



INVESTMENT DEALERS  
ASSOCIATION OF CANADA

# bulletin



ASSOCIATION CANADIENNE DES  
COURTIERS EN VALEURS MOBILIÈRES

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*For distribution to relevant parties within your firm*

**BULLETIN # 3442**  
July 22, 2005

## **By-laws and Regulations**

### **By-law 17.19, Business Continuity Planning**

The Board of Directors of the Association has approved the attached By-law 17.19, Business Continuity Planning (BCP) requirements with an effective date of July 31, 2006 thus allowing Members 12 months to comply with the By-law requirements. Compliance with the By-law will include developing an appropriate BCP, testing such a plan and having it reviewed by an independent third party.

The adoption of By-law 17.19 will make it a requirement for all Member firms to have a business continuity plan. The requirement to have and the existence of the plan will not in itself guarantee that a Member firm will not suffer service interruptions. Rather, the objective of requiring a Member firm to have a business continuity plan (including the regular testing of such plans) would be to assure clients' access to their assets within 48 hours following a significant business disruption. Access to assets means the ability of the clients to buy, sell or redeem securities and have assets (including funds) delivered out based on clients' instructions.

The attached BCP Plan Development Guidelines and BCP Adequacy Checklist detail the IDA's expectations and should assist Members in the preparation of their BCP.

Except for Introducing IDA Members, all other plans are required to be reviewed by an independent third party who would report to the IDA on the adequacy of such plans. Third party reviewers have to be approved by the IDA based on a request from the Member. Such reviewers can include panel auditors with the relevant knowledge and experience or BCP consultants who specialize in such business.

The independent third party review will have to be conducted upon completion of the plan and once every three years thereafter unless there has been substantial change in the business activities, systems or environment of the Member that is likely to have implication for their BCP, where another review would be required in the year the substantial change takes place. Regardless of the frequency of the independent review, it is the responsibility of the Member to ensure that they keep their BCP tested (at least annually) and up to date at all times pursuant to

By-law 17.19. The IDA staff may review business continuity plans of Members at any time and at short notice. Senior management of the Member must approve the updated plans annually.

IDA staff will review the Business Continuity Plans for Introducing Members and no other third party review would be required for Introducers' plans.

The scope of the review should meet the minimum regulatory requirement of By-law 17.19 and enabling of client access to their assets within 48 hours. It is appreciated that that the review of the plans can potentially be extended to cover additional business requirements which will be left to the Member to deal with. The BCP adequacy checklist can be used in determining the scope of the independent review.

On behalf of Members, the IDA has undertaken to obtain the necessary comfort letters from the clearing corporations, IDA Carrying Members and the major electronic data service providers such as IBM, ADP and Dataphile (now owned by ADP) with respect to their own business continuity plans.

Members are encouraged to check the Members' only website (through [www.ida.ca](http://www.ida.ca)) for the latest updates on BCP issues.

Requests for approval of independent third party reviewers should be addressed to the IDA, care of Maysar Al-Samadi, VP - Professional Standards. All such requests will be considered by the FAS Contingency Planning Subcommittee.

Kenneth A. Nason  
*Association Secretary*

# INVESTMENT DEALERS ASSOCIATION OF CANADA

## *By-law No. 17.19 - Business Continuity Plan Requirement*

### BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By-law No. 17 is amended by adding the following:

“**17.19.** Every Member shall establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures shall be reasonably designed to enable the Member to stay in business in the event of a future significant business disruption in order to meet obligations to its customers and capital markets counterparts and shall be derived from the Member’s assessment of its critical business functions and required levels of operation during and following a disruption.

Every Member shall update its plan in the event of any material change to its operations, structure, business or location. Every Member must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to the member's operations, structure, business, or location. The Association, in its discretion, may require this annual review to be performed by a qualified third party.”

PASSED AND ENACTED BY THE Board of Directors this 13th day of June 2004, to be effective on a date to be determined by Association staff.



INVESTMENT DEALERS  
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# BUSINESS CONTINUITY PLAN

## Plan Development Guidelines



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***PURPOSE OF DOCUMENT***

The Member firms of the Investment Dealers Association (the Association) consider it to be in the interest of all firms in the industry that each develop and maintain a business continuity plan that meets minimum standards, and that will provide appropriate and effective recoverability from any serious business disruption. As a consequence, the FAS Continuity Planning Subcommittee has developed the following policy and general guidelines that are to be considered when a business continuity plan is being developed. As firms vary in size and scope and exist in different jurisdictions, each will need to develop specific plans that account for the laws, regulations and unique circumstances of their jurisdictions and geographic locations. These guidelines accord to accepted industry best practices and are intended to provide a framework that can be followed by all despite the differences in need and circumstances.

In order to comply with By-law No. 17.19 it is expected that each Member firm will establish and maintain a business continuity plan that considers the issues detailed in this plan development guidance document.

***ASSOCIATION RULE REQUIREMENT – BY-LAW NO. 17.19.***

The following is the wording of Bylaw No. 17.19.:

“**17.19.** Every Member shall establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures shall be reasonably designed to enable the Member to stay in business in the event of a future significant business disruption in order to meet obligations to its customers and capital markets counterparts and shall be derived from the Member’s assessment of its critical business functions and required levels of operation during and following a disruption.

Every Member shall update its plan in the event of any material change to its operations, structure, business or location. Every Member must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to the member's operations, structure, business, or location. The Association, in its discretion, may require this annual review to be performed by a qualified third party.”

***GUIDELINES FOR BUSINESS CONTINUITY PLANNING***

***Scope of the Plan***

The Business Continuity Plan (BCP) must protect the assets of the firm and its customers and provide the capability to resume effective operation at a level and in a time period that allows it to meet legal and regulatory requirements.

The BCP must encompass all the Member firm’s operations and provide an adequate plan for each business area in each region where the firm has a presence.

The BCP must include written procedures that:

- are based on an analysis of the potential impact to the business;
- are reviewed and tested no less than annually and proved fit for their purpose;
- are accessible in an emergency; and
- all employees understand, including their respective roles in putting the plan procedures into action.

The BCP must ensure that suitable alternative facilities are available, that key staff are available (and possibly cross trained to serve in many roles) and that critical technology, external services, vital records and other items critical to resuming business are duplicated and available in another location.

***Governance and Funding***

Each Member firm must designate a member of senior management (BCP officer) as being responsible for BCP. The BCP officer shall ensure that adequate resources are in place to fund necessary BCP initiatives. The entire

## BUSINESS CONTINUITY PLAN

### Plan Development Guidelines

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senior management team of each Member firm shall be responsible for approving the initial and annually updated BCP.

Individual business unit managers will be responsible for defining unit operating level objectives, for reviewing, implementing, testing and signing-off on unit procedures set out in the BCP. These individual business unit managers shall report to the BCP officer on BCP related initiatives.

#### ***Recovery Strategies***

The plan procedures shall be designed with a worst-case scenario in mind that includes both no access to normal business premises or no access to primary systems and services. The plan procedures should also account for there being no impact on competing firms or the situation where other firms have been able to recover fully.

The objective of the plan is for the firm to have the capacity to operate to an agreed level of business activity that meets its legal, fiduciary, and regulatory obligations and its commitment to its customers.

Recovery times shall be detailed in the BCP, taking into account that external factors and the scope of the disruption may constrained the speed of recovery.

#### ***Plan Components***

##### ***1. Framework***

The Framework shall provide the process and standards to create, maintain and test an integrated set of plans and the infrastructure to support them. It covers all areas from senior management control to business and technical recovery.

##### ***2. Plans and Procedures***

Each business unit's BCP shall define the responsibilities and procedures to be followed to establish the control and communication needed to maintain all critical business functions and manage recovery. The BCP shall be based on an analysis of the impact to the business of a serious or prolonged disruption and the mitigating solutions. It shall specify the facilities, services and technology required to resume all critical business processes.

**The Senior Management Crisis Management Plan** shall document the procedures and support facilities required by the senior management team in order to retain control over the operation and recovery of the business during a crisis.

**The Incident Management Plan** shall define the responsibilities of staff, the procedures to be followed to communicate information about an event to all participants (including external emergency services, the public, business partners, and customers, as appropriate) and the procedures to be followed to coordinate all activities of the support groups during the execution of the recovery plans.

##### ***3. Staff Awareness Plan***

The Awareness Plan shall be implemented to ensure that all personnel are continually aware of their responsibilities and know how to remain in contact and what to do in the event of a crisis.



**4. *Facilities and Infrastructure***

The Facilities and Infrastructure Plan shall be derived from the business plans and consist of all real estate, services, technology, data and technical recovery procedures required to restore business operations.

***Reviewing and Testing***

All plans and procedures shall be reviewed and comprehensively tested annually and as warranted by the changes in business or technology.

Member firms shall be prepared to participate in industry-wide testing or testing coordinated by the Exchanges, clearance, settlement or other critical infrastructure providers.

***Standards***

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 BCP officer.

**1. *Communication***

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.

**2. *Recovery site location***

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.

**3. *System back-up***

There must exist comprehensive backup processes to ensure critical data as well as application source code is captured, stored at an alternate location, and available for recovery.

**4. *External dependencies***

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.

**5. *Vital records***

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.

**6. *Staff awareness***

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 alternative site.

**7. *Ongoing maintenance of a BCP***

Business continuity is an operational requirement and, therefore, integral to the development of new business operations, products, services and infrastructure and safeguarded in the change management process.



## **BUSINESS CONTINUITY PLAN**

### **Plan Development Guidelines**

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#### **8. *Human resources plan***

Businesses shall ensure that the BCP considers payroll services, emergency services like crisis counselling, financial assistance and other support services appropriate to an emergency.

#### ***Management Reporting***

Senior management should be updated quarterly by the BCP officer on the progress toward a state of readiness.

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## BUSINESS CONTINUITY PLAN (BCP) ADEQUACY CHECKLIST

The following is a list of standard ingredients for both an overall Business Continuity Program – things typically addressed in advance - and for an actual continuity plan, to be activated and used in the event of a disruptive incident.

Organizations may employ a variety of approaches, strategies and techniques in achieving the desired level of continuity capability. At a minimum, the plan must enable client access to their assets within a 48-hour period following an interruption or an emergency.

<b>PROGRAM COMPONENTS</b>		
1.	Do you have a clearly defined, documented and formally approved BCP Policy?	
2.	Have you assigned responsibilities for the BCP? Have you ensured it is adequately resourced? Have you designated a senior official the overall responsibility for the BCP?	
3.	Have you completed a business impact analysis? <ul style="list-style-type: none"> <li>▪ Have you defined your critical business functions that must be recovered in case of an emergency?</li> <li>▪ Have you ensured that your key client records can be restored (physically or electronically)?</li> <li>▪ For introducers, this can be done through the service provider or the carrier.</li> </ul>	
4.	Have you defined your strategies for the protection and recoverability of data (electronic or physical)?	
5.	Where applicable, have you established pre-designated alternate sites, located a prudent distance from primary sites?	
6.	Has your BCP been approved by the senior management of the firm?	
7.	Have you provisioned for testing your BCP annually?	
8.	Are you comfortable that clients will be able to have continued access to their assets shortly after an emergency or interruption?	
9.	Has your staff been made aware of the plans? Are you ensuring that staff is kept aware of updates on the plans?	
10.	Have you validated the recovery capabilities of critical 3rd party service providers as identified in your BCP? <sup>1</sup>	
11.	Is BCP awareness included in your new employee orientation?	

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<sup>1</sup> The IDA will collect reports on behalf of its Member firms to validate the capability of the Canadian clearing corporations and the major service providers such as ADP, Dataphile and IBM.

*PLAN COMPONENTS*

12.	Have you drawn up Emergency Response Procedures dealing with: <ul style="list-style-type: none"><li>▪ Establishing the existence of an emergency</li><li>▪ Notification of staff</li><li>▪ Notification of key counterparties (including the IDA)</li><li>▪ Activation of emergency plans</li></ul> Are they kept up-to-date?	
13.	Have you arranged for alternative means of communication in case of failure of telephone lines or power supply?	
14.	Do you maintain updated lists of internal and external contacts, with alternates?	
15.	Does your BCP define key roles, responsibilities and authorities, with alternates?	
16.	Have you designated a control and coordination (command) centre location, and an alternate, where applicable?	
17.	Do you have the minimum resource requirements for critical function recovery?	
18.	Do you have clearly defined and documented back-up procedures for key applications, hardware and data?	
19.	Do you have clearly defined and documented work around procedures to sustain critical business functions that are impacted by a disrupting event?	
20.	Have you defined processes for restoration or replacement of key data (electronic and paper)?	
21.	Do you review and update your plans annually?	