Building a strong business continuity plan

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charles SCHWAB

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Protect your clients and firm with a comprehensive business continuity plan

Enterprise risk management (ERM) is about more than simply staying in compliance. It's about building trust and doing what's right—for your clients, employees, and firm. And your business continuity plan (BCP) is a critical part of that. Your BCP is your firm's operational lifeline in the face of natural disaster, pandemic, cyberattack, terrorism, or other disruptive events.

A well-executed BCP could help you maintain your firm's reputation with clients. When a disruptive event happens, your plan will help determine whether your business can continue to operate, maintain communication, and preserve your clients' confidence.

Templatized BCPs may fail to take all the important pieces into consideration. By focusing on your clients' needs and the people, systems, third-party providers, and technology in place to serve them, you can create a more functional BCP—one built specifically for your business. Here's where to start.

Before you begin

To many, enterprise risk management (ERM), disaster recovery (DR), and business continuity seem interchangeable. But DR is actually just one part of a complete business continuity plan (BCP)—which, in turn, is part of your larger ERM plan.

DR is focused on technology; its goal is to keep data secure and to quickly restore IT infrastructure and operations after a crisis. BCPs look at the operational continuity of the entire organization. ERM focuses on controlling for those elements as well as others that may affect the company's overall financial and business objectives.

To learn more about DR, read *Six Keys to a More Secure Data Environment*.

Building the plan

There is no one-size-fits-all BCP. Before you can create a BCP, you need to understand the idiosyncrasies of your business.

Identify impact scenarios

What we categorize as a disruptive event can run the gamut from large-scale tragedies (e.g., the terrorist attacks of 9/11 and Hurricanes Katrina, Sandy, and Harvey) to smaller-scale disruptions (e.g., key staff resignations, pandemic illness, or a localized power outage). Take time to consider the risks most likely to affect your firm. It may be helpful to think of these as "failures of the nouns": people, places, and things.

- **People**—People-related failure might include the loss of executive staff, or a widespread illness that keeps employees at home. Make a list of key people that includes contact information, which business priorities they handle, and those who might step in for them if they become unreachable.
- **Places**—Failure of places means any event that damages your physical office. This could include earthquakes, storms, or other events. Consider your firm's location when identifying potential scenarios. For example, is your office on a fault line or in an area prone to flooding?
- **Things**—Failure of things includes hardware damage. Massive hardware failure can happen anywhere, shut down systems, and put data at risk. Most of the threats in this category should be addressed by your DR plan.

Remember, these are just starting points. It's impossible to know every scenario your firm might face, and it is not practical to try. Instead, focus on creating a plan with the flexibility to adapt.

Pinpoint key contacts—and how to reach them

Communication is vital. Consider who your critical internal and external resources are, and know how you'll stay in touch during an emergency. Be sure to identify multiple methods of contact for these resources and for your clients.

For example, have a contingency plan in place in case your company phone system or email server goes down or cell networks are not available. Make sure to keep your contact list current.

The more thorough your contact information and critical resources are, the better.

Who are your critical providers?

Because your key contacts likely include critical third-party providers, a comprehensive risk mitigation program extends beyond the walls of your firm. The Case Management module of Schwab Compliance Technologies® includes robust cloud-based vendor management capabilities that can help you evaluate and select vendors based on your criteria, manage your vendor contacts, and perform ongoing due diligence—all in one centralized location.

To identify which providers and contacts should be categorized as critical, consider working backward.

- Start by identifying your client experience and the services and systems in place to support it.
- Then, determine which of those services or systems are made possible through outside providers.

If any one of these connections is lost during an emergency, your client experience will be disrupted. These are your critical providers. Tracking and vetting these providers' BCPs is a crucial part of constructing your own plan.

To learn more, contact us today at **877-456-0777**.

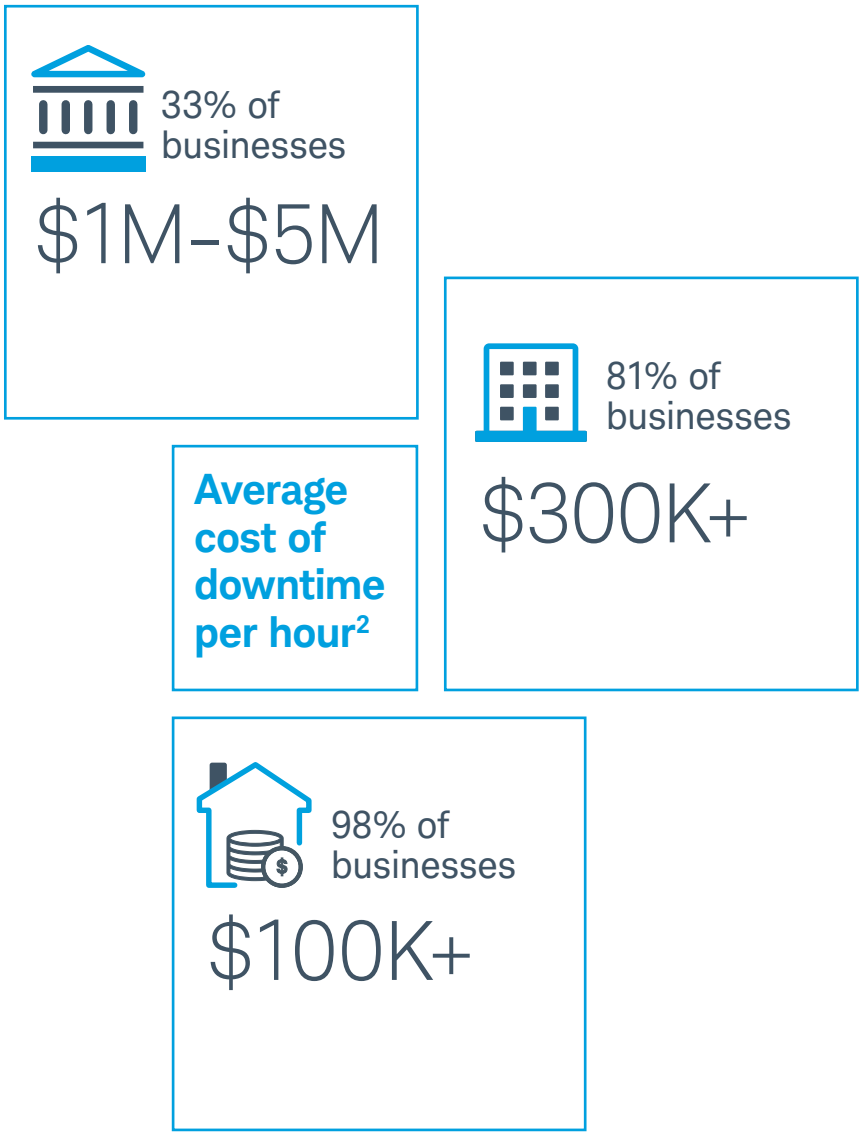
Building the plan (cont.)

Assess downtime risk

In business continuity, lost time is lost revenue. In a 2017 survey, 98% of organizations said a single hour of downtime costs over $100,000—and 33% of those reported that an hour of downtime costs their firms $1 million to $5 million.[1] Whether your business is shut down for a day, a week, or longer, you need to understand the consequences and be prepared to implement alternative plans in your front and back offices. Your plan should address how you will continue to service clients, deliver products and services, and perform daily operational functions. Consider all your affected teams: For example, how will your back-office staff continue to handle invoices? How will your sales team continue to function if their computers are offline? Determine what tools and equipment employees need to access critical systems and keep operations running in an emergency.

Document the plan, and keep it on hand

Ultimately, your BCP is a reference document. Once you have worked through the considerations of your plan, it's important to put it all together and make it physically available. While it's good practice to keep your BCP available in a cloud-based storage solution, such as Schwab Compliance Technologies®, remember that a digital file will not be effective if your computers are out of service and laptops are unavailable. Many firms load all important details onto an iPad and keep it in a place that all key resources can easily access. Whatever method you use, be sure to create more than one copy of your BCP. Then, distribute the copies among your key staff and store extra copies in multiple secure, off-site locations. These could include safe deposit boxes or electronic storage in another state.



Testing the plan

Once you have a documented plan in place, regular testing can help ensure that your firm is prepared to carry it out. Testing is like running a fire drill. Once everyone knows where the stairs are and what to do, you continue to improve with every run-through. Testing should include both scenario-based walk-throughs of your BCP and targeted testing. Just as third-party vendors' services directly relate to your firm's operations, so do their BCPs. **It's important to understand what types of tests your third-party vendors run on their BCPs and how often.** A viable BCP on their side can mean success on yours.

To conduct a scenario-based test:

- Choose an event from your list of potential impact scenarios.
- Then, test each of the steps outlined in your BCP with the core team, up to the point of actually contacting clients.
- While you are making your way through the steps, take the opportunity to record any weaknesses you discover in the plan. The weaknesses you uncover will serve to strengthen your BCP as you go.

DR testing

Components of your data infrastructure should be tested at least annually. Any change made to your infrastructure—including updates or enhancements—adds to its potential to fail. It's important to conduct additional testing before any new functionality goes live. **In addition, it's critical to understand how your key third-party vendors test their systems.** If disaster strikes either your business or theirs, you'll need to know that data will continue to flow. As a best practice, any DR test should be run in both your firm's primary data site and its DR site to help verify that the DR site seamlessly replaces and fully functions as the primary site.

Metrics of success

Ultimately, the goal of testing is to make sure that during or after a disruptive event, you'll still have working data connections and can meet your goals for recovery time objective (RTO) and recovery point objective (RPO).

- **RTO**—This is how long it takes for data to be up and running at the DR site if the primary site is incapacitated. For example, if your primary site is in California and is affected by an earthquake, the shortest amount of time it takes to get back online with your DR site in New York is your RTO.
- **RPO**—This refers to the amount of data at risk during an emergency event. For example, if your primary site goes down at 10 a.m., and the DR site makes data available again at 11 a.m., is the data from that hour lost, recoverable, or available? Losing as little data as possible is the goal.

Maintaining the plan

A plan is only as good as its execution. And a successful execution is determined by how ready people are to make it happen. Once the core planning team has created the BCP, consider performing several run-throughs before introducing it to everyone at your firm. Then, training sessions with the full staff can help everyone understand their roles and feel empowered to act. Going forward, consider including employees who play a key role in the plan in an annual training to keep the BCP top of mind and ready to be deployed.

Keep the plan alive

In addition to minimizing downtime during a disruptive event, educating employees about why business continuity is so important can help reinforce a culture of client-first values. It's equally important to understand that business continuity planning isn't a one-time exercise. Many companies are not keeping their plans alive: 41% of respondents from a Ponemon Institute study reported having no set time for reviewing and updating their plans.[3]

Adapt to new threats

Your business is always evolving and growing, and the world doesn't stand still either. Every day the news reveals factors that could potentially affect your business, such as new weather patterns or new strains of influenza. Think of your BCP as a work in progress that you can and should revisit and evolve over time as additional threats surface.

Who owns the plan?

As a compliance officer, you play a key role in creating and maintaining your firm's BCP.

But you're not alone.

It's important to identify the people in your firm who should be involved in the planning process and to bring them into the early conversations. Having your CEO involved gives you a head start on making your BCP successful. Depending on the size of your firm, your BCP team may also include other executives, such as the chief information officer and HR director, and IT personnel. Your firm's key contact should also be included, and the BCP should clearly state their personal contact information.

Questions to ask

Use this list of questions as a starting point for conversations.* Although the list of questions is not comprehensive, it does double duty by helping you navigate both your BCP and those of external providers that support your mission-critical systems. Since their services closely relate to yours, many of the questions you ask about your BCP should also apply to theirs.

Building the plan

Identify impact scenarios

- ☐ **People:** What are potential risks to your employees?
- ☐ **Places:** What are potential threats to your physical office?
- ☐ **Things:** If equipment is damaged, what parts of your business would be at risk?

Assess downtime risk

- ☐ How do you plan to service clients, deliver products and services, and perform daily operational functions such as invoicing?
- ☐ What communications will your clients need from your firm in a disaster?
- ☐ What applications are critical to your operations?
- ☐ What tools do employees need to have to continue working during an event?

Pinpoint key contacts and critical vendors

- ☐ Who are your key business contacts?
- ☐ How do you plan to keep your BCP and contact lists updated?
- ☐ What service providers are critical to keeping operations running?
- ☐ Which of your services are supported by third-party providers?
- ☐ What are your service level agreements (SLAs) for critical third parties?

Document the plan

- ☐ Who owns your plan internally?
- ☐ Where do you keep copies of your BCP? Are they accessible in multiple formats and from different locations?
- ☐ Do key members of your staff have copies of the BCP?

Testing the plan

Scenario-based BCP testing

- ☐ Who are your key internal and external business contacts?
- ☐ Which potential impact scenario will you test?
- ☐ Where will you work?
- ☐ Do you have a third party to help oversee BCP management and testing? What BCP tests do your third-party vendors run?
- ☐ How often do you test your BCP?

DR testing

- ☐ Do you have a third party to help oversee DR management and testing?
- ☐ Do you run DR tests for every component of your infrastructure? How often?
- ☐ Where is your DR site located? Is it in a separate geographic location?
- ☐ Is your DR site on a separate power grid?
- ☐ What is your strategy for maintaining redundant technology at other locations? How long can your redundant DR site generate power?
- ☐ What is your RTO?
- ☐ What is your RPO?

Maintaining the plan

Training

- ☐ How often do you conduct BCP training with your staff?
- ☐ What type of training do you offer to help your staff understand their roles in the plan?

Updating

- ☐ Has your firm invoked its BCP or DR plan within the last year? What were the incidents and results?
- ☐ After testing your BCP, did you uncover any weaknesses that can inform improvements in your plan?
- ☐ How do you plan to update your BCP as new threats emerge?
- ☐ How do you update your firm's contact list?

*The above is not an extensive list of questions. Each situation will require different levels of due diligence.

Compliance Solutions stays prepared

Backed by the full power and resources of The Charles Schwab Corporation, we take a comprehensive approach to business continuity planning at Compliance Solutions. In the event of an emergency, we are ready to continue to provide the highest level of service to our clients. Highlights of our business continuity and DR planning include:

- **Third-party oversight**—Compliance Solutions works with a dedicated internal group from outside the immediate business line that oversees BCP and DR management and testing.
- **Rigorous testing**—We regularly test our BCP and DR plans.
- **Infrastructure monitoring**—As an extra layer of protection, we've enhanced the monitoring of our infrastructure and application components at both our primary and our DR sites to safeguard the overall health of our systems.
- **Redundancy**—We feature 100% server parity in our primary and DR sites, which means our DR site has the full capacity and functionality of our primary site. Redundancy throughout our technology infrastructure allows for transparent failover and recovery.

About Compliance Solutions

Taking ownership of compliance means staying ahead of the regulatory landscape, seeing the big picture, and maintaining control. But it doesn't mean doing it on your own. Compliance Solutions' employee-monitoring offer includes Schwab Designated Brokerage Services™, cloud-based employee-monitoring software from Schwab Compliance Technologies®, and a wide range of financial products and services for employees. These solutions can help you proactively manage compliance, promote a positive employee experience, build long-term value across your business, and instill trust with clients.

Learn more

Interested in learning more about Compliance Solutions? Contact us today.

877-456-0777

Talk to your Relationship Manager

schwab.com/compliancesolutions

1. *2017 Reliability and Hourly Cost of Downtime Trends Survey*, Information Technology Intelligence Consulting.
2. Ibid.
3. *Is Your Company Ready for a Big Data Breach? The Second Annual Study on Data Breach Preparedness,* Ponemon Institute, September 2014.

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