

FREQUENTLY ASKED QUESTIONS ON BUSINESS CONTINUITY PLANNING

Q1. What is the primary objective of BCP?

A. *The primary objective of BCP is for the firm to have the capacity to resume operational effectiveness within a specified period of time after the onset of a disaster or other market-disrupting event.*

Q2. What is operational effectiveness?

A. *It is defined as the operational level that would enable the individual firm to continue or resume its most critical operating service and technology functions in order to meet service level commitments to customers, fiduciary requirements and legal and regulatory requirements.*

Q3. What is the bottom line for Members?

A. *The bottom line is to enable prompt client access (within 48 hours) to their assets following a significant business disruption.*

Q4. Will there be a requirement to carry some minimum level of "business interruption" insurance by member firms?

A. *Although it might be useful for members to have such insurance, this is not being contemplated.*

Q5. Does the proposed BCP program require all member firms to have a full-fledged "hot site"?

A. *No, that is not necessarily the case except may be for the larger Members. The key is for members to provide clients prompt access to their assets. This would mean the ability to establish the client holdings and to provide clients' access to their assets following a significant business disruption.*

Q6. Should Members individually ask the major service providers (such as IBM, CDS, etc.) to confirm that they have their own business continuity plans?

A. *Major service providers will have their own business continuity planning. A service provider such as IBM, Dataphile, etc. would have to be able to reconstitute Members' client records in order to minimize any interruption resulting from a significant disruption. The IDA will confirm with such service providers that they have their own business continuity plans on behalf of the members.*

Q7. How will the BCP best practices differ between introducing brokers and carrying brokers?

A. *The requirements for the various members will be different depending on whether they are introducers or full service brokers. While all members will be required to have a documented BCP in place, introducers' continuity plans are likely to be much simpler in that the critical functions or services would be provided for them by the carrier. The IDA will ensure that the carriers, like all other members, will have adequate business continuity plans in place. The IDA has developed a BCP template for introducing members which can be viewed on the IDA website.*

Q8. Will the IDA be involved in coordinating BCP testing between member firms and third party vendors?

A. *No, Members will be responsible for testing their own continuity planning and any linkages to their service providers.*

Q9. How long a period will Members be given to develop their BCP and comply with By-law 17.19?

A. *Members will be granted 12 months from the time the By-law becomes effective until they come into compliance.*

Q10. Will the IDA help ensure that the carrying brokers provide whatever is necessary to their introducers in connection with the BCP?

A. *The IDA will ensure that carriers, like all other Members, will be in compliance with the BCP By-law. Any services that are going to be provided by one Member to another (carriers and introducers) will be something for the Members to agree upon.*

Q11. Will there be an exemption from the BCP By-law for smaller IDA Members?

A. *No. All Members will have to comply with the BCP By-law. The requirements for the different Members can be different depending on their circumstances. As a minimum, Members will have to ensure that they are able to re-establish what the client holdings are and enable speedy client access to their assets.*

Q12. Will there be specific instructions for Members that would help them comply with the BCP By-law?

A. *The BCP Adequacy Checklist and the BCP Plan Development Guidelines can be used as guidelines for complying with the By-law. Both documents can be found on the IDA's Members' Only Website.*

Q13. Is the BCP an ongoing requirement?

- A. *Yes. Pursuant to By-law 17.19, IDA Members will be required have in place a BCP which is adequate and updated at all times. There will be a requirement for such plans to be reviewed by an independent third party.*

Q14. What kind of emergencies will the BCP cover?

- A. *BCP is required to cover any significant business disruption or crisis such as the September 11 crisis, the power failure in Ontario in 2003, the ice storm in Quebec and the like.*

Q15. Do BCPs have to be updated?

- A. *Yes, BCPs must be kept up to date at all time and tested at least annually, particularly if there has been a substantial change in the Member's business or technology. The Plans must be approved annually by the Member's senior management.*

Q16. Is a firm required to stay in business in the event of a significant business disruption?

- A. *No, there is no requirement that the Member firm to stay in business. The BCP must address how the firm would assure clients' prompt access to their assets following a significant business disruption.*

Q17. Is there a requirement to make any disclosure to clients regarding BCP?

- A. *While the US rules have stipulated BCP disclosure requirements to clients, the IDA has decided not to have such a requirement for now. The situation will be reviewed in the future.*

Introducing Member firms, however, are required to inform their clients who they should contact at their carrying broker should the clients be unable to reach the introducer's staff following a significant business disruption.

Q18. Do Members have to provide the IDA with a copy of the Business Continuity Plan?

- A. *No, the plans do not have to be filed with the IDA. BCPs must be documented, approved by Senior Management of the Member firm and reviewed by an independent third party who will report to the IDA on the Plan's compliance with By-law 17.19.*

Q19. How do you define “prompt client access to their assets”?

A. *We have defined the prompt access as 48 hours during which a Member should be in a position to enable client access to their assets.*

Q20. What is meant by “client access to assets”?

A. *It is the ability of the client to purchase and sell securities and have securities and funds delivered out to the client or any other agency pursuant to instructions received from the clients.*

Q21. Does a firm that has no clients need to have a BCP?

A. *Since the bottom line of By-law 17.19 is to enable prompt client access to their assets, then a firm with no clients is not required to have a BCP. It is however recommended that even such firms have a business continuity plan in place in order to recover from a significant business disruption.*

Q22. Who should be designated as the individual responsible for BCP for the firm?

A. *There is no particular person or position that should ideally be responsible for BCPs. It is a function of the Member firm set up, staffing and available capabilities and resources. While the IDA requires that a senior official of the Member firm be given responsibility for the plan, it is up to the management of the firm to decide who should be given that responsibility. Such individuals have typically come from compliance, IT, operations and financial areas.*

Q23. Is there a list of BCP consultants I can use?

A. *The IDA has put together a list of BCP consultants who have approached the IDA. The list can be found on the IDA’s Members’ Only Website. The IDA does not vouch for the competence or expertise of the consultants. Members must do their own due diligence work when picking a consultant to develop or review a business continuity plan.*

Q24. What is the difference between the minimum regulatory requirement and the sound business practices in terms of BCPs?

A. *Sound business practices dictate that Members should have adequate plans in place to ensure that they are able to reconstitute their operations within a short period of time following a SBD while the minimum regulatory requirements require members to enable prompt client access to their assets. The minimum requirements do not require members to reconstitute their operations and stay in business following a major disruption.*

Q25. Do I need to inform the IDA of the BCP contact at the firm is?

- A. *It is advisable to inform the IDA of the name of the BCP contact person. Failing that emergency communication would be channeled through the CEO or the President of the member firm.*

Q26. Are Members required to notify the IDA when the BCPs are completed? Should copies of Plans be sent to the IDA?

- A. *While there is no requirement to send copies of the BCPs to the IDA, members should notify the IDA, through the Financial Compliance Manager, once such plans are completed and reviewed along with a copy of the review report. Introducers have to notify the IDA of the completion of their plans.*

Q27. What is the Crisis Communication Centre (CCC)?

- A. *The CCC is a virtual centre that will act as an information hub in the case of a significant business disruption. Following a SBD, the IDA will gather and post information to the website for the Members benefit. The IDA will be the only organization with a capability to post information to the website.*

Q28. Who will be responsible for the Crisis Communication Centre?

- A. *The IDA will be responsible for the Crisis Communication Centre.*

Q29. Who are the organizations/vendors that will contribute to and have access to the IDA's Crisis Communication Centre?

- A. *In addition to IDA Members, the organizations include the TSX, the Bourse de Montreal, CNQ, CDS and CDCC, the Securities Commissions, the Bank of Canada, the Department of Finance, MFDA, RS Inc., IBM, Dataphile, ADP, Reuters, FundServ, CIPF.*

Q30. How do I access the IDA's Members' Only Website (MOW) – Crisis Communication Centre?

- A. *MOW can be accessed through the IDA website. A user name and a pass word have been issued to the CEO/President of each member firm to access the MOW. The same user name and PW can be used by any number of member's authorized staff. Pass word changes can presently only be done through a request to the IDA. For help regarding the CCC, please contact malsamadi@ida.ca.*

Q31. Will there be a requirement for review of business continuity plans?

- A. *Members will be required to have their BCPs reviewed by an independent third party once they are developed, tested and approved by senior management of the*

Member. The review will focus on the adequacy of the Plans for the particular Members.

Q32. What is the difference between reviewing a BCP and testing one?

- A. *All plans, once developed, should be tested to make sure they actually work. Testing should be done on an annual basis or more frequently if there has been major change to such plans. The review, by an independent third party, is a separate process altogether where the reviewer, who has the necessary expertise, would review the plans for adequacy.*

Q33. Will the IDA review the members' BCPs once they are developed?

- A. *The IDA will require that members' BCPs be reviewed by an independent third party once they are completed and once every three years thereafter unless there was a significant change in the business environment or systems that necessitates another review in which case there will be a requirement for another review in the year that the significant change takes place. The IDA will review the plans for introducing brokers when they are completed and tested and in the course of the field examinations. IDA staff may review the business continuity plans of the full service Members as well and the report of the third party reviewers at any time and at short notice.*

Q34. When will the IDA staff review business continuity plans of the introducers?

- A. *Unless there is a reason to do otherwise, IDA staff will review introducers' plans in the course of their field examinations.*

Q35. How should a Member define the scope of independent third party review of the BCPs?

- A. *The regulatory requirement for the review relates to the bottom line of By-law 17.19 and that is to ensure members have adequate plans in place to enable prompt client access to their assets, which is a narrow objective. A member on the other hand may wisely decide to extend the review to cover the full extent of business requirements of such plans, in which case the scope would be much wider.*

Q36. Can the same independent third party who helped develop the business continuity plan perform the review of such plan?

- A. *No, the reviewer must be independent in order to be objective.*

Q37. Can the internal audit department of the member or staff of the parent company of the Member perform the review in lieu of the independent third party?

A. *No.*

Q38. Who is eligible to review the business continuity plans?

A. *The individual auditors or independent BCP consultants can do the review. Whoever is engaged by the Member must possess the necessary BCP expertise and must be approved by the IDA. Members are required to submit a request for approval providing evidence of the reviewer's expertise. The request will be evaluated by members of the BCP sub-committee of the IDA.*

Q39. Will the IDA draw up review procedures for business continuity plans?

A. *The BCP Adequacy Checklist and the BCP Review report can be used to identify the required review procedures. Reference should also be made to the BCP Development Guidelines.*

Q40. What kind of scenarios are Members required to envisage in developing their business continuity plans?

A. *Members are required to plan for worst case scenarios. Such scenarios would include situations involving the Member's offices becoming inaccessible for an extended period of time.*

Q41. Can a BCP reviewer of a bank-owned member firm place reliance on a comfort letter from the bank with respect to the processing services provided to the member firm?

A. *Yes, the reviewer may rely on the comfort letter from the bank as is the case with third party service providers provided that the services provided are pursuant to a written agreement.*

Q42. Can a BCP independent third party reviewer place reliance on the work of internal audit of a member firm with respect to the firm's BCP?

A. *Yes, the reviewer may rely on the work of internal audit. It will be left to the reviewer to decide how much reliance, if any, can be placed on IA work. Reliance can be a function of expertise of internal auditors and the independence of the IA function.*

Q43. Why would the IDA not consider internal audit as an independent third party for the purpose of the independent review of a firm's BCP, considering

that internal audit can be subject to strict governance guidelines that ensure their independence?

- A. *While it is appreciated that some internal audit functions can be independent (from management), in that they meet strict governance guidelines, it is only the IDA staff who can verify and attest to member adherence to public interest requirements. Where it is not possible for the IDA staff to perform the task, the IDA would engage the services of independent third parties to perform the task, as is the case with the audited Joint Regulatory Financial Questionnaire and Report where the audit is conducted by public accounting firms. Internal Audits, regardless of how independent from management they are, are still considered part of the member firm when it comes to attesting to public interest requirements.*

Q44. How much reliance can an independent third party reviewer place on the work of internal audit functions?

- A. *It is up to the independent third party reviewer of BCP of a member to decide how much reliance, if any, is placed on the work of internal auditors. Reliance is likely to be a function of the independence of internal audit function and the expertise available with that function.*