

# IDA FAS Sub-Committee

## Guidelines for Testing

As of October 16, 2006

The Contingency Planning Sub-Committee of the IDA compiled the following BCP testing guidelines for the benefit of IDA Members. These guidelines are not mandatory and should be treated strictly as guidelines. While Members are required to test their business continuity plans at least annually, it is up to the Member to select the proper testing procedures for their environment. The IDA may ask Members to justify the adequacy of their test procedures. These guidelines are designed to help Members determine their test procedures.

### Background

It to be in the interest of all firms in the industry that each member develop and maintain a Business Continuity Plan (BCP) that meets minimum standards and that will provide appropriate and effective recoverability from any serious business disruption. As a consequence, the Association has adopted IDA By-law 17.16, Business Continuity Planning, and its supporting Guidelines.

In order to comply with this By-law, it is expected that each Member firm will establish and maintain a business continuity plan and ensure their BCP is tested at least annually.

### Purpose

This document provides IDA Members with guidelines of testing requirements and Good Practice Guidelines as documented by the Business Continuity Institute (BCI).

Business Continuity Plans are exercised/tested in order to:

- Evaluate the organization's Business Continuity Management current competence
- Identify areas for improvement or missing information
- Highlight assumptions which need to be questioned
- Test the effectiveness and timeliness of restoration procedures at the end of the exercise

***Until a plan is tested it cannot be said to be complete.***

<b>Process</b>	<p>A technical test may include the following steps:</p> <ul style="list-style-type: none"><li>▪ Agree the scope and objectives of the test</li><li>▪ Agree budget for the test if required</li><li>▪ Assign appropriate personnel to the task</li><li>▪ Devise a simple scenario and set of assumptions that puts the test in context</li><li>▪ Conduct a Risk Assessment of the test to minimize the risk of an impact on live operations</li><li>▪ Conduct the test and record the results</li><li>▪ Assess and report the results</li><li>▪ Address any issues raised</li></ul> <p>A scenario exercise will require similar steps though each will be more complex:</p> <ul style="list-style-type: none"><li>▪ Agree the scope and objectives of the exercise with senior management</li><li>▪ Agree the budget for the test</li><li>▪ Agree with the appropriate managers of the organization and any</li></ul>

	<p>suppliers of logistics/services required to enable the exercise to take place</p> <ul style="list-style-type: none"> <li>▪ Prepare a realistic and suitably detailed scenario</li> <li>▪ Include aspects such as date, time, current workload, political and economic conditions and temporal/seasonal issues</li> <li>▪ Ensure required participants are available</li> <li>▪ Conduct a Risk Assessment of the exercise to minimize the risk of an impact on live operations.</li> <li>▪ Brief observers and prepare questionnaires for use during the exercise to capture lessons learned by all players and observers</li> <li>▪ Pre-exercise information and briefing of participants</li> <li>▪ Conduct the exercise</li> <li>▪ Debrief participants immediately after the exercise</li> <li>▪ Conduct a formal debrief at a later date</li> <li>▪ Evaluate exercise and debriefing results and prepare a Post Exercise Report and recommendations</li> <li>▪ Prepare an open-issues report during and immediately following the test</li> <li>▪ Circulate reports to participants and senior management</li> <li>▪ Create an action plan to implement post exercise report recommendations, i.e. update the strategy and plan as approved, review exercising schedule for further exercising to prove the efficacy of the changes.</li> </ul>
<p><b>Participants</b></p>	<p>Possible participants, in addition to staff, in exercises include:</p> <ul style="list-style-type: none"> <li>▪ Suppliers of specialist BCM resources and services</li> <li>▪ Insurance representatives</li> <li>▪ Emergency Services</li> <li>▪ Security</li> <li>▪ Local Authority Emergency Planning Officer</li> <li>▪ Communications and Public Relations</li> <li>▪ Subject Experts (where appropriate)</li> <li>▪ Suppliers of business services/products</li> </ul>
<p><b>Outcomes and Deliverables</b></p>	<p>The outcomes of the BCM exercising process include:</p> <ul style="list-style-type: none"> <li>▪ Validation that the Business Continuity and strategies are effective</li> <li>▪ Familiarity of team members and staff are familiar with their roles, accountability, responsibilities and authority in response to an incident</li> <li>▪ Testing of the technical, logistical, administration aspects of the Business Continuity Plan(s)</li> <li>▪ Testing of the recovery infrastructure that includes command centres, work area, technology and telecommunications resource recovery</li> <li>▪ The rehearsal of the availability and relocation of staff</li> <li>▪ Documentation of exercise results in a Post Exercise Report for senior management, auditors, insurers, regulators and others</li> <li>▪ Documentation and resolution of open-issues arising during the exercise</li> <li>▪ An increased awareness of emergency procedures</li> <li>▪ An increased awareness of the significance of the BCM</li> <li>▪ The opportunity to identify shortcoming and improvements to the organization's Business Continuity readiness</li> </ul>
<p><b>Review</b></p>	<p>The frequency of a BCM Exercise Programme is dependent upon the nature, scale and complexity of the organization. An exercise of the organization's overall BCM capability should take place at least once every 12 months. Other events which may require an exercise to be scheduled include:</p> <ul style="list-style-type: none"> <li>▪ A significant change in the processes, staff or technology</li> </ul>

	<ul style="list-style-type: none"> <li>▪ There is a major external business environment change</li> </ul>
<b>Standards<sup>1</sup></b>	
<b>Reviewing and Testing</b>	All plans shall be reviewed and critical processes comprehensively tested annually and as warranted by the changes in business or technology.
<b>Standards</b>	Plan content can be adopted from the following list, but compliance requires adequate specific procedure content, as well as annual review and testing evidenced by sign-off by the Business Continuity Planning officer.
<b>1. Communication</b>	
	Contact lists and the procedures to contact all employees, building management (both primary and recovery site), customers and counterparties shall be included in the plan. There should be alternative methods of communication to anticipate disruption in one or the other.
<b>2. Recovery Site Location</b>	
	The recovery site and back up infrastructure, where determined to be necessary, shall be located sufficiently far away from the primary location so that power, communication, water supply, transportation, and other risks are minimized to the extent possible and reasonable.
<b>3. System Back-up</b>	
	Comprehensive backup processes must exist to ensure critical data as well as application source code is captured, stored at an alternate location, and available for recovery.
<b>Possible Test Components</b>	<p><b>Network Connectivity</b></p> <ul style="list-style-type: none"> <li>• Ensure specific applications including necessary application interfaces and all necessary transactions can be accessed from the back-up site</li> <li>▪ Key client records can be restored (physically or electronically)</li> <li>▪ Ensure Manual Work-arounds for critical processes are developed and practiced</li> </ul> <p>Key processes may include:</p> <ul style="list-style-type: none"> <li>• ability to open an account online</li> <li>• ability to execute a trade</li> <li>• ability to settle a trade</li> <li>• ability to accept/deliver an account transfer</li> <li>• ability to view customers account</li> <li>• ability to issue a customer cheque</li> <li>• ability to process a customer deposit</li> <li>• ability to reconcile processing</li> <li>• ability to calculate firm capital</li> </ul>
<b>4. External Dependencies</b>	

<sup>1</sup> Investment Dealers Association of Canada, Bulletin #3442, July 22, 2005, Plan Development Guidelines, page 5.

	<p>All third parties, including joint venture companies and service providers, upon whom the organisation is critically dependent, shall be required to demonstrate an effective and proven business continuity capability.</p> <p>Third Party connectivity testing may include:</p> <ul style="list-style-type: none"> <li>• connectivity to main processing vendor i.e. ADP, Dataphile, ISM</li> <li>• connectivity to all telecom lines</li> <li>• connectivity to all quote vendors</li> <li>• connectivity to all trading systems and exchanges</li> <li>• connectivity to FundServ</li> <li>• connectivity to all depositories i.e. CDS, DTCC</li> <li>• connectivity to all banks on line systems</li> </ul>
<p><b>5. Vital Records</b></p>	
	<p>Business units shall be responsible for ensuring that all vital records including hardcopy, microfiche and those electronically or magnetically stored are duplicated in a secured geographically removed location and are current and available for use in the required timeframe during an emergency.</p>
<p><b>6. Staff Awareness</b></p>	
	<p>The awareness plan shall ensure that each staff member is trained to be fully capable of responding to an event and performing the required business functions at the alternate site.</p>
<p><b>Possible Test Components</b></p>	<p><b>Plan Walkthrough</b>  A Plan Walkthrough is a structured page-turn of the recovery and restoration tasks for each business process identified in the BCP. This review should include all employees and, where applicable, related business areas.</p> <p>The walkthrough must include a review of the life/safety procedures, notification procedures, vital records, logistics, staffing, alternate site, resources, all manual and automated procedures, and interdependencies on other areas and systems.</p> <p><b>Life Safety</b>  As part of a regular fire drill evacuation, all staff are to go to the emergency assembly location and test any related procedures to be done at this location.</p> <p><b>Manual Workaround Procedures</b>  Ensure the personnel are familiar with any manual workaround procedures defined and the Member's requirements are satisfied and exercised.</p>

<b>7. Industry Testing</b>	
	Member firms shall be prepared to participate in industry-wide testing or testing coordinated by the Exchanges, clearance, settlement or other critical infrastructure providers.

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