

Stephen Tonn, Compass Consulting Group

Federal Financial Regulators Release New BCP Booklet

On May 20, 2003, the Federal Financial Institutions Examination Council (FFIEC) issued revised guidance for examiners and financial institutions to use in evaluating risk-management processes to ensure the availability of critical financial services. This guidance – *The Business Continuity Planning Booklet* – is the second in a series of updates to the *1996 FFIEC Information Systems Examination Handbook*.

The FFIEC agencies plan to distribute these books electronically via the Internet through the FFIEC's InfoBase application. The InfoBase includes each booklet in Adobe Acrobat file format as well as an online version with links to various resource materials and an orientation to the handbook update process. The new documentation can be found at:

<http://www.ffiec.gov/guides.htm/htm>

Last month we outlined BCP concepts and introduced the topics covered in the newly released guidelines. Following is a high-level discussion of the responsibilities outlined in the booklet for the Board of Directors and senior management.

Bank-Wide Focus

The new BCP booklet requires financial institutions to conduct business continuity planning on an enterprise-wide basis. In enterprise-wide business continuity planning an institution considers every critical aspect of its business in creating a plan for how it will respond to disruptions. It is not limited to the restoration of information technology systems and services, or data maintained in electronic form, since such actions, by themselves, cannot always put an institution back in business. Without a BCP that considers every critical business unit, including personnel, physical workspace, and similar issues, an institution may not be able to resume serving its customers at acceptable levels. Institutions that outsource the majority of their data processing, core processing, or other information technology systems or services are still expected to implement an appropriate BCP addressing the equipment and processes that remain under their control.

Critical BCP Aspects Defined

The following six factors are identified in the BCP booklet as critical aspects of effective business continuity planning:

- Business continuity planning should be conducted on an enterprise-wide basis.
- Thorough business impact analysis and risk assessments are the foundation elements of an effective BCP.
- Business continuity planning is more than the recovery of the technology; it is the recovery of the business.
- The effectiveness of a BCP can only be validated through thorough testing.
- The BCP and test results should be subjected to independent audit.
- A BCP should be periodically updated to reflect and respond to changes in the institution.

Action Summary for Management

According to the newly published guidelines, a financial institution's board of directors and senior management are responsible for:

- Allocating sufficient resources and knowledgeable personnel to develop the BCP;
- Setting policy by determining how the institution will manage and control identified risks;

- Reviewing BCP test results;
- Approving the BCP on an annual basis; and
- Ensuring the BCP is kept up-to-date and employees are trained and aware of their role in its implementation.

Responsibilities and Resources

Senior management and the board of directors are responsible for identifying, assessing, prioritizing, managing, and controlling risks. They should also ensure necessary resources are devoted to creating, maintaining, and testing the bank's business continuity plan. The board fulfills these BCP responsibilities by setting policy, prioritizing critical business functions, allocating sufficient resources and personnel, providing oversight, approving the BCP, reviewing test results, and ensuring maintenance of a current plan. The effectiveness of business continuity planning depends on management's commitment and ability to clearly identify what makes existing business processes work. Each financial institution must evaluate its own unique circumstances and environment to develop a comprehensive BCP.

The board and senior management should designate personnel to participate in BCP development. Properly allocating resources will challenge an institution throughout the development and maintenance of a BCP. A large, complex institution may need a business continuity planning department with a team of departmental liaisons throughout the enterprise. A smaller, less complex institution may only need an individual business continuity planning coordinator. While the planning personnel may recommend certain prioritization, ultimately the board of directors and senior management are responsible for understanding critical business processes and subsequently establishing plans to meet business process requirements in a safe and sound manner.

Next Month – Discussion of the BCP process and framework

Stephen Tonn is the Managing Partner of Compass Consulting Group, an independent Internal Audit & IT Security Solutions provider. You can reach him at (210) 601-9710 or by email at stonn@thecompassgrp.net.

