

Operational Resilience

Latest Updates on Business Continuity Planning Requirements

April 2023



Revision of TM-G-2

In view of strengthening banks' operational resilience under significant disruptions, the Hong Kong Monetary Authority issued a revised version of the SPM module TM-G-2 on "Business Continuity Planning" ("BCP") in May 2022 to provide enhanced guidance on business continuity planning, which is a key component of an effective operational resilience framework. The HKMA had previously issued SPM TM-G-2 Business Continuity Planning in 2002, which set out the minimum control standards for operational resilience deployed by banks.

Als shall consider various risk management areas and leverage the HKMA guidance and policies on BCP when developing its Operational Resilience framework.



Summary of Key Updates

The revised TM-G-2 extends the scope of BCP and includes additional considerations and requirements from the HKMA.

<p>Terminology</p>	The scope of BCP has been extended from critical services to critical operations and the standard now defines the following:			
	<p>Critical operations</p> <ul style="list-style-type: none"> Activities, processes, and services, as well as supporting assets which, if disrupted, could pose material risks to the viability of the AI itself or impact the AI's role within the Hong Kong financial system. 	<p>Severe but plausible scenarios</p> <ul style="list-style-type: none"> Situations that would result in significant disruptions, and while unlikely to occur, remain probable. 	<p>Tolerance for disruption</p> <ul style="list-style-type: none"> The maximum level of disruption to a critical operation that an AI can accept. 	
<p>Scope of BCP</p>	Most risk management considerations associated with operational resilience are already covered by the existing HKMA guidance. Als should ensure they are compliant with the supervisory requirements, especially for: <ul style="list-style-type: none"> Preparing for and managing risks to critical operations delivery; and Responding to and recovering from incidents 			
<p>Business Impact Analysis</p>	Business impact analysis ("BIA") should taking into account the tolerance for disruption set by the AI.			
	<p>Identification of critical operations</p> <p>Entails an assessment of the overall exposure to the AI if the normal functions or services cannot be performed with defined criteria.</p>	<p>Time-frame assessment</p> <p>Determines how quickly the AI needs to resume the critical operations identified, taking into account the tolerance for disruption set by the AI.</p>		
<p>Recovery Strategy Formulation</p>	The recovery strategy formulation has been extended to business functions, not only limiting to individual critical business functions.			
<p>Development of BCP</p>	Strategies and mechanisms that enable teams to stand in for each other where needed. For example: <ul style="list-style-type: none"> Work-from-home arrangements Split-team arrangements 			
	BCP should incorporate: <ul style="list-style-type: none"> Business impact analysis Recovery strategies Testing programmes Training and awareness programmes Communication strategies Crisis management processes 			
<p>Crisis Management Process</p>	Additional process for crisis management is required: <ul style="list-style-type: none"> The process for establishing the roles and responsibilities for managing operational disruptions and clear guidance regarding the succession of authority in the event of a disruption that impacts key personnel In addition to criteria for activation of the BCP and/or alternate sites, clear internal decision-making process is also require 			
<p>Testing and Rehearsal</p>	The requirement of BCP testing is specified:			
	<p>Scenarios</p> <ul style="list-style-type: none"> Covers a range of severe but plausible scenarios that incorporate disruptive events and incidents. 	<p>Frequency</p> <ul style="list-style-type: none"> Is based on a variety of factors instead of strictly following the annual requirement. 	<p>Management participation</p> <p>Is required for BCP testing each time.</p>	<p>Interdependencies</p> <p>Interdependencies with third parties and intragroup entities should be considered during testing.</p>



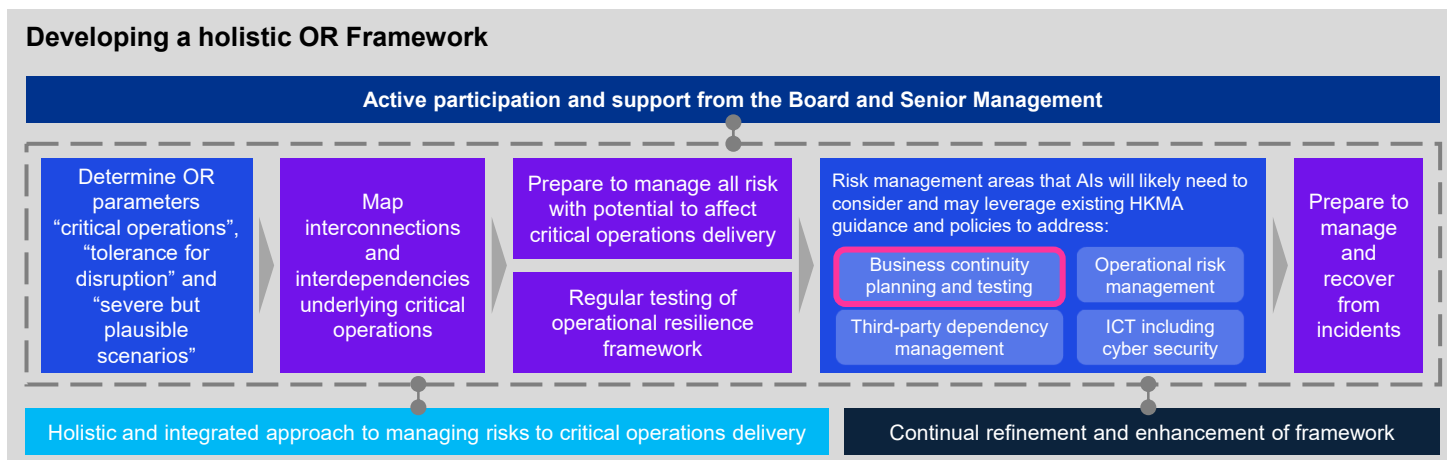
Building OR-2 on top of BCP

On 31st May 2022, the HKMA also released the revised TM-G-2 (Business Continuity Planning) to align with the requirements listed in the OR-2.

	BCP (2002 version) Coverage	OR-2 Requirements not covered in the BCP
01 R&R of the Board and Senior Management	Senior Management to establish policies, standards and processes, which should be endorsed by the Board.	OR framework, critical operations, tolerance for disruption & severe but plausible scenarios requires new approval from the Board. Duties may be discharged by the Board itself or a Board-level committee assigned to oversee OR matters.
02 Define Critical Operations	Critical Services: Services that must be maintained in a disaster.	Critical Operations: Operations that will impact AIs' viability and HK financial system if being disrupted.
03 Define Tolerance for Disruption	Not mentioned in the BCP (2002 version)	Tolerance for disruption Time-based metrics required, quantitative & qualitative metrics recommended.
04 Determine Severe but Plausible Scenarios	Emergencies / Disasters: Focuses on destruction of buildings, loss of life & dislocations to operations.	Other severe but plausible scenarios: Other situations that could result in significant disruptions given the changing operational landscape.
05 Mapping Interconnections & Interdependencies	Not mentioned in the BCP (2002 version)	Mapping Exercise: Document interconnections and interdependencies to identify what risks or events may affect or disrupt critical operations delivery
06 Manage Risk to Critical Operations Delivery	Business Continuity Planning & Testing	Information and Communication Technology (inc. cyber security): May refer to Cyber Resilience Assessment Framework 2.0 / TM-G-1 General Principles for Technology Risk Management. Third-Party Dependency Management: May refer to SA-2 Outsourcing, important for outsourcing relying firm.
07 Scenario Testing	Contingencies and BCP shall be tested periodically Testing report and remediation plan to address BCP gap & weakness	Other severe but plausible scenario: Other scenarios not covered in BCP shall be included under new OR-2 scope.
08 Incident Management & Recovery	Recovery Strategies: Formulate recovery strategies to achieve the recovery time-frame and deliver minimum level of services.	Incident Management: Establish an effective incident management programme to manage all incidents, including those on third parties. Root cause analysis of incidents are required to prevent and minimize recurrence of disruptions.



KPMG's approach to developing a holistic OR Framework



KPMG's approach to building an OR Framework

Planning				Implementation	
Gap Assessment	OR Framework Development	OR Strategy & TOM Design	Service Assessment Pilot	Implementation Planning for the next 36 months	Implementation Support based on the Implementation Plan

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Contact us

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