



Business Continuity an Accident Waiting to Happen

The FSA like to talk about Business Continuity but so far they have not been so keen to get too detailed. In our view their stance may need to change in the not too distant future. This is at odds with the Principles based regulation that was the buzz word in early 2007 before Northern Rock demonstrated that the Market doesn't always know best. We foresee that Business Continuity will be a key area where the Regulators have to change tack and become more prescriptive.

The extract below from the FSA Business Continuity Management Practice Guide issued in 2006 is a perfect example of their "old world" thinking on this topic.

"The Guide does not form part of the FSA's formal rules and guidance. So, just as we would expect firms to exercise their common sense and judgement regarding which aspects of the Guide are likely to be most relevant to them, supervisors will be similarly pragmatic. We anticipate that the Guide will provide a useful basis around which firms and their supervisors can structure their discussions on business continuity planning, while bearing in mind that individual firms' arrangements should be proportionate to the nature and scale of their business and appropriate to their individual risk profile".

So reading between the lines the FSA say it's up to you folks to figure this out. We hope you get it right!

The FSA would defend themselves by saying that they have run or participated in various market wide resilience and continuity exercises in the Financial community over the past two or three years. We have helped some Clients participate in these events and whilst they are useful they are more about going through the motions rather than creating a realistic scenario and backdrop. Also the "smaller" companies are not well represented in the tests and this is a big issue. We have all seen that if a significant Hedge Fund goes out of business the impacts on the wider market and derivatives community can be severe. Perhaps this is why going forward the FSA are looking more closely at Asset Management firms.

In our experience when the FSA talk to Firms about their plans they don't go in to enough detail and vital elements are left unchecked. We think there will be a radical change in the next couple of years and the FSA will get far more interested in this area. This is a good reason for Firms to up the stakes but not the best reason! That incentive comes from keeping your job and keeping your company alive.

Despite the arms length attitude described above by the Regulators we have seen many Firms make big strides in this discipline. This has been driven by a variety of factors including MiFID legislation, Client interest, an increased focus on general Risks and good old fashioned fear as people have witnessed business disruption due to unforeseen and unpleasant incidents.

Having said that we still see all too often companies that have invested significant time, money and resource in this area falling well short of what should be in place. We have listed below the top BCM issues that we encounter. Our role is to help fix these issues and make it work!



- Companies have spent large sums with Disaster Recovery firms to buy back up recovery space and IT back up facilities but the business plans to make use of the facilities are not properly developed or understood by the people who will need to use them



JPSA Input. We work with Clients to ensure spending on external services is balanced by investment in their own plans, people and training.

- The most senior people in the Company have delegated responsibility for BCM to other staff and have very limited understanding of the process and facilities. When an event occurs they become very involved and disrupt many aspects of the plans



JPSA Input. We ensure that even the most senior people in an organization understand their role and the key points of the BCM package. We usually engage them in Crisis Management testing.

- Crisis Management testing is a tired and boring process that is seen as routine event to go through. No actions result from the tests and issues raised are not analysed sufficiently.



JPSA Input. We specialize in creating and running Crisis Management events that are seen as relevant, interesting and valuable. Every area of a Company is included and simulations are designed to reflect the specific business model in question. Our deep business understanding allows us to really stretch the team.

- Where plans and facilities have been developed to allow a business to continue it's operations they do not give enough attention to the various stages of an event and the all important return to normal working.



JPSA Input. We are specialists in working through existing plans to draw out the vital aspects and activities at the key points of a real event. We were on site with Clients as the events of 9/11 and 7/7 unfolded and can help you benefit from our real world experience.

- Crisis Management Plans do not sufficiently take into account the human element or softer side of a significant business disruption.



JPSA Input. We have a variety of tests and questions that can be used to ensure that plans account for these elements of a Crisis and thus make the plans more realistic and workable.



- Business Continuity is too often understood by a few people very well in an organization but if you speak with other important members of staff they have limited or no understanding of their role and the overall plans.



JPSA Input. We work with companies to ensure that the culture of Business Continuity is ingrained at every level. This ensures that in the event of a crisis no time is wasted thus allowing the company to take the right decisions for its staff and Clients quickly and efficiently.

In conclusion we are sure that the focus on this topic is set to increase and the reasons to ensure that plans and facilities are in place and correctly understood will grow quickly. The FSA do not want another Northern Rock situation caused by a company failing to cope with a major business disruption and we believe they will act to ensure that.

Our unique knowledge of business, technology and the regulatory backdrop allow JPSA to give clear and decisive guidance to ensure that companies are correctly placed when the FSA drop by or when an unwelcome event causes the dusty BCP documents in the office draw to become the most important thing in your business life. Our independent advice often saves money for Clients in the short, medium and long term and feedback shows that we highlight critical gaps or issues that would have caused the overall plans to fail if we had not brought them to light.

If you would like an independent view on your capability and plans please contact us and ask about our Business Continuity Health Checks. These Health Checks are an effective and efficient way in which to understand where you might be falling short of a fit for purpose solution, and what needs to be done to achieve an effective facility.