

Circular No. SRD BCM 01/2006

6 Jan 2006

To: CEOs of Banks, Merchant Banks & Finance Companies
Principal Officers of All Insurers
All Holders of Capital Market Services Licences
Singapore Exchange Ltd

Dear Sir/Madam

FURTHER GUIDANCE ON BUSINESS CONTINUITY MANAGEMENT

MAS has for the past few years emphasised the importance for financial institutions to have in place well tested business continuity plans to ensure the continuation of critical operations in the event of major operational disruptions. Since the issuance of MAS' Business Continuity Management (BCM) Guidelines in 2003, SARS and continued acts of terrorism have reinforced the importance of BCM and the need for institutions to continually enhance their ability to respond swiftly to emergency situations.

2 MAS expects the board of directors and senior management of financial institutions to provide leadership, direction and oversight in BCM for their respective institutions. Institutions are expected to focus their BCM efforts on their critical business functions which may include retail and wholesale business, dealing activities, clearing and settlement operations, and payment services. Business continuity strategies and plans should be commensurate with the risks of operational disruptions facing the financial industry today. It is important for institutions to ensure that their BCM programmes remain relevant at all times.

3 MAS will, from time to time, issue additional guidance to assist financial institutions in their BCM efforts. In this regard, an addendum to the 2003 BCM Guidelines is in the Appendix. MAS encourages institutions to adopt the recommended measures and exercise them within the next six months.

4 Financial institutions are reminded to inform MAS' supervisory officers immediately of the occurrence of an emergency where business operations are or will be severely disrupted, as well as once their contingency plans have been activated. Institutions could also call the 24-hour MAS BCM hotline (Tel: 98304201 or 97174201) outside office hours.

5 MAS will be reviewing the BCM Guidelines and welcomes any comment from financial institutions to enhance the usefulness of the guidelines. Should you have any questions or comments, please contact Mr Leon Chang, Director, Specialist Risk Supervision Department at 62299890 or leonchang@mas.gov.sg.

Yours faithfully

(Sent via MASNET)
CHUA KIM LENG
DIRECTOR
SPECIALIST RISK SUPERVISION DEPARTMENT

FURTHER GUIDANCE ON BUSINESS CONTINUITY MANAGEMENT (BCM)

Pandemic Measures

1. The World Health Organisation has announced that controlling and monitoring avian influenza, and preparing for a future influenza pandemic are its top priorities. One key challenge of an influenza pandemic facing the financial industry is the possibility of low staff availability which could potentially disrupt business operations for prolonged periods. The BCM plans of financial institutions should therefore include measures to mitigate the impact of an influenza pandemic.
2. Institutions should put in place a comprehensive organisation-wide preparedness and response plan to deal with the different stages of an outbreak. The plan should preferably be aligned with the Ministry of Health's Disease Outbreak Response System Condition Flu (DORSCON-FLU) alert levels¹. This alert system is part of Singapore's national response strategy for an influenza pandemic.
3. With reference to Principle 7 of the BCM Guidelines², institutions are encouraged to explore flexible and effective work measures when developing their response plan. The plan should address the health and safety of both employees and customers, and the continuation of critical business functions. It should include business continuity measures such as alternate work arrangements, crisis management and communication, and corporate duty of care towards employees (i.e. workplace measures³).
4. Institutions should anticipate changes in customer behaviours and preferences (e.g. greater use of internet-banking) and put in place appropriate measures to meet their customers' needs (e.g. additional infrastructure capacity and greater customer communication and assurance).
5. It is important for institutions to actively keep abreast of international developments and health advisories issued. Institutions should also take note of advisories and updates issued by the Ministry of Health Singapore⁴ and Agri-Food and Veterinary Authority of Singapore⁵, and ensure that their response plans are kept current.

¹ www.flu.gov.sg/resources/Readiness_Response_Plan_2005.pdf

² Principle 7: Institutions should practise a separation policy to mitigate concentration risk of critical business functions.

³ www.flu.gov.sg/resources/Pandemic_Flu_Guide_on_Infection_Control_Measures_at_Workplaces.pdf

⁴ MOH Hotline: 1800-333-9999; Websites: www.flu.gov.sg and www.moh.gov.sg

⁵ AVA Hotline: 1800-226-2250; Website: www.ava.gov.sg

Security and Infrastructure Measures

6. In the past, BCM generally deals with the recovery and resumption of business operations following a disruption. However, this may no longer be adequate to deal with security threats arising from terrorism. Principle 2 of the BCM Guidelines⁶ emphasises the need for financial institutions to be proactive and to have in place sound emergency response procedures.
7. In this regard, institutions should implement a holistic BCM approach which includes proactive threat and vulnerabilities assessment, appropriate preventive and deterrent measures, as well as comprehensive immediate response plans which should include pre-defined trigger events and actions.
8. Preventive and deterrent measures should be commensurate with the different stages of security threat levels. This may include the implementation of more stringent security measures (e.g. physical security measures), pre-activating alternate sites and redeployment of key personnel and operations during specific periods of heightened security threat levels.
9. Contingency plans should cater for incidents such as wide area disruptions in the financial district, major disruptions to the public transportation system, and the inaccessibility of mobile phone communication. Institutions should ensure that they have the capability to contact and account for personnel, and to rapidly mobilise teams to respond to the emergency or commence recovery actions.

BCM Exercises

10. Institutions should review, test and exercise their business continuity plans regularly, including the additional measures recommended above. Gaps identified should be promptly addressed.
11. Where appropriate, institutions should participate in industry-wide exercises conducted by industry bodies such as the Association of Banks in Singapore and SGX. These efforts will help institutions raise their state of readiness as well as the resilience of the financial industry to cope with major operational disruptions.

⁶ Principle 2: Institutions should embed BCM into their business-as-usual operations, incorporating sound practices.