Financial Sector Business Continuity Progress Report

The Tripartite Standing Committee on Financial Stability
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Foreword

It remains essential to prepare for the possibility of events that could cause major operational disruption in the UK financial system, including the threat from global terrorism. The financial sector is central to the economic well-being of the country. As well as its direct contribution to economic activity and employment, it plays a crucial role in supporting the rest of the economy. It provides the mechanisms for carrying out individual and corporate financial transactions and for raising capital at home and abroad. The UK financial system also plays a significant role in the international financial system. Sound arrangements therefore need to be in place to ensure its resilience and to manage any disruption.

The primary obligation to be resilient and able to manage a crisis must rest with individual institutions themselves. But support for, and encouragement of, the efforts of firms and infrastructure providers remain top priorities for the UK’s financial authorities. HM Treasury, the Bank of England and the Financial Services Authority (FSA), working through the Tripartite Standing Committee on Financial Stability, take the need to mitigate operational risks associated with disruption to the financial sector very seriously.

The Standing Committee has assessed progress since the Task Force on Major Operational Disruption in the Financial System reported last year. It believes that the UK financial system is more resilient and better prepared to manage disruption than it was a year ago, and there are initiatives under way to make it even more robust. But these initiatives have still to be completed and there are also other improvements that are required. The Standing Committee’s main business continuity objectives in the coming year are better benchmarking and testing, as described in this report, as well as continuing to follow up on the Task Force’s Recommendations.

The Tripartite Standing Committee expects business continuity management to remain an equally high priority for the private sector. We intend to build upon the cooperative approach adopted to date as we work together to meet these new challenges.

James Sassoon, Sir Andrew Large, Hector Sants
For the Tripartite Standing Committee on Financial Stability
Summary

The Task Force on Major Operational Disruption in the Financial System, chaired by Sir Andrew Large, Deputy Governor of the Bank of England, reported in December 2003. It concluded that on balance new statutory powers explicitly for the financial sector would not be helpful in handling the aftermath of operational disruption (Chapter 1). But the Task Force made a number of Recommendations on how to improve the resilience of UK financial markets, and asked the Tripartite Standing Committee on Financial Stability, comprised of HM Treasury, the Bank of England and the FSA, to monitor progress in meeting these.

This report reviews the progress made in the areas covered by the Recommendations of the Task Force (Chapter 2). Since the Task Force report was published, we are pleased to record that there has been progress in all areas. But the specific Recommendations have not all been met and there is still more to be done, both in respect of the Recommendations, and more generally in assessing and increasing the resilience of the financial sector and testing and improving crisis management arrangements.

There has been encouraging progress on several of the Recommendations, notably the review by payment and settlement systems of their powers and procedures to deal with major operational disruption (Recommendation 3), work by the authorities to clarify their respective roles in the event of operational disruption (Recommendation 6), and initiatives to strengthen coordination on the international front (Recommendations 4 and 8).

But there are other areas where progress has been slower than envisaged. There is further work needed to review private market contracts (Recommendation 2). Progress has only recently been made in reviewing the arrangements in markets with a view to determining whether there is more that can be done to improve their ability to respond to a crisis (Recommendations 5 and 7). These issues are complex and need to be addressed carefully but sufficient momentum needs to be achieved if resilience is to be improved. The Task Force’s decision not to recommend new statutory powers was based on the presumption that the market would develop adequate arrangements of its own, both through private contracts and non-statutory cooperative mechanisms, so that there would be no need for the authorities to have additional powers to direct them in the event of major operational disruption.

The tripartite authorities’ work with the financial sector is one part of broader public sector initiatives to improve resilience of the UK’s critical functions. These initiatives include the Civil Contingencies Bill, which provides a new legislative framework for responding to civil emergencies in the UK, the Cabinet Office resilience programme and the wider public sector contingency planning and testing programme (Chapter 3).

Looking ahead, the most important issue for the financial authorities is ensuring that individual institutions are adequately resilient. While some firms have raised their level of resilience substantially and made comprehensive plans, not all have done so (Recommendation 1). There are also differences of view about the level of resilience that needs to be achieved. The financial authorities have therefore decided that more needs to be done to develop a sufficiently detailed picture of the overall state of resilience of the financial sector, and its ability to withstand a range of threats. The major priority for the year ahead will therefore be to benchmark the resilience and recovery targets of the key components of the UK financial sector. The exercise should be
completed by summer 2005 and will then provide the basis for further consultation about the resilience standards that are appropriate for the financial sector in the UK.

The second main theme for the coming year is testing. Carrying out tests is an essential component of ensuring that physical facilities, business processes and decision-making mechanisms are robust. Again, the onus is on individual institutions to undertake testing of their own arrangements, but it is also necessary to ensure that these arrangements are compatible with those of counterparties and the authorities. The financial authorities have therefore committed to undertaking an annual market-wide exercise with the private sector around which market participants can plan their own testing arrangements. The first such exercise will take place in November 2004 (Chapter 4).

HM Treasury, the Bank of England and the FSA will be working closely with the private sector to ensure that progress is made on all these issues. The tripartite authorities plan jointly to publish a further report by the end of 2005 reviewing progress and providing a summary of the overall state of resilience of the financial sector and discussing the ways in which any remaining gaps should be addressed.
Chapter 1: The Task Force on Major Operational Disruption in the Financial System

1. HM Treasury published a Green Paper in February 2003, asking if new statutory powers were required to deal with major operational disruption in the financial system. It was intended that the Civil Contingencies Bill would be the vehicle for any legislation that the government considered appropriate following the consultation. Responses to the Green Paper suggested there was a need for a careful review of existing powers and more detailed consideration of possible additional powers.

2. A Task Force of public and private sector participants, chaired by Sir Andrew Large, Deputy Governor of the Bank of England, was set up to address the issues. In December 2003, the Task Force reported, concluding that no new legislation specific to the financial sector was required. It took the view that a range of tools already existed, both contractually and in terms of infrastructure rules and cooperative arrangements, for dealing with disruption. Consequently it concluded that, on balance, no new statutory powers were needed.

3. This analysis was based on three considerations: the likely circumstances if such an event were to occur, where there might be a risk that using powers would add to confusion about outcomes rather than achieving clarification; a preference for rapid, pragmatic and cooperative solutions rather than focussing on complex legal solutions; and the international and interconnected nature of many of the UK’s financial markets, where there was a risk that an attempt to assert powers on issues relevant to the UK would have unintended consequences elsewhere.

4. In coming to its decision, the Task Force also reflected the fact that the proposed Civil Contingencies Bill contained broad powers to introduce emergency regulations in the event of major disruption, including that which threatened economic stability and the activities of banks or other financial institutions (Chapter 3).

5. The Task Force’s conclusion that no new statutory powers were needed reflected work that had already been done to address business continuity issues, including by the Financial Markets Law Committee (FMLC), but emphasised the need for further improvements. In particular, the Task Force put forward eight Recommendations to help further improve the resilience of UK financial markets. For each Recommendation, the Task Force suggested how it could be implemented, specifying actions which should be taken and a proposed timetable [Box A].

6. The Task Force proposed that the Tripartite Standing Committee should monitor progress in meeting the Recommendations, and publish a progress report in October 2004. This report aims to fulfil that objective, and also the actions within the individual Recommendations requiring a progress report by the financial authorities (either individually or collectively) by October 2004.

1. http://www.hm-treasury.gov.uk/media/B04/FC/fin_disrup03.pdf
<table>
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<tr>
<th>Action required</th>
<th>By whom:</th>
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<tr>
<td><strong>Recommendation 1:</strong> Market participants and the financial authorities should continue to place a high priority on business continuity planning.</td>
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<tr>
<td>Firms should continue to benchmark themselves against good practice.</td>
<td>Firms</td>
<td>Ongoing</td>
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<td>Firms’ steps in achieving good practice standards should be monitored.</td>
<td>FSA</td>
<td>Ongoing</td>
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<tr>
<td>Publication of high-level business continuity planning principles for systemically important firms.</td>
<td>FSA</td>
<td>Jun 04</td>
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<tr>
<td>Publication of annual summary of progress.</td>
<td>FSA</td>
<td>Oct 04</td>
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<td><strong>Recommendation 2:</strong> Market participants and their trade associations should work to ensure that private contracts are reviewed to take account of major operational disruption. A useful starting point for such reviews is the “contracts checklist” put forward in the FMLC’s report on emergency powers.</td>
<td>Trade Associations</td>
<td>Jun 04</td>
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<tr>
<td>Standard market contracts should be checked, in light of this report, whether they make appropriate provision for dealing with major operational disruption (including the operation of cross-default clauses).</td>
<td>Trade Associations</td>
<td>Jun 04</td>
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<tr>
<td>Summary of progress should be published.</td>
<td>Bank</td>
<td>Oct 04</td>
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<td>Financial contracts should be reviewed as they come up for renewal, or as new ones are entered into, to ensure they make adequate provision for major operational disruption and, where relevant, make use of the most recent master agreements. In relation to existing longer term contracts, firms should also consider whether a review would be appropriate.</td>
<td>Firms</td>
<td>Ongoing</td>
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<td>Summary of firms’ progress should be published.</td>
<td>FSA</td>
<td>Oct 04</td>
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<td><strong>Recommendation 3:</strong> Market infrastructures should ensure that they have specific rather than general powers to deal with major operational disruption. They should also ensure that the mechanism for invoking these powers is flexible enough to be operated successfully in a crisis.</td>
<td>Market infrastructures</td>
<td>Jun 04</td>
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<tr>
<td>Review of infrastructure rules and procedures.</td>
<td>Market infrastructures</td>
<td>Jun 04</td>
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<td>Reviews by systemically important payment systems should be monitored and a summary of progress should be published.</td>
<td>Bank</td>
<td>Oct 04</td>
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<tr>
<td>Reviews by recognised clearing houses and exchanges should be monitored and a summary of progress should be published.</td>
<td>FSA</td>
<td>Oct 04</td>
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<td><strong>Recommendation 4:</strong> The UK financial authorities should continue to contribute to international efforts to develop recognised good business continuity practice for systemically important market infrastructures. Their application in the UK should recognise that the prime responsibility for business continuity planning rests with the senior management of firms and market infrastructures.</td>
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<td>Recommendation</td>
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<td>Recommendation 5</td>
<td>Participants in significant markets should consider whether there would be benefits from further defining the principles on which to base claims arising from the delayed performance of contracts following major operational disruption.</td>
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- Market participants and infrastructures to review, in light of the work of the Money Markets Liaison Group, whether any other markets would benefit from agreeing compensation principles that could be applied in the event of major operational disruption.
- Summary of progress should be published.

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<th>Recommendation 6</th>
<th>The financial authorities should aim to clarify further, and publicise, their respective roles in the event of major operational disruption.</th>
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<tr>
<td></td>
<td>Review of information provided on <a href="http://www.financialsectorcontinuity.gov.uk">www.financialsectorcontinuity.gov.uk</a> website.</td>
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<td></td>
<td>Arrange a survey of market participants’ knowledge of, and views on, website.</td>
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<td>Continue business continuity roundtables for key market participants.</td>
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<td>Produce annual progress report on business continuity planning.</td>
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<th>Recommendation 7</th>
<th>The financial authorities should consider with market participants the need for a high-level committee to help ensure coordination across financial markets in the event of major operational disruption.</th>
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<td>Consider the need for a high-level coordination committee or other arrangements.</td>
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<td>Ensure that existing responsibilities for decision-taking are clear and that relevant committees have the appropriate level of representation.</td>
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<th>Recommendation 8</th>
<th>The UK financial authorities should continue to promote international cooperation and coordination in developing responses to major operational disruption.</th>
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<td></td>
<td>UK financial authorities should inform their international counterparties of the findings of this report.</td>
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<td>UK financial authorities to publish a summary of efforts to promote international cooperation and coordination.</td>
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<td>The financial authorities should seek to discuss this issue in the Financial Stability Forum.</td>
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<tr>
<td>Oct 04</td>
<td>Bank &amp; FSA</td>
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<tr>
<td>Jun 04</td>
<td>Trade Associations &amp; Market infrastructures</td>
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<td>Oct 04</td>
<td>Standing committee</td>
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<td>April 04</td>
<td>Bank</td>
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<td>April 04</td>
<td>Standing committee &amp; firms</td>
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<td>April 04</td>
<td>Standing committee &amp; market liaison committees</td>
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<td>Dec 03</td>
<td>Bank/FSA/HMT</td>
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<td>Oct 04 &amp; then annually</td>
<td>Bank/FSA/HMT</td>
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<td>Mar 04</td>
<td>Standing committee</td>
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Chapter 2: Review of activities

7. This chapter reviews what has been done over the past year in the broad areas covered by the Recommendations of the Task Force. The activities are grouped into four categories – those relevant to individual firms, those relevant to infrastructure and markets, those concerning the financial authorities, and those involving international coordination.

Firms

8. The Task Force welcomed the work conducted by individual firms in improving their preparedness for major operational disruption. But it also recognised the importance of ensuring firms’ plans were consistent with those of their counterparties – hence its encouragement of benchmarking and the development of high-level principles for systemically-important firms, and the recommendation that firms should ensure they were making the best use of contractual provisions to address major operational disruption.

Benchmarking

Recommen

dation 1: Market participants and the financial authorities should continue to place a high priority on business continuity planning.

9. In September 2002 the FSA published the results of a survey it had undertaken of business continuity management in a sample of 12 major financial groups. On the basis of that survey a Business Continuity Management (BCM) Risk Matrix was published and all major firms were asked to benchmark their BCM arrangements against it and report the outcome to the FSA.

10. The feedback from that benchmarking exercise generally gave the authorities reassurance that major firms had responded positively to the events of 11 September 2001 by reviewing their BCM arrangements in order to strengthen their resilience and recovery capability against a wider range of threats to their operations. Major firms generally strongly welcomed the publication of the BCM Risk Matrix as a guide to good BCM practice against which they could benchmark themselves. Many have continued to use it since 2002 as a yardstick for measuring their progress.

11. One of the actions set out under Recommendation 1 was for the FSA to publish high level business continuity planning principles for systemically important firms. In preparation for this, in May 2004 the FSA undertook an exercise to update the 2002 survey by sending a questionnaire to 18 major firms to establish how their approach to business continuity management had changed in the past two years. In addition to questions designed to follow up on the key risks identified in the 2002 survey, the opportunity was taken to ask about firms’ understanding of the arrangements put in place by the UK financial authorities and to ask whether there were other related issues that the firms concerned wished to discuss. Follow-up meetings were held with half the sample group.
12. The responses demonstrated that since 2002 firms had continued to benchmark, test and enhance their preparations for major operational disruption. All but one of the firms involved said that they had made significant changes to their approach to BCM during the last two years. Marked improvements since the 2002 report were:

- Executive level accountability: Almost all firms have a named executive with specific responsibility for BCM (previously this had been around half of the firms reviewed);
- Testing: More work has been done on the creation of business continuity test programmes and there has been an increase in the planning and level of testing carried out with most firms carrying out a major test “at least annually”;
- Third party recovery sites: Half of the firms involved reported that the balance between syndicated and dedicated space had changed, or was planned to change, and there was a trend toward firms providing their own recovery space.

13. Other key findings were:

- Firms’ expenditure on BCM had continued to increase;
- A growing number of firms were shifting the focus of their BCM efforts to favour resilience (the ability to continue business processes without interruption) over recovery;
- There was a good understanding of the arrangements put in place by the tripartite authorities to deal with major operational disruption and considerable interest in what the actions of the tripartite authorities would be in such an event;
- The consensus on the key areas of focus for future work by the tripartite authorities was: demonstration of market coordination, the promotion of BCM awareness and enhanced market communications. There was strong support for further market wide testing (see Chapter 4);
- While firms had a good understanding of their own resilience levels and that of their main suppliers and counterparties, the resilience of the wider financial markets infrastructure was less well understood. In the follow-up meetings the possibility that the authorities might benchmark the resilience of the financial sector and share the results with firms was welcomed.

14. In the light of these findings, the FSA decided that the publication of high level business continuity planning principles should be deferred pending the benchmarking exercise planned for 2005 (see Chapter 4).

**Contractual remedies**

**Recommendation 2:** Market participants and their trade associations should work to ensure that private contracts are reviewed to take account of major operational disruption. A useful starting point for such reviews is the “contracts checklist” put forward in the FMLC’s report on emergency powers.

15. The Task Force made this Recommendation because it found that while the contractual mechanisms available to market participants to address major operational disruption appeared to
be adequate, they had not necessarily been implemented in all relevant contracts. Moreover some contracts had not been updated to reflect developing market practice. The Task Force also identified a potential problem with the use of cross-default clauses – namely that there was a risk that a default in one contract could trigger a cascade of defaults in many other contracts, which could lead to significant difficulties across institutions and markets.

16. In May 2004, the FSA wrote to all major firms and to the main trade associations asking them to report on what action they had taken or put in hand to follow up this recommendation. The responses to the letter indicated that while a small number of firms had initiated a review of their private contracts a substantial majority had not. The main reason advanced by firms for this inaction was that they largely relied upon standard market documentation and thus could only take forward a review in conjunction with other market participants and the issuers of the documentation.

17. The Tripartite Standing Committee therefore welcomes the initiative by the Financial Markets Law Committee to set up a Working Group to look into the possibilities for reducing the risks arising from disparities in the way in which standard market contacts deal with major operational disruption. The Working Group, chaired by Bill Tudor John of Lehman Brothers, includes delegates from the largest firms active in the wholesale financial markets. A Contact Group of other interested firms has also been established and the FMLC will be working closely with the trade associations which issue standard market documentation.

18. An analysis has begun of the interconnection between market contracts, primarily those used as standard in documenting the terms of transactions in the interbank markets, and also those developed by firms individually for documenting the terms of their services to customers and clients. The analysis will take account of the benefits of uniform drafting while assessing the need for diversity between markets. The different needs of interbank trades and those involving market outsiders will be given special attention.

19. The Working Group hopes to report in substance to the FMLC before the end of the year. Further details of the work carried out by the FMLC on major operational disruption in financial markets can be found on its website (www.fmlc.org).

Infrastructure and markets

20. The contingency planning of individual firms typically relies on there being a high level of resilience in the infrastructure which supports core market activities, notably systemically important payment systems, settlement systems and recognised clearing houses and exchanges. And the infrastructure also needs to be able to respond to a crisis through having clear and flexible decision-making structures.

**Recommendation 3:** Market infrastructures should ensure that they have specific rather than general powers to deal with major operational disruption. They should also ensure that the mechanism for invoking these powers is flexible enough to be operated successfully in a crisis.

21. The Task Force report suggested that systemically-important payment systems, recognised clearing houses and exchanges should review their rules and procedures. The Bank was asked to monitor the reviews by payment systems, and the FSA to monitor those by the recognised clearing houses and exchanges.

22. The Bank of England asked a number of the payment systems which it oversees to consider this Recommendation, and advise on any relevant changes in their rules and procedures. The main UK clearing companies – CHAPS, BACS Payment Schemes Ltd (BPSL) and Cheque and Credit Clearing (C&CC) – each reviewed whether their decision-making processes were prepared for crisis situations. CHAPS did not consider any enhancements to be necessary as its rules were sufficiently clear and flexible. BPSL became a separate company in December 2003, and with its infrastructure supplier VOCA established a clear set of rules and responsibilities. In particular, they have agreed escalation processes to enable an effective response to disruption. C&CC has made arrangements for a pool of alternate and emergency alternate directors who can if necessary substitute for regular directors in the event of an emergency to ensure that a conference call of the board can be held within 90 minutes.

23. APACS, the UK payments industry association, has also reviewed whether its decision-making process is suitable for crisis situations. APACS, and its Executive Committee, have a role in responding to events requiring cross-scheme coordination. Minor amendments have been made to the Executive Committee’s Terms of Reference to ensure a quorum can be formed readily in an emergency even if some individuals are unavailable. APACS has updated relevant communications mechanisms and procedures including out-of-hours, remote and emergency arrangements. APACS has also coordinated work to implement the lessons of a desk-top contingency exercise in late 2003. The conclusions from that exercise were similar to the good practices recommended in the Task Force Report, and have been incorporated, where applicable, into the APACS Best Practice Guidelines on Risk Control which is used by the individual UK clearing companies.

24. The Bank also discussed Recommendation 3 with CLS (provider of continuous linked settlement to the foreign exchange market) and SWIFT (as the Bank of England takes part in the cooperative international oversight of these systems). CLS has continued over the past year to enhance its crisis management capability. It has improved its flexibility to respond to major operational disruption by establishing out-of-region contingency sites for the management of settlement. CLS has also comprehensively reviewed the procedures for dealing with the liquidity issues that might arise in the event of CLS settlement members being unable to make pay-ins. This was undertaken with its overseers as part of preparations for bringing new currencies into the settlement arrangements. A number of improvements to the procedures have been made.

25. SWIFT formally established the SWIFT Crisis Co-ordination & Communication group (SC3) in late 2003, and the group convened in early 2004. The SC3 will help manage the consequences of any major operational disruption to SWIFT services, through communication with key financial markets and institutions. SWIFT has undertaken to update its crisis logistics models in the light of input from the SC3, and has organised a programme of teleconference tests as well as a large-scale crisis exercise to test the processes for dealing with contingency situations.

26. The Bank of England considers that the reviews and exercises undertaken by the payment systems, and the new procedures introduced in some cases, should help to ensure that payment systems are able to take the necessary decisions in the event of major operational disruption.
Recognised clearing houses, exchanges and settlement systems

27. Each FSA Recognised Body (RB) has its own rules and regulations that stipulate various powers/requirements and actions expected of users/members. The FSA is satisfied that these are adequate to ensure the recognised bodies are able to respond effectively to major operational disruption. The RBs have reviewed and regularly test their arrangements. To improve resilience, CRESTCo has recently introduced split business site operation.

28. The Joint Exchanges Committee of RBs has set up a conference call facility which is hosted by LIFFE. It is intended to be used in the event of major operational disruption to improve communication, aid information exchange and help the RBs to make more informed decisions. In addition, a range of different contingency exercises have been conducted by market infrastructure providers collectively, including a series of desk-top walk-throughs organised by the Markets and Exchanges Regulatory Liaison Information Network (MERLIN), and an APACS exercise. These too have provided valuable practical lessons, both for the contingency plans of individual infrastructures and for the interaction between them.

Financial market conventions

Recommendation 5: Participants in significant markets should consider whether there would be benefits from further defining the principles on which to base claims arising from the delayed performance of contracts following major operational disruption.

29. In the light of the work already carried out by the Money Markets Liaison Group (MMLG)¹, the Task Force suggested that participants in over-the-counter markets may wish to consider whether there were any other cases where prior agreement on compensation principles might be helpful in reducing uncertainty about market practice following major operational disruption. The Tripartite Standing Committee welcomes the initiative of the Operations sub-group of the Foreign Exchange Joint Standing Committee (FXJSC) in this area. The Operations sub-group has been considering whether there are any situations in which compensation might be required and, also, what arrangements might be suitable for the foreign exchange market. This work will be taken forward by the re-established Contingency sub-group of the Operations sub-group, together with the FXJSC Legal sub-group. These groups will review the existing arrangements of market infrastructure providers such as CLS rules for compensation and SWIFT’s arrangements, which will impact any wider principles for agreeing compensation. They will consider whether any additional principles are required, and make recommendations to the main FXJSC and the Operations sub-group.

The financial authorities

30. Effective communication – amongst financial sector participants and between the authorities and the financial sector – is key to the successful management of a crisis. The financial authorities have undertaken a number of initiatives to improve communication and coordination in the event of a crisis. The Task Force recommended in particular that the financial authorities should aim to clarify further and publicise their own respective roles in the event of major operational disruption, and this has been an important aspect of the communication initiatives of the financial authorities.

¹. The Money Market Liaison Group has made a non-binding recommendation that the Bank of England Monetary Policy Committee’s official repo rate should be paid and charged on unintended bank balances and overdrafts following any event that led to market-wide disruption to trading and settlement in sterling money markets.
Recommendation 6: The financial authorities should aim to clarify further, and publicise, their respective roles in the event of major operational disruption.

FSC website

31. Following a review in winter 2003/2004 the Financial Sector Continuity (FSC) website (www.fsc.gov.uk) was redesigned and re-launched on 18 May 2004 [Box B]. As recommended by the Task Force, the format and content of the new site reflects feedback from market participants, in particular from the Securities Industry Business Continuity Management Group (SIBCMG) and the FXJSC.

Box B: Home page of www.fsc.gov.uk

32. The site has additional information in response to the Task Force Recommendation for greater clarification and publicity about the respective roles and responsibilities of the financial authorities in a crisis and how they fit into the wider national and international structure of crisis management [Box C].

33. The FSC website now has features which make it more dynamic and interactive. The new site presents targeted information for specific user groups (general public, members of the financial sector, major firms and infrastructures) to make it easier to find relevant information. The improved functionality of the website includes search facilities and e-mail notifications.

34. The website also has new tools which can be used in the event of major operational disruption. It is intended that the website would be a key communication route in such a situation. General information about the status of the financial sector could be posted rapidly on the site and specific sectoral information could be exchanged through its discussion fora.

35. Since the launch of the new website the authorities have continued to publicise and promote its use. The website has also become a central part of the authorities’ planning and testing procedures.
Box C: The role of the financial authorities in the event of major operational disruption

In the event of major operational disruption to the financial system, the authorities’ main objectives would be to:

● keep financial markets open and functioning except where this is physically impossible or where by so doing there would be a material threat to financial stability; and

● facilitate an early return to trading, for example by seeking to ensure the availability of reliable information.

In general, important decisions affecting financial markets (e.g. changes in the timetable for clearing or market opening) should be discussed and agreed by the relevant private sector participants; the authorities would be ready to facilitate or respond to market initiatives, and help coordinate collective action where this is necessary.

The main role of HM Treasury would be to ensure that ministers are kept up-to-date on developments so as to be able to take key decisions without delay. In addition, HM Treasury would be responsible for ensuring coherence between measures taken in the financial sector and the operation of public sector continuity arrangements more generally. HM Treasury would have specific responsibility for:

● liaising with other UK government departments and authorities, including law enforcement agencies; and

● maintaining contact and liaising with the Debt Management Office (DMO), particularly on the state of the gilts market.

The main role of the Bank of England would be to ensure the orderly functioning of the UK’s financial markets, including the maintenance of adequate liquidity. The Bank of England would have responsibility for:

● maintaining, as banker to the banking system, operational contacts with market participants so as to monitor and, as necessary, facilitate the functioning of UK markets; this may include, if the circumstances warrant it, and after consultation with HM Treasury and the FSA, the provision of emergency liquidity assistance;

● monitoring and facilitating the functioning of payment systems, alongside its operational role of providing settlement facilities for Real Time Gross Settlement (RTGS); and

● assessing, with the FSA, the systemic implications of any operational disruption.

The main role of the FSA would be to monitor the health of individual institutions which fall within its regulatory remit and ensure continuing compliance with regulatory standards. The FSA would have responsibility for:

● monitoring firms and market infrastructure providers within the framework of the FSA’s four statutory objectives; liaison will usually be via normal supervisory contacts;
Roundtables

36. The financial authorities also seek to communicate directly with financial market participants, both bilaterally and through conferences. Such events provide a useful opportunity for the authorities to publicise the various public and private sector initiatives and to gauge market views and concerns. Soon after 11 September 2001, the tripartite authorities held a first ‘Roundtable’ meeting with representatives of financial sector firms. Five subsequent meetings have since been held, most recently in July 2004 when over 100 senior participants representing major firms, infrastructure providers, trade associations and the public sector attended a conference hosted by HM Treasury.

37. In accordance with the Task Force Recommendation, one of the objectives of these regular meetings is to continually re-affirm and explain the three authorities’ principal roles and responsibilities, both in seeking to improve the resilience of the financial sector to potential shocks and in managing a crisis. The authorities’ roles in a crisis thus featured prominently in presentations given at the Roundtables in October/November 2003 and July 2004. It was apparent from the discussion that there continues to be an appetite for further information about the role of the tripartite authorities in a crisis. The authorities intend to use future Roundtables and opportunities provided by other private sector meetings and conferences to reinforce market understanding of the authorities’ overall approach to managing a crisis.

Testing

38. The most effective way to illustrate the roles of the authorities and their interaction with the private sector is to have a practical demonstration of how such arrangements work. A third strand to the authorities’ activity, which has increased significantly over the past year, has therefore been to carry out testing, by the tripartite authorities of their own arrangements, with wider government and with the private sector. There are several exercises planned, including a major market-wide exercise with the private sector in November 2004. Among other objectives, this will demonstrate the roles and communication arrangements that the authorities might undertake in the event of major operational disruption, both individually and jointly (Chapter 4). Following a review of its overall testing strategy, the Standing Committee has decided that such market-wide exercises should become an annual event.
Market coordination

Recommendation 7: The financial authorities should consider with market participants the need for a high-level committee to help ensure coordination across financial markets in the event of major operational disruption.

39. The authorities held a preliminary discussion on this issue at the Bank in July 2004. The senior market participants present agreed that there were potential gaps in current coordination arrangements for a major event. While there were some mechanisms in some individual markets which could play an important role in a crisis, including facilitating information sharing (for example the MMLG, FXJSC and the Joint Exchanges Committee for Recognised Bodies), there was no well-established structure for the rapid sharing of information across these groups, and no mechanism for the coordination of responses to operational issues affecting several markets/infrastructures simultaneously. Against that background, it was suggested that it would be helpful, in the event of a crisis, for there to be a meeting (quite possibly by conference telephone call) of senior people drawn from the authorities, the infrastructure providers and sufficient of the major firms to cover the main markets and systems.

40. The group’s role would be to help coordinate an appropriate and timely response across markets in the event of an operational crisis. Its function would need to be well understood in advance, and the group would need to have legitimacy beyond those individuals and firms which were directly involved.

41. The authorities are in the process of working out the details of these cross-market arrangements in discussion with market participants, with the aim of putting a structure in place by the end of the year. As agreed at the preliminary meeting, if a crisis were to occur in the meantime, the authorities could organise a conference call with a number of market participants to discuss and seek to coordinate the response to any cross-market issues.

42. The Task Force also proposed that action should be taken by the Tripartite Standing Committee and market committees to ensure that existing responsibilities for decision-taking are clear and that relevant committees have the appropriate level of representation.

43. In the UK foreign exchange market the membership of the FXJSC and its Operations sub-group comprise the most active banks operating in the foreign exchange market in London. Members of the committee are generally the head of foreign exchange operations for their firms, industry body representatives such as the Association of Corporate Treasurers, British Bankers’ Association and FSA, and senior level representatives of the significant infrastructure providers (e.g. Reuters, SWIFT, CLS). They are well placed to discuss practical arrangements and reach a consensus view in the event of a crisis situation.

44. The FXJSC and its Operations sub-group have individual password protected websites on which detailed contact information, including mobile phone numbers, are maintained. Both websites contain information on contingency arrangements for the FXJSC. The FXJSC and its Operations sub-group hold regular test conference calls to ensure that, in event of major operational disruption, members could be contacted and would be able to join a conference call. Such calls would enable members to discuss issues, make decisions and coordinate any action that might be required by firms in the foreign exchange market. A recent development has been to engage an additional service provider for conference calls to increase the chances of being able to operate the conference call with one or other of the telecommunication companies in event of a crisis situation.
45. In the case of the sterling money markets, MMLG members were asked to review their level of representation. Some then chose more senior colleagues. The MMLG has exchanged contact details and practised conference calls. In a crisis, the MMLG would aim to work closely with the committees represented on it, for example the APACS Liquidity Managers.

46. These groups will be able to participate in the market-wide exercise in November, which will provide a valuable opportunity to demonstrate their role (Chapter 4).

**International initiatives**

47. Individual countries inevitably concentrate first on their domestic needs, but there is growing realisation of the shared interest in common principles and coordinated responses.

**Recommendation 4:** The UK financial authorities should continue to contribute to international efforts to develop recognised good business continuity practice for systemically important market infrastructures. Their application in the UK should recognise that the prime responsibility for business continuity planning rests with the senior management of firms and market infrastructures.

48. Since 11 September 2001, the UK financial authorities have been involved in a number of ongoing international efforts to develop recognised good business continuity practice for systemically important market infrastructures, particularly, in Europe, under the auspices of the ESCB (European System of Central Banks). In some cases these efforts have been focused specifically on strengthening business continuity practices, in others, such as the ESCB-CESR (Committee of European Securities Regulators) work discussed below – they have been part of broader work to establish good risk management and business practices in the financial infrastructure.

49. Over the past few years, an ESCB-CESR working group (on which both the Bank of England and the FSA are represented) has been developing a set of standards to promote safety, soundness and efficiency in EU securities clearing and settlement systems. The standards are based upon the November 2001 CPSS-IOSCO (Committee on Payment and Settlement Systems – International Organisation of Securities Commissions) recommendations for securities settlement systems, augmented as appropriate to reflect the particular European context in which the standards will be applied. As with the CPSS-IOSCO recommendations, one of the standards (standard 11) relates to the operational reliability of major providers of securities clearing and settlement and of other providers of critical services to clearing and settlement. A key element of standard 11 has been to highlight the importance of establishing appropriate business continuity and disaster recovery arrangements. The emphasis has been on giving guidelines on some of the more practical aspects of business continuity management, such as the need to rehearse disaster recovery plans with users of the market infrastructure, and the need to test capacity on a regular basis and ideally in a ‘real’ environment.

50. The ESCB has also been engaging market infrastructure providers directly in dialogue on the importance of business continuity issues, through meetings and conferences. This has encouraged similar approaches to the issues in the wide range of EU countries represented.

51. The FSA works closely with the European regulators and authorities on business continuity issues, particularly where the UK infrastructure provider is part of a European group company. The FSA is also in close liaison with the senior management of these group companies to ensure that business continuity management arrangements remain robust.
Recommendation 8: The UK financial authorities should continue to promote international cooperation and coordination in developing responses to major operational disruption.

52. In July 2004, the Bank of England and the Financial Stability Forum (FSF) jointly hosted a workshop which aimed to review the emerging standards, principles or benchmarks for business continuity management in the financial sector, and to assess where cooperation and coordination internationally may be required in standard setting and crisis management. The workshop brought together nearly 40 representatives from finance ministries, central banks and financial supervisors, systemically important infrastructure, and international financial institutions.

53. The following main points emerged from the workshop:

- The comparison of participating countries’ approaches to business continuity planning for the financial sector was very informative. The discussion highlighted many similarities in the types of issues being addressed, but there are differences in the detail of the approach taken to standard setting and crisis management planning. This is an area where thinking is still evolving in many countries, and continued international dialogue will be valuable. The aim remains to ensure standards and plans are as consistent as possible. It was agreed that standard-setting bodies and regulators should work closely with the private sector as they take this forward.

- The cross-border nature of many financial services, and the linkages between them, give rise not only to the need for common practices and standards but also for coordinated crisis management. Within the banking and payment systems community significant progress has been made by regulators and overseers in agreeing mechanisms for communication and cooperation in a crisis. The challenges of coordination are bigger in the securities area because of the complexity of the markets and infrastructure and the different regulatory structures in different countries, and the mechanisms seem likely to need to vary more according to the circumstances.

- Tried and tested channels of communication are typically most effective in a crisis situation. At an international level, the workshop identified a number of existing fora and mechanisms (contact lists, conference calls) which would be valuable in facilitating an effective and efficient crisis response.

54. The FSF agreed that standard setting bodies and regulators should be asked to review approaches to business continuity in their respective areas and consider whether there might be any scope for setting out high level guiding principles.
Chapter 3: Broader public sector work on business continuity

55. The tripartite authorities’ work with the financial sector should be seen in the context of broader public sector initiatives to improve the resilience of the UK’s critical functions and infrastructure and to ensure effective contingency plans are in place should major disruption occur. The Government is committed to improving the UK’s resilience in the face of the threat of global terrorism and other disruptive challenges. This work involves a range of agencies across government and the wider public sector, including, for example, the security and emergency services. Its also includes relevant departments dealing with key areas of the infrastructure, such as telecommunications. Initiatives are coordinated by the Cabinet Office whilst HM Treasury, the designated ‘Lead Government Department’ for the financial services sector, provides the necessary link with the work of the financial authorities.

The Civil Contingencies Bill

56. The Civil Contingencies Bill currently passing through Parliament has a central role in the Government’s strategy to improve the UK’s resilience to disruptive challenge and terrorism. The Bill provides a new single framework for civil protection in the UK. It modernises the existing emergency powers framework – essentially an ability to make temporary legislation to deal with the most serious emergencies – and sets out a clear framework of roles and responsibilities for those organisations involved in civil protection arrangements at the local level (e.g. emergency services and local authorities). The Bill was published in January 2004 and completed its passage through the House of Commons in May with few substantive amendments. It received its Second Reading in the House of Lords in July and is currently in Committee Stage. It is expected to receive Royal Assent in November.

57. The conclusion of the Task Force – that new statutory emergency powers were not required to deal with serious disruption affecting the financial system – took account of the availability of broad powers to introduce emergency regulations proposed under the Bill. Following amendments, the Bill no longer directly refers to the threat to economic stability or the activities of banks or other financial institutions in defining an emergency. However, “disruption to the supply of money” is included as a relevant threat and the Bill is clear that in the interests of dealing with an emergency, regulations could be made to protect or restore the activities of banks or other financial institutions.

58. The Task Force concluded that it was not easy to envisage circumstances in which emergency powers in the Bill could be used constructively to deal with the legal issues arising from operational disruption affecting the financial system. Nevertheless, there could be circumstances where the Bill’s powers to make emergency regulations may be helpful in supporting market-led solutions to the kind of problems the financial services sector could face in the extreme conditions under which the Bill’s powers could be invoked.
Improving resilience

59. The work of wider government in improving the resilience of the UK against potential disruptive challenges is coordinated by the Civil Contingencies Secretariat (CCS), which is part of the Cabinet Office. The CCS draws on available expertise to identify potential threats and works to ensure that the response of government and other agencies is both appropriate to the risks identified and properly recognises important inter-dependencies between the various sectors. In this context the threat from global terrorism has become an increasingly serious concern in recent years, but other potential sources of disruption, for example power failures, floods and infectious diseases are also of relevance and covered by this framework.

60. There are 17 workstreams within the Cabinet Office’s Capabilities Programme, each of which is the responsibility of a designated Lead Government Department (LGD). Financial services, as one of a number designated ‘Essential Services’, constitutes one such workstream, for which the LGD, as noted above, is HM Treasury. As such, HM Treasury is therefore responsible within the Government for ensuring that the necessary steps are taken to develop an appropriate level of financial system resilience and that robust contingency plans are in place to manage a disruptive event should it occur. HM Treasury would also be responsible for leading the Government’s response in the case of an emergency focussed on the financial sector. In practice, HM Treasury works closely with the Bank of England and the FSA, through the Tripartite Standing Committee, to fulfil these roles.

61. An important objective for the UK financial authorities in the year ahead will be to continue to work with the Cabinet Office, relevant government departments and other agencies. The aim is to ensure that business continuity and contingency plans for the financial system are consistent with those developed for sectors on which the financial system depends. These include power, fuel and, in particular, telecommunications. Telecommunications provides an example of the wide range of agencies involved. The relevant government department is the Department of Trade and Industry as LGD, but other agencies have a critical role, notably Ofcom as sector regulator. In addition, the Central Sponsor for Information Assurance at the Cabinet Office works to identify and address vulnerabilities in national telecommunications systems whilst the National Infrastructure Security Co-ordination Centre (NISCC) provides advice and operational support in respect of electronic attack. NISCC is also active in facilitating effective communication and information sharing between telecommunications suppliers and users and was responsible for producing the Good Practice Guide to Telecommunications Resilience in May 2004.

Contingency planning and testing

62. The tripartite authorities have established an agreed framework guiding their response to an incident, which defines their respective roles and responsibilities for information gathering, situation assessment, decision-making and communications [summarised in Box C]. As noted above, these plans are tested regularly. In practice, however, the repercussions of a major disruptive event affecting the financial sector are likely to be much wider, so it is essential that tripartite contingency plans are consistent with the response of government, the emergency services and other relevant bodies to a major incident.

5. The Cabinet Office defines ‘resilience’ as “the ability at every level – national, regional and local – to detect, prevent and if necessary handle disruptive challenges. These could range from floods, through outbreaks of human or animal disease, to terrorist attacks.”

6. The other ‘essential services’ are health, environment, transport and utilities.

63. In the event of a major incident that affected the financial sector, the financial authorities would be able to link to the wider government response through HM Treasury, which would also be represented on the relevant ministerial committee directing central government’s strategic handling of the incident. In addition, since August of this year the tripartite authorities have been participating in the Metropolitan Police’s arrangements for incident control at strategic command level (commonly known as Gold level). The Gold Coordinating Group is chaired by the police and brings together those parties responsible for dealing with the immediate consequences of an incident: the emergency services, utilities, the relevant local authorities, plus a team representing regional and central government. This latter team now includes a senior representative from one of the tripartite authorities, with support staff, who are on call to provide advice in the event of an incident affecting the financial system and to ensure the tripartite authorities are well-informed about the incident in a timely way.

64. During 2004, the tripartite authorities have participated in tests of Gold arrangements with the police and the other relevant authorities. There will be further exercises to test the wider government response to a potential incident in 2005, in which the tripartite authorities will participate. They form an important part of the tripartite authorities’ contingency testing strategy (Chapter 4).

8. In London the London Resilience Team.
Chapter 4: Future priorities

65. The Task Force emphasised that its recommendation that new statutory powers were not needed should not lead to complacency. Its conclusions were based on the expectation that more would be done, both in the short term to address the particular recommendations and actions identified, and on a continuing basis. The priorities of the financial authorities for the coming year reflect both the work that has been done already in response to the Task Force Report and the authorities’ assessment of the effectiveness of business continuity work in the sector as a whole. They also take account of three other considerations. First, the importance given to business continuity at a broader government level, and its emphasis on assessing capabilities to operate in adverse circumstances, as outlined in Chapter 3. Second, the continuing appetite of firms for a better understanding of the plans of others, notably the authorities and the broader infrastructure on which they depend. And third, how the approach to business continuity in the UK compares with that abroad given the international nature of many firms and infrastructure providers.

66. Over the forthcoming year, the two main priorities for the authorities, working closely with the private sector, will be benchmarking and testing.

Benchmarking

67. The Tripartite Standing Committee considers that, in addition to making further progress on a number of specific initiatives, it is now appropriate to take stock of the current state of resilience of the UK financial sector as a whole in a more detailed way. The feedback from the FSA’s benchmarking exercises in 2002 and 2004 gave the authorities reassurance that major firms had responded positively to the events of 11 September 2001 by reviewing their business continuity management arrangements and strengthening their resilience and recovery capability against a wider range of threats. There have also been significant improvements by payment systems and market infrastructure, not least in response to developing international standards. But the authorities do not think they have sufficient evidence of the impact of this activity on levels of resilience amongst key market participants or on the resilience of the sector as a whole.

68. This concern is shared by the private sector. In the FSA’s 2004 benchmarking update exercise (Chapter 2), it was apparent that the resilience of financial market infrastructure was not well understood and the possibility that the authorities might benchmark the resilience of the financial sector and share the conclusions with firms was welcomed. Establishing a clearer view on resilience levels will also inform and shape the future work of the Standing Committee in this area; it will also help the authorities in ensuring that resilience standards in the financial sector are compatible with those in sectors on which the financial system is dependent (Chapter 3).

69. The tripartite authorities intend to make a formal assessment – across both firms and critical market infrastructure – of the current level of resilience against a range of scenarios and consider whether this seems adequate. The objectives of the exercise are:

- To find out the range of threats financial market participants currently plan for;
- To identify the functions regarded as most critical;
● To benchmark the resilience and recovery targets of the critical functions of the financial sector against particular levels of disruption;

● To assess whether those resilience and recovery targets collectively deliver a level of resilience across the sector as a whole that the authorities consider appropriate;

● To make proposals for addressing any gaps between the desired and actual levels of resilience.

70. There will undoubtedly be difficult choices to be faced on the appropriate response. The response will need to take account of the appropriate balance between costs and benefits. The authorities wish to reduce the risk of a piecemeal approach in which interdependent firms and infrastructure pursue different resilience goals. A common approach should be more cost-effective, ensuring that the investments of individual firms and the resilience of the system as a whole are not impaired by those who have done much less.

71. The authorities plan to carry out a pilot project in advance of the full roll-out. The main exercise will be very substantial given the number of participants likely to be involved. It will be conducted through detailed interviews as well as completion of a questionnaire. The analysis of the information provided will also be a significant undertaking – the authorities will seek to reach a judgement about the state of resilience of the financial sector as a whole, as well as assessing the status of individual firms. It is likely that the results will be communicated to the market initially in the form of a discussion paper, with an opportunity for market participants to respond and work with the authorities to develop a follow-up plan. The authorities plan to report on the preliminary results by summer 2005, and to be in a position to draw up a programme for future work by autumn 2005.

Testing

72. The second major initiative of the financial sector authorities in cooperation with market participants is to engage in a comprehensive testing programme.

73. There are three key objectives in testing to build resilience to operational disruption:

● To ensure the proper functioning of communications and other essential equipment and the accuracy of contact information;

● To ensure that there are sufficiently robust business processes, including communication plans, to follow in a crisis;

● To prepare senior decision-makers to make the most appropriate decisions in a crisis.

74. A cross-market exercise has been scheduled for November 2004. The exercise will build on the lessons learned from an earlier cross-market exercise in June 2003 hosted by CSFB. This year’s exercise is designed to test the communications infrastructure and procedures between the authorities and the financial sector that have been put in place since the earlier exercise. It also aims to test communications within and between different parts of the financial sector, including trade associations. One of the objectives is to increase understanding about the information the authorities are likely to need to address the crisis, how they will acquire it and what responses they may make. The exercise will also demonstrate what information or decisions will be fed back to
the financial sector, build awareness of and confidence in the procedures for communication and identify potential improvements in existing procedures.

75. The exercise contributes to meeting Recommendation 6, clarification of the respective roles of the financial authorities in the event of major operational disruption. A steering group of experienced practitioners, representing both key market sectors and the tripartite authorities, was established in July to assist in the design of the exercise. At least 50 organisations are expected to be involved including senior representatives of the major financial sector firms, market infrastructure, public sector bodies and trade associations. The authorities plan to hold further such exercises with the private sector annually.

76. In late 2004 and 2005, the financial sector authorities will be involved in additional exercises to address the following:

- To continue to test tripartite communications equipment, and exercise and review the processes underpinning the authorities’ proposed arrangements;
- To review the authorities’ decision-making ability;
- To participate in exercises with the wider UK public sector, Government and foreign authorities to validate their plans in the context of the wider public sector and international response.

Further progress on Task Force Recommendations

77. The tripartite authorities will also monitor and encourage further progress on a number of the other Task Force Recommendations.

78. The FMLC project to consider the viability of developing pan-market wording to address major operational disruption should make substantive progress by the end of 2004. It is hoped that the outcome of this work, in particular the analysis that will underlie the viability study, should enable firms to establish a clearer understanding of their own contractual position with respect to major operational disruption. The Task Force envisaged that, in parallel with a review of standard market documentation by trade associations, individual firms should also review their contracts as they came up for renewal, or as new ones were entered into. It also envisaged that firms should, where relevant, make use of the most recent master agreements, and should consider a review of longer-term contracts. This is particularly important in cases where non-standard documentation is used. The tripartite authorities consider that further action by firms needs to be taken on these issues in addition to the initiative being taken forward by the FMLC (Recommendation 2).

79. It will be important to ensure that market infrastructure powers and procedures are kept under review and subject to regular testing, with further change as necessary in the light of lessons learned. Infrastructure providers also need to ensure that their procedures to deal with major operational disruption are adequately publicised to system users to assist them in their own planning (Recommendation 3).
80. Market participants are encouraged to continue to review whether there is more they can do to make management of a crisis more effective. Work is now under way by the authorities to consider how to coordinate across markets. In addition, market groups and trade associations which may need to communicate with their members in a crisis should continue to keep their arrangements under review. And it remains important to practice the arrangements to increase the market-wide understanding of these decision-taking structures (Recommendation 7).

81. One way of smoothing the impact of market disruption is to make the outcome more predictable. Market participants and infrastructure providers should therefore review whether there would be benefits in agreeing compensation principles. The current FXJSC review is an example of a market addressing this issue. It is important that, as the Task Force recommended, these issues are also considered by market infrastructure providers and as part of the review of standard contract wording (Recommendation 5).

82. The authorities will continue to refine and rehearse their own coordination and communication arrangements. It is envisaged that further conferences will be held to present the work being carried out by the authorities, and that in parallel, there will be more opportunities for detailed discussion with senior market participants. A central tool in the authorities’ approach to communication will continue to be the website (www.fsc.gov.uk). The authorities intend to seek further input from market participants through a survey in winter 2004/2005 to inform the future development of the website (Recommendation 6).

83. On the international side, the authorities will be seeking to contribute to further progress on the development of good practice standards for systemically important infrastructure (Recommendation 4). The authorities hope to see more cross-sectoral cooperation, both in the development of high level guiding principles, and through greater coordination on crisis management (Recommendation 8). One element of this will be participating in international crisis management exercises.

84. In pursuing these objectives, the Tripartite Standing Committee aims to build upon the cooperative approach to business continuity planning adopted by the financial authorities and private sector date. The Standing Committee will be monitoring progress on the issues highlighted above and, by the end of 2005, will publish a further report on UK financial sector business continuity management which will review these initiatives and assess the extent to which further progress has been made.
### Annex: Glossary of acronyms

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>APACS</td>
<td>Association for Payment Clearing Services</td>
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<tr>
<td>BCM</td>
<td>Business Continuity Management</td>
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<td>BCP</td>
<td>Business Continuity Planning</td>
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<td>BPSL</td>
<td>BACS Payment Schemes Ltd</td>
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<tr>
<td>C&amp;CC</td>
<td>Cheque and Credit Clearing</td>
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<td>CCS</td>
<td>Civil Contingencies Secretariat</td>
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<td>CESR</td>
<td>Committee of European Securities Regulators</td>
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<tr>
<td>CLS</td>
<td>Continuous Linked Settlement</td>
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<td>CPSS</td>
<td>Committee on Payment and Settlement Systems</td>
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<td>CSFB</td>
<td>Credit Suisse First Boston</td>
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<td>DMO</td>
<td>Debt Management Office</td>
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<td>ESCB</td>
<td>European System of Central Banks</td>
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<td>FMLC</td>
<td>Financial Markets Law Committee</td>
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<td>FSA</td>
<td>Financial Services Authority</td>
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<td>FSC</td>
<td>Financial Sector Continuity</td>
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<td>FSF</td>
<td>Financial Stability Forum</td>
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<td>FXJSC</td>
<td>Foreign Exchange Joint Standing Committee</td>
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<td>HMT</td>
<td>HM Treasury</td>
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<tr>
<td>IOSCO</td>
<td>International Organisation of Securities Commissions</td>
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<tr>
<td>LGD</td>
<td>Lead Government Department</td>
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<tr>
<td>MERLIN</td>
<td>Markets and Exchanges Regulatory Liaison Information Network</td>
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<td>MMLG</td>
<td>Money Markets Liaison Group</td>
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<tr>
<td>NISCC</td>
<td>The National Infrastructure Security Co-ordination Centre</td>
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<tr>
<td>Ofcom</td>
<td>Office of Communications</td>
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<tr>
<td>RB</td>
<td>(FSA) Recognised Body</td>
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<tr>
<td>RTGS</td>
<td>Real Time Gross Settlement</td>
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<tr>
<td>SC3</td>
<td>Swift Crisis Coordination and Communication Group</td>
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<tr>
<td>SIBCMG</td>
<td>Securities Industry Business Continuity Management Group</td>
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