

Business continuity planning

Banking institutions and bank supervisors are equally concerned about disruptions to business continuity – a state of continued, uninterrupted operation of a business – and therefore the promotion of a resilient financial system is in the interest of all stakeholders.

To date, South Africa has not been directly exposed to major natural disasters, acts of terrorism or outbreaks of the avian influenza. However, the potential threat of these events should never be overlooked. Power outages and the impact of HIV/Aids are matters that have affected all South African financial institutions directly or indirectly.

Business continuity plans should consider the distinction between preparing for events that cause short-term disruptions, for example power outages and non-material infrastructural damage, and “events” that result in medium to longer-term disruptions. In the latter category, major natural disasters, the avian flu and HIV/Aids come to mind. Furthermore, in developing and updating business continuity plans, banking institutions and bank supervisors should ensure that continuity plans are effectively administered, thorough business impact analysis is conducted, clear implementation guidelines are available, simulation exercises are conducted, and continuity plans are regularly reviewed.

In reviewing the matter of business continuity planning, the following remarks are deemed appropriate:

“Banks, like businesses everywhere, can be subject to wide-scale disruptions resulting from both natural and man-made disasters. Potential problems include destruction of facilities, missing personnel, power and communications outages, lack of transportation and fuel, interruption of mail and other delivery services, and health and safety crises. In short, services and activities normally taken for granted can be suddenly disrupted – and in some cases for an extended time.

When developing business-continuity plans, bankers need to understand that people are the most vital resource. Bankers should plan for ways to track and communicate with personnel through a range of channels, including ways to reach personnel if phone and electrical services are down... Depending on the cause of the disruption, bankers should also expect that some of their personnel may be dealing with family emergencies that will limit their ability to work. Therefore, it is especially important to identify and train backup personnel to handle critical operations and services.

Business-impact analysis and planning requires that bankers understand not only their business lines but also the systems and processes that support those business lines. The bank’s planning should address how these support systems and processes could be recovered if they are disrupted, including the effect such a disruption would have on the bank’s facilities, equipment, and other physical property. The bank may have to operate from backup or some type of recovery facilities for an extended period in order to provide critical services to customers. Employees may also need to be prepared to perform services manually if computer systems become unavailable.

Naturally, we cannot expect bankers to prepare for every conceivable event or plan for them with equal intensity. As with any aspect of risk management, bankers should assess the probability of an event and its potential consequences. We certainly

understand that planning, preparation, and testing consume time, energy, and money. Accordingly, institutions should determine the most cost-effective way to mitigate risks and continue to assess which possible events deserve greater attention and preparation." Ms Susan Schmidt Bies, Governor: Board of Governors of the Federal Reserve System, United States of America, at the Western Independent Bankers Annual CFO and Risk Management Conference, Coronado, California, 6 June 2006.