



Financial Services Technology Consortium

FSTC Technology Recovery Phase I Project – Executive Summary

Project Rationale

Financial Institutions (FI) are refining their enterprise vision and strategies for business continuity. Financial sector interdependencies and shared exposures make it imperative that FI enterprise continuity strategies are coordinated. Virtually all FI's have been evaluating how they must evolve their business continuity organizations and technology delivery infrastructure to meet expanded risk environments, higher customer expectations and increased regulatory scrutiny.

The Technology Recovery Project was designed to address the limited amount of concrete information on current technology recovery practices/strategies within large FIs. The objective of having such data was to understand what practices are prevalent today and where FIs are headed in the key area of technology recovery. Lacking data in decision-making, FI's have historically found it has been difficult to compare an individual institution's approaches to industry "best practices" (are we best in class, mid-point, behind?) and it has been hard to quantify the proper level of investment in recovery solutions.

FSTC members also recognized an untapped opportunity to drive vendors towards standardization and enhancements to reduce costs and effort, and ultimately reduce risk. Furthermore tactical financial industry dialog and networking/communication around technology recovery were missing. FSTC and its members are excited about the synergies and opportunities coming out of the Technology Recovery Project and are already working toward taking the project recommendations forward.

Five of the top ten financial institutions in North America participated in this project. The list of contributors to this industry leading effort included organizations such as Bank of America, Bank One, Comerica, Huntington, US Bank and Wachovia Corporation. The vendors who participated were IBM, Microsoft and Veritas.

Project Scope and Approach

In order to focus the project, we zeroed in on infrastructure recovery comprised of five technology infrastructure towers: mainframe, distributed/open servers, storage, network, and desktop. These technologies were viewed in the context of post-outage, remote recovery assuming the primary facility was lost. Recovery testing, change management and prevention practices were considered out of scope.

FSTC partnered with the FI continuity teams to conduct surveys and interviews of key staff responsible for the various technology areas at the various companies. Throughout the process input was gathered from the vendor community while identifying prevalent practices, industry trends, and opportunities for industry action to answer these questions:

- What recovery strategies do you use today?
- What technology recovery practices do you consider best and why?
- What have been the drivers (i.e., cost/risk trade-offs, regulation) for the selection of a particular technology recovery strategy?

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- What investments/enhancements are you making in the next 12 months, and why?
- Where are the gaps in current technology recovery solutions that you face?

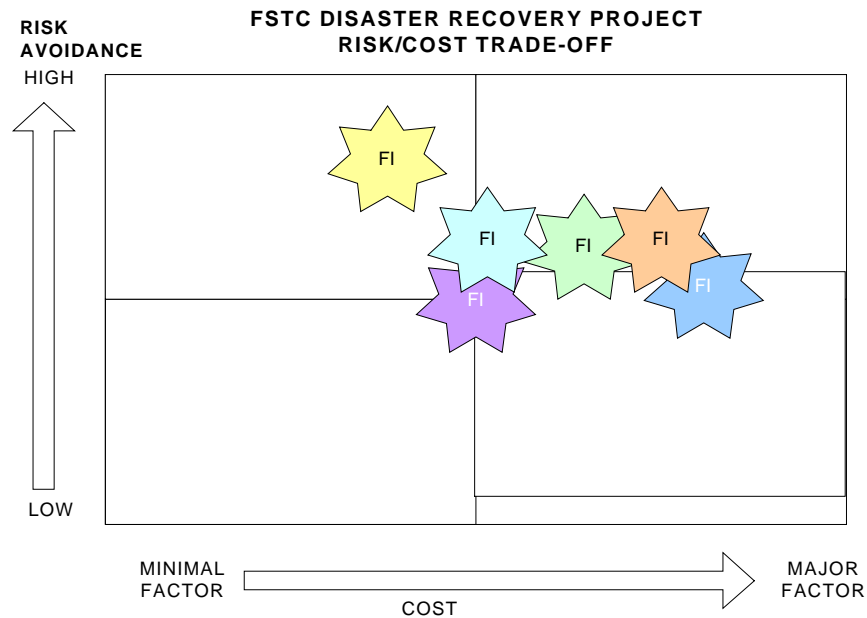
Technology Recovery: Business Drivers

A number of business imperatives were identified which drove the process for the FIs to arrive at the recovery approach they have in place today. In order of importance, these business imperatives include:

1. Risk - Impact of larger regional recovery events now have a higher threat and consequence level coupled with the reactive nature of responding to unplanned events. Are our critical business applications properly protected from unexpected business interruptions?
2. Cost – drive to employing more automation lowering the human element
3. Customer requirements in the global marketplace
4. Regulation remains a major driver with FIs in setting business continuity strategies. Organizations must balance the benefits of being proactive versus reactive to regulation as new and expanded requirements are announced, e.g., FFIEC White Paper and Auditors Handbook, Sarbanes Oxley and Basel II
5. Interoperability leading to industry-wide recovery standards

Participant Risk Profiles

Based upon the information collected, participants were grouped comparing risk avoidance and cost affecting their approach to recovery. This chart shows the participants were grouped slightly favoring less cost and accepting more risk when choosing between recovery options.



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Project Accomplishments

We assembled and analyzed detailed technology recovery practices/trends in the “large bank” financial sector:

- Comparing and contrasting recovery designs, technologies and strategies among the participants
- Analyzing risk versus cost trade-offs and the drivers for selecting various technology recovery options
- Documenting technology trends among the financial services providers and the vendors offering recovery solutions
- Analyzing technology recovery drivers (e.g., regulation, customer expectations, global marketplace) their impact on strategies and trends

In addition, we identified technology recovery gaps and related opportunities for industry activities targeted at enhancing recovery designs. We also developed specific recommendations for next steps activity focused on reducing cost and risk while simplifying the technology recovery process.

Findings

A number of important findings include:

- Recovery activities are being integrated into systems design and incorporated into day to day production practices
- Technology recovery is moving toward more automation to reduce recovery times and eliminate the element of human error
- Organizations are demanding faster recovery capability at lower cost with proven technologies
- There is increased consideration being given to large scale disasters and related geographic position/distance; risk is being dispersed among multiple locations
- FIs are moving toward internal bunker centers and away from 3rd party recovery

During the data gathering process, gaps in recovery functionality were identified where actions need to be taken to refine:

- Strategies to address data synchronization and interdependencies
- Testing across multiple environments
- Disclosing undocumented tuning capabilities in software
- Dash Board reporting for technology recoverability

Recommendations

We gained a number of insights leading to the following recommendations:

1. Develop an End-to-End Recovery design effort leading to Interdependency Exercises among financial providers
2. Develop an industry vetted approach for providing a Recovery Dashboard which can provide reporting on system recoverability status and risk

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3. Coordinate/conduct quarterly roundtable sessions among financial services providers targeted at addressing gaps and establishing industry-wide technology recovery best practices
4. Establish an ongoing financial industry dialogue with technology vendors to communicate fix/new release priorities in support of more effective and standardized technology recovery solutions

Next Steps

The FSTC members are in a unique situation to capture the momentum developed during this project to take a leadership role to:

1. Conduct an industry roundtable discussion with FSTC Technology Recovery Project Team and a broader group of financial services providers to:
 - a. Define approach to designing a technical recovery interdependency testing process
 - b. Review and discuss the implications of known technology recovery gaps and trends
 - c. Consider options/solutions that can be pursued to address technology recovery gaps common to financial services firms and vendors
 - d. Establish vendor communication forum targeted at enhancing recovery technologies & tools
2. Form a working group to outline recovery dashboard and reporting needs/direction
3. Explore alternative models to funding/staffing future phases

About FSTC

FSTC is a financial industry research organization comprised of banks, financial service firms, industry partners, national laboratories, universities and government agencies. Its goal is to bring forward interoperable, open-standard technologies for the financial services industry that makes possible new products and services. FSTC projects push the envelope of financial services technology, focusing on areas where industry collaboration is possible, and needed, to enable new products, reduce costs and risk, or expand market reach. FSTC provides a unique forum for financial institutions and vendors to work together on taking ideas from concept to pilot to the marketplace. For more information, see <http://fstc.org>.