RESPONSE TO CONSULTATION PAPER

Consultation topic:	Proposed Revisions to Guidelines on Business Continuity Management
Organisation:	Asia Securities Industry & Financial Markets Association (ASIFMA)
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Confidentiality	
I wish to keep the following confidential:	

General comments:

At the outset, ASIFMA wishes to thank the MAS for bringing these important issues up for industry consultation and we welcome the opportunity to provide member feedback. ASIFMA believes it is essential for the smooth operation of both the financial markets and market participants that there is global coordination and alignment on the important topic of operational resilience and business continuity management. Most ASIFMA members are regulated in multiple jurisdictions, have global business models and operate cross-border to deliver services to clients in a highly resilient, efficient and effective matter. It is therefore important that rule-sets and guidelines are not developed in isolation, especially given the increasing focus on end-to-end business functions which might span multiple jurisdictions. We recommend strong global, inter-agency cooperation to ensure cross-border consistency and alignment of regulatory requirements and that these are driven by the G20, Financial Stability Board and the Basel Committee in collaboration with all global stakeholders.

Differences in definitions and application of key concepts and local market development of standards will increase not only organizational complexity but also the compliance burden and operational risks for institutions without a commensurate benefit to financial stability or the overall resilience of the financial system as whole.

To support international standards setting the GFMA is in the process of finalising a white paper that will present the industry's collective views on the topic of operational resilience within the financial sector. The paper was conceived as a response to the July 2018 release of the Bank of England (BoE) and Financial Conduct Authority (FCA) discussion paper on "Building the UK Financial Sector's Operational Resilience". The GFMA white paper attempts to articulate a truly global perspective on operational resilience and summarizes current industry approaches and best practices in this important space.

The paper also intends to establish a common language which all relevant public and private sector stakeholders can leverage to facilitate discussions on the topic of operational resilience. Additionally, it will provide a powerful overview of current best practices which organizations and regulators can leverage to further evolve their operational resilience capabilities, compliance and supervision.

We look forward to sharing the final white paper over the next couple of weeks and will be happy to discuss further during a meeting.

We are also pleased to respond in what follows to the questions outlined by MAS in the consultation paper on Proposed Revisions to Guidelines on Business Continuity Management and we would welcome the opportunity to discuss our response in more detail during a meeting or call and answer any questions you might have.

This response was drafted with the kind support of EY based on feedback from the ASIFMA membership.

Question 1: MAS seeks comments on the definition of "business function".

- ***Scope and extraterritoriality:***
  It is unclear from the draft Proposed Revisions to Guidelines on Business Continuity Management ("Guidelines") if and how the proposed Guidelines apply to offshore entities, third parties, etc. We strongly encourage the MAS to reconsider the extraterritorial aspect of the revised BCM Guidelines. Instead, and as mentioned in the general comments, we strongly recommend the MAS and other overseas regulatory agencies coordinate closely to devise a global approach to operational resilience. ASIFMA members generally have global business models, have cross-border operations and have entities that are regulated in multiple jurisdictions. ASIFMA members will therefore also need clarity on the applicability (if and how) of the proposed Guidelines to:
  a. *Non-material branches of foreign banks – we suggest that these should be excluded from the applicable scope of the draft Guidelines.*
  b. *Financial Market Infrastructures (FMIs): Financial institutions (FIs) rely on third party service providers including FMIs such as payment, clearing and settlement operators to ensure continuity of services to the customer. Clarity is needed on whether the end-to-end "business function" includes the FMIs and other third parties; and if so, how are the FMIs expected to be dealt with in the FI's Business Continuity Management (BCM) plan for a "business function", given that an individual FI will not have any control over the BCM planning and testing of the FMIs or third parties. (This is also related to Question 3 on the scope of the Business Continuity Plan (BCP).*
  c. *Outsourced 3rd-party providers in Singapore and overseas*
  d. *Discern whether the scope is functionally and/or geographically driven. Ex: functions conducting business with Singapore entities and/or Singapore based business functions.*

- *We request that the scope be limited to critical business functions provided by the FI. If the MAS intends to extend to all business functions (including those that are non-critical) we would request an extended transition period.*

- ***Internationally consistent definitions:***
  We recommend that there should be common definitions of terms (e.g. "service", "business function", "business process", "critical business function") to reduce potential confusion and drive international harmonization We suggest that the MAS, its peer regulators (including BoE and FCA), multilateral agencies and relevant trade associations including the GFMA collaborate so we can agree on a harmonized approach. GFMA stands ready to support and is looking forward to soon share its white paper on this topic (see General Comments). Alignment of approaches could be achieved, for example, by supporting the development by international standard setters

of a lexicon of terms and concepts related to operational resilience. Indeed, divergence in definitions is already emerging. For example, "Business Service" is a term used by BoE as an end-to-end set of business processes while the MAS uses the term "Business Function" to refer to an end-to-end business service. In the US, the term (critical) function generally refers to a business process, whereas the MAS defines a critical business function as a service and based on BoE definition, Offerings is used instead of Business Service.

- ***Level of granularity to identify business functions:***
  We request the MAS to provide further guidance on the level of granularity expected in the identification of business functions. For consistency of application across the industry, it would be helpful if the MAS could provide an illustrative list of business functions.

- ***Minimum Performance Level (MPL):***
  a. *MPL is a good concept to incorporate as a stop gap measure. However, the focus of the BCM program should be on long term, sustainable recovery. Subsequently, all business continuity program outputs (RTO, testing, etc.) should be aligned to the business continuity strategy instead of the MPL.*
  b. *We are generally supportive of the introduction of Business Continuity Objectives as it provides guidance to FIs that MPLs, RTOs and Recovery Point Objectives (RPO) per Business Function must be determined during BCM planning. The preference is to conduct testing by validating functional recoverability vs. ability to achieve the MPLs. The functional recoverability allows for better preparedness, increased resiliency, and ability to demonstrate capability to meet stakeholder commitment. The RTO specification on individual dependencies (staff, sites, suppliers, applications) will allow an FI to discern the prioritization of dependencies in a recovery.*
  c. *If the above approach is not taken, we request that the MAS provide additional guidance on the proposed MPL requirements. Specifically, more clarity is needed in relation to the definition, guidance on how an FI should determine a MPL, the desired outcome from identification, as well as the impact on the business continuity lifecycle (dependency identifications, recovery steps, recovery objectives, etc.)*
- ***Minimum Level of Output (MLO):***
  a. *ASIFMA members request more clarity on the definition and scope of MLO requirements (e.g. is the concept introduced across the board, is it risk based, etc.) and to all components of the BC lifecycle (e.g. applications, third parties etc) & stakeholders (e.g. all business services, critical business services, designated Critical Operations or the equivalent).*
  b. *Incident management processes are targeted at any component of a process that is degraded rather than across an E2E business function. This ensures that*

an E2E business function is not unduly degraded due to existing incident escalation criteria, i.e. within any MPL that would be separately defined. We therefore recommend leveraging the traditional incident management frameworks when considering MPLs.

- *Referring to paragraph 2.6 of the consultation paper, our members deem it difficult to determine RTOs at business function level as there may be processes or systems that do not require the "most stringent" RTO of 2-4 hours. For example, a regulatory reporting process as part of a securities trading BF would not need a 2-4 hours RTO, but 8-12 hours or more will be more appropriate.*

- *We suggest that the MAS clarifies relationship between minimum level of output and impact driven function Recovery Time Objective (RTO).*

Question 2: MAS seeks comments on the roles and responsibilities proposed for the Board and senior management.

- *Referring to para 2.9(a) of the Consultation Paper - the Board's responsibility to endorse "the FI's BCM, as well as ensure that the framework consists of comprehensive policies, processes and procedures…", we suggest the MAS to clarify the separate references to "BCM" and "framework" to avoid confusion.*

- *Most ASIFMA members agree with the roles and responsibilities proposed for the Board and senior management. However, it is not realistic to expect that senior management participate actively in all BCM tests unless they have recovery strategies that they need to validate. We suggest paragraph 2.10(c) of the Consultation Paper (and the related parts of Annex B, the Revised Guidelines) be rephrased to "participate actively in the FIs BCM tests if there are recovery strategies that they need to validate."*

- *In Section 4.5 in Annex B of the consultation paper, we suggest that the committee to oversee the FI's BCM can also be the Crisis Management Team (CMT) as they are responsible for managing the FI's response in executing a BCP.*

- *Lastly, can the MAS confirm if "the Board's" responsibilities, in the context of non-material branches of foreign banks, can be performed by the Singapore branch's most senior executive/governance committee.*

Question 3: MAS seeks comments on the proposed scope of a BCP.

- *(see also Question 1) We would like clarification, if a business function is expected to include third parties or FMIs that are part of the processes performed and would suggest that FMIs are not included.*

- *End to End Business ("E2E") Function: E2E approach to BCPs appears to be a very effective way to assess and review processes, document risks/controls and services delivered to customers. Specifically, the initiative allows for a specialized, integrated resources to be engaged in working groups to avoid silos and missed handoffs. However, given the trend of having the offshore "centres of excellence" supporting various functions for different business lines and entities across a financial group, it would be challenging to conduct E2E BCP as per MAS requirement. We recommend a E2E requirement to be rolled out flexibly and allow for an opportunity to achieve the desired end state through alternate means.*

    a. *More specific guidance on the expected scope and granularity of E2E BF BCPs on top of individual business unit BCPs, is needed. Using a "custody" service as an example, the service-level BCP could potentially cover multiple geographic regions, products, and the entire product lifecycles, etc. We strongly encourage the MAS to reconsider the extraterritorial aspect of the revised BCM Guidelines. Instead, we recommend that the MAS and other overseas regulatory agencies coordinate closely to devise a global approach or to rely on substantively equivalent/deference to foreign regulatory regimes to achieve this outcome across more than one jurisdiction.*

    b. *We are concerned that an E2E service-level BCP with its own requirements may not easily align with department level plans (e.g. an individual IT department plan would need to be adjusted to accommodate every overarching function; a trade processing system would be used E2E yet require multiple descriptions of use in the proposed business function plans).*

    c. *Thus, the preference is to further achieve the same goal in highlighting interdependencies by capturing the handoffs between individual departments in an E2E process map as opposed to creating a function level plan on top of individual plans. The mapping of E2E processes and dependencies across a service delivery level is a sound principal. That and the identification of interdependencies will substantively achieve the same end that the MAS seeks but leave firms the flexibility to achieve it by finding solutions that work within their existing BCM* approach. *Another preference/option is to achieve the same goal by building function/service oriented plans on the department level (avoids silos) with outputs to indicate lowest business requirements (most aggressive RTO/RPO/requirements) with further flexibility in building the overarching business function plan.*

Question 4: MAS seeks comments on the proposed type and frequency of BCM tests.

- *To the extent that industry wide testing is required, we would appreciate the MAS' help to help to coordinate across FMIs.*

- *Many global institutions adopt global testing cycles, which the Singapore entity needs to be in-sync with. We suggest the MAS to allow more flexibility for testing frequency so that the Singapore entity may adhere to their global calendar and avoid introducing additional risks by testing off the cycle of the FI's global calendar of tests.*

- *IT Resilience Testing is covered in MAS's TRM guidelines. We recommend the MAS align the BCM and TRM requirements to ensure requirements are not duplicative. For example, data restoration from backup media is detailed under IT resilience TRM guidelines (section 8.4.4), this should be aligned with BCM testing requirements.*

- *Noted in Section 6.4 in Annex B of the consultation paper that a FI should conduct a BCP test for each critical business function, at least annually. Considering that there could be a wide range of scenarios and failure modes that can be included in a BCP, it may not be possible to cover all scenarios in a single test. We recommend that a FI to be allowed to adopt a risk-based approach to the scenario to be included in the annual BCP test. This will allow greater focus on the FI's response to each specific scenario.*

Question 5: MAS seeks comments on the expectation of conducting regular BCM audits.

- *Must the BCM audit be a dedicated program audit, or can it be part of the business line function? Some jurisdictions expect a program audit.*

- *Does it refer to an audit of the BCP or BCM? Is such audit expected after the BCM is approved by the Board/senior management committee?*

- *It would be beneficial for the industry if the MAS do not specify that "internal audit" is responsible for conducting BCM audits. We suggest that the MAS retain the broad wording as proposed and leave it up to individual organisations to decide on an appropriate team to discharge the responsibility based on their governance structure and operations.*

- *It is requested that the MAS consider that different organisations have different structures and risk assessment processes in place to manage their risks. The typical audit methodology in a financial institution would take into consideration the different risk areas including BCM. We do not recommend the requirement in the draft Guidelines which would require all FIs to build a separate audit process and plan*

cantered around BCM that needs review and approval annually by the Audit Committee .This would be a very specific and narrow focus considering that there is enterprise level risks to be considered and managed for global FIs. We recommend that the MAS allows FIs the discretion to treat BCM like all other risks so that it is subject to the existing established audit framework instead of developing an audit solely around BCM.

- *We are supportive that there should be regular BCM audit carried out for greater assurance that the FI's BCM is effective. The audit approach should be commensurate with the FI's methodology and internal risk assessment, i.e. risk based. Those with a higher risk rating should have their BCP audited more frequently, while those with a lower risk could audit less frequently.*

- *For BCM audits, certain reliance can also be placed on other audits and reviews, including non-BCM specific audits and reviews. For example, for BCM audits of securities trading, reliance may be placed on a non-BCM specific audit performed on the IT trading systems for that portion of the BCM testing. This will help to avoid duplication of work and help drive greater efficiency in FIs.*

- *Section 6.3 provides an example of testing involving operating in the absence of a key third party service provider. Could the MAS give more detail on its expectations and parameters for such tests? In line with our response to Question 1, an individual FI will not have any control over the BCM planning and testing of FMIs.*

Question 6: MAS seeks comments on any other aspects of BCM that warrant further guidance from MAS.

- ***Implementation adherence and timeline:***
    a. *The MAS Guidelines on Business Continuity requires further detail on the proposed rollout timeframe and roadmap of the requirements. To achieve requirement readiness, it is imperative to ascertain whether the requirements will be implemented entirely on a proposed date or if the MAS will provide for a phased approach. We highly recommend a phased approach. We also seek further details on the factors to drive implementation and timeline/prioritization of deliverables to achieve adherence. If the MAS still insists on full implementation on the implementation date, ASIFMA members request more details on the roadmap/timeline to achieve requirement compliance and clarification on whether the requirements will be implemented across the enterprise or follow a specific cadence*

- *The revised definition of business function, and mapping of E2E processes and dependencies across a service delivery level are fundamentally sound. However, given*

the extent of potential changes to the existing BCM programs and the size of the firms, such as global firms, we suggest the MAS consider allowing a transition/implementation timeframe of more than twelve months.

- *3rd Party Testing Requirements: The MAS Guidelines on Business Continuity requires further clarification on the scope and the conditions of the 3rd party testing requirements. There is a significant importance placed on demonstrating ability to recover in the case of a supplier outage. As such, we recommend alignment of the third-party testing program with the FFIEC Appendix J guidance on testing requirements, scope, complexity and scenarios. Further guidance is desired if the MAS aims to align with the existing best practices and/or advise on specific requirements.*
    a. *We request a more complete definition of the 3rd party testing – recommending the definition is in line with the FFIEC Appendix J requirements.*
    b. *We request further detail on scope determinants/conditions for the 3rd party testing.*

- *There is currently no industry-wide methodology to measure the success of an RPO for business functions that involve FMIs. Therefore, we would recommend that further guidance be issued on this in consultation with FIs.*

- *Regarding Paragraph 3.2 Business Impact Analysis:*
  This paragraph 3.2 requires Business Impact Analysis ("BIA") to be performed at least annually. We suggest to the MAS that such BIA be required for "critical" business functions only and less frequently for non-critical business functions.

- *Regarding Paragraph 3.4 Minimum Performance Level:*
  The minimum performance level per revised guidelines should be measurable, which may suggest that it should be a quantitative statement defining the operating level in a crisis. However, for some functions, qualitative statements may be more suitable to define what needs to be recovered. Can the MAS please clarify that the minimum performance level may be both quantitative as well as qualitative.