

Industry experts identify shortcomings to avoid in business continuity plans

The contact information in your business continuity plan should be updated more frequently than any other component, said two broker-dealer consulting professionals who recently shared their tips for effective BCPs with *BD Week*.

“Key personnel changes should be updated, phone numbers and contacts must be current at all times. Also, when key service providers change or mission critical systems change, then the BCP should be updated,” stated **Amy Lynch**, president of **FrontLine Compliance, LLC**, based in Alexandria, Va.

“For example, if an introducing firm’s clearing arrangement should be materially altered in some way, it must be incorporated into the BCP. Something as simple as a new fax number for the clearing firm could cause significant problems for a firm if the BCP does not reflect the new number and disaster strikes,” said Lynch, a former SEC examiner.

Roseanne Rostron, founder of **Crisis Team, Inc.**, based in Hoboken, N.J., had a similar observation.

“One of the things I always tell people is if you’re looking where your failure points are going to be in any disaster situation, it’s communication. And I’ll say it again, and again and again,” Rostron said.

Contact information kept in a format such as a Word document can be a hassle to update but there

is business continuity software that can make updating contact information easier, Rostron said. Some of those programs use a direct upload from your human resources department. **Tips:** When looking for software, define what you want it to do, first. Then vet vendors. Otherwise, you might get something very expensive with lots of features you don’t use, Rostron said. Also, keep contact information in your personal desk assistants and Blackberries and keep that current.

Aside from keeping contact information current, there are several other aspects of business continuity planning you need to be vigilant about, they suggest.

Here’s a list of frequent pitfalls Lynch said should be avoided:

✓ **Failing to tailor a plan to meet your firm’s unique business lines and needs.** “A firm that only underwrites private placements should have a BCP that is significantly different from one whose primary business is retail variable annuity sales,” Lynch stated.

✓ **Failing to test regularly.** “Of course, the best kind of test would be to bring down all systems at once, like in a real disaster, but that would be too much of a disruption to business, so many firms don’t do it or do it very infrequently. A full simulation test is recommended at least once per year,” Lynch said.

✓ **Not conducting complete off-line tests.** “Many firms just take down one portion of the system at a time for testing which may result in a very different response. System capacity can only be tested when the system is stressed with max users and max volume,” Lynch added.

✓ **Putting too much responsibility on too few individuals.** “Many plans only have one or two people in charge of the firm’s BCP and they may be the only ones really familiar with it. What if those two people are not available when disaster strikes?”

(Business continuity, continued on page 2)

**The Merrill Rule Repeal:
What Now for Broker-Dealers?**
Audio Conference is Now Available on CD

Order Today!

www.bdweek.com • 800-260-1545



Business continuity *(cont. from page 1)*

The entire firm must be made aware of the BCP process and drills for the entire staff should be part of testing so that everyone, not just one or two people know what to do when a business disruption occurs," Lynch suggested.

✓ **Failing to update procedures.** "A BCP is worthless if systems have changed and the BCP does not incorporate the changes," Lynch stated. ■

The top five 'concerns' about BCPs

Crisis Team Inc.'s **Roseanne Rostron** considers the following issues to be key business continuity planning concerns.

✓ Firms adopt the minimum requirements of rule 3510, which calls for the BCP and for updating it when there are material changes and conducting an annual review, and rule 3520, which requires member firms to provide **FINRA** with emergency contact information. The requirements should be used merely as a starting point for your plan, Rostron suggested. "You may not be there and you could be a key knowledge holder," so the plan should provide a "roadmap" for others, she said.

✓ Firms not cross-training others in particular, critical recovery tasks.

✓ Plans don't have tasks spelled out specifically enough. Define who at your firm will conduct which tasks, and a procedure to accomplish the task.

✓ Plans look at disruption as a singular event but a combination of problems can happen. "Typically, there's some type of domino effect." Plans should be flexible so you can use them in different situations.

✓ Plans are seen as short-term. It should at least include a potential strategy if the business disruption isn't short-lived. ■

BDWEEK SUBSCRIPTION CERTIFICATE

Name _____
 Title _____
 Firm _____
 Address _____
 City _____ State _____ Zip _____
 Telephone (_____) _____
 Fax (_____) _____
 E-mail address _____

- PAYMENT OPTION 1** — Charge \$1,595 to my credit card.
- PAYMENT OPTION 2** — Enclosed is my check or money order for \$1,595 made payable to UCG (TIN: 52-1130564).
- PAYMENT OPTION 3** — Bill my company for \$1,595.



Card # _____

Exp. Date _____ Signature _____

* Discount applies to new subscribers only.



For fastest service, call TOLL FREE (888) 287-2223 or fax this card to (301) 816-8945.

BD Week • 11300 Rockville Pike • Rockville, MD 20852-3030 • (301) 287-2211 • Fax (301) 816-8945