity of core processes in the event of a disruption”

- To provide a framework for building resilience and capability to respond and manage a crisis through:
  - the establishment of management structure, processes and procedures
Why BCM is crucial?

- A disruption of only a few hours could have a significant adverse impact on the profitability and reputation even cause a systemic impact on the industry.
  - Organisations cannot afford prolonged downtimes, slow reaction times and inflexible processes

- The speed at which modern business is transacted today means that continuous availability of essential services is necessary.
  - Heavy reliance on IT where applications and systems are becoming increasingly sophisticated and complex

- BCM is a proactive effort that focuses on the procedures and key resources to continue to operate its critical business functions in the event of a major disruption.
  - Technology infusions, rapidly evolving processes and new business ventures, bring with it possible disruption risk

- Senior Management is responsible for BCM to ensure that it is sufficiently resourced and accorded priority.
BCM has an enterprise-wide perspective and considers the following three business drivers in its work scope:

- People
- Processes
- Technology

BCM is a dynamic strategy that supports continuous improvement.
What are Guidelines?

‘Statement of desired, good or best practices’.

‘Documents published by an agency for the purpose of clarifying provisions of a law or regulation and indicating how an agency will interpret its law or regulation.’
Guidelines on Management of IT Environment (GPIIS 1)
The Guideline outlines the minimum responsibilities and requirements for planning and managing, as well as, establishing preventive and detective measures that should be implemented by institutions to mitigate the risks pertaining to IT environment.

Applicable to:

- Banking institutions including Islamic banks and Investment banks.
- Insurance companies and Takaful operators
- Development Financial Institutions (DFI)
GPIS 1

- Issued by BNM on 1 June 2004

- The Guideline not intended to be all-inclusive management of the IT environment.

- FIs are encouraged to adopt more stringent measures in addition to the requirements prescribed by the Guidelines

- The Guideline should be read in conjunction with related guidelines & circulars issued by BNM from time to time
Main areas covered in the guideline:
1. Board & management oversight
2. System security
3. System development
4. Operations
5. Communications network
6. Business resumption & contingency plan

Business resumption & contingency plan
Minimum standards should ensure that possible disruptions of operations and services be mitigated to an acceptable level through a combination of well-planned contingency and recovery controls. The objective of this plan is to ensure minimum disruptions of service to the institutions and its customers, minimum financial losses and timely resumption of IT operations. The structure of BRCP key processes can be divided into four general phases.
GPIS 1
Business resumption & contingency plan

- Minimum BCM requirements on BIs to ensure the continuity of critical business functions and the provision of essential banking services within a specified timeframe in the event of a major disruption.

- Minimum disruption to essential banking services would in turn safeguard public confidence in the financial system.

- Expectations for FIs to adopt sound and effective BCM procedures and practices to improve their resilience and be prepared for any eventualities.
Business resumption & contingency plan, includes:

- **Organisational planning**
  - A formal committee responsible for planning, implementation & maintenance
  - Involvement of BOD and Senior Management
  - BCP strategy and policies

- **Business impact analysis**
  - Address critical business processes through risk and impact analysis

- **Contingency planning**
  - Strategies for recovery of critical processes
  - Alternate sites
  - Data

- **Testing, validation & continuous improvement**
  - BRCP – once a year
  - CP (IT) – twice a year
  - Updating of Plans
Compliance to Guidelines

- Role of Internal Auditors and Regulators

Compliance to guidelines is to ensure **minimum disruptions** of service to the institutions and its customers, **minimum financial losses** and **timely resumption** through:

- commitment by top management
- completeness of Plan
- preparedness of staff
- readiness of systems

BNM to ensure compliance that BCM is conducted effectively at FIs:

- On site examination on FIs on BCM readiness
  - Annually
  - Periodically
- Incident reporting by FIs
  - Conduct examination
  - Call FIs to explain situation and action plan
Reports to be submitted to BNM

i. Report on system down time and degradation in system performance that critically affects the institution

ii. Post test analysis report on IT contingency plan and Business Resumption and Contingency Planning
BCM in Bank Negara Malaysia

What is BCM?
An approved set of activities based on the Bank’s priorities and strategy that prepares the Bank to:
- Respond to a crisis
- Manage a crisis
- Restore normal operations within specified time
so as to:
- Continue to operate critical functions
- Implement policy required to continuously safeguard monetary and financial system stability
BCM in Bank Negara Malaysia

- It is the act of anticipating and preparing for crisis that may affect critical functions of the Central Bank
- It ensures the ability to respond and manage a crisis in a planned and rehearsed manner
- Builds on risk and impact assessments
- An integral part of Bank’s Risk Mgt framework
BCM in Bank Negara Malaysia

Objectives

• To enable the Central Bank at all times to operate to its predetermined minimum level

• To meet statutory obligations: Central Bank Act 1958
  – sustain public confidence in the Central Bank and the monetary and financial system

• To promote safety and soundness of financial systems

• To provide a framework for building resiliency and capability to respond and manage a crisis through:
  – establishment of procedures to enable response to a crisis in an organized manner
BNM’s BCM practices / strategy

- It involves continuous activities
- It involves the entire organization
- It requires sufficient and appropriate resources
- It requires consultation within and across departments
- It involves identified interdependencies, internal and external
BNM’s BCM practices / strategy

- Management Structure
  - Crisis management Structure

- Dedicated unit for BCM

- Recovery site - hot-site; capacity for 350 seats
  - Schedule testing of critical systems

- Individual BCP of line departments
  - Annual declaration by line departments on risk assessment and adequacy of BCP
Effective BCPs

- Keep employees at all levels involved in the planning, especially the highest-ranking executives. Businesses too often focus on the technology and not people.

- Determine the critical parts of the business that need attention. The plan should be flexible enough for businesses to respond to problems as needed.

- Be sure there are backups of data and information.

- Key people should know what to do in the event that top leaders are unavailable.

- Communicate openly and honestly.
The link in managing crisis.
The link in managing crisis

✓ Business continuity; a shared interest in promoting resilience of financial systems to major operational disruptions
  • Ongoing priority in facing disruption to the financial systems e.g. SARs, AI, natural disaster.

✓ The pivotal role between FIs and Central Bank plays in facilitating and promoting national and global economic i.e. payments, borrowing and lending
  • Increasing complexities and operational risk across financial systems i.e. components of physical infrastructure to support automation e.g. telecommunication and power.

✓ Strong interest in maintaining public confidence in financial systems
  • Prolonged interruptions to the operations of financial systems undermine confidence leads to withdrawal of capital
In summary, FIs and CB

✓ have a shared interest in promoting resilience of financial systems

✓ form the pivotal role in facilitating and promoting national and global economic in time of crisis.

✓ need for strong commitment and collaboration in maintaining public confidence in financial systems
END OF PRESENTATION