

PRESS RELEASE

ABI, Italian banks are disaster-proof

At the ABI Lab workshop on Business Continuity, an overview of the solutions adopted by the banking sector to respond to exceptional disasters and critical events. Investments of over € 350 million between 2005 and today

Earthquakes, blackouts, accidents, floods: in the event of a disaster, what happens to the operations of Italian banks and to data on transactions, payments and current accounts held at them? Three years on from the first supervisory instructions of the Bank of Italy regarding business continuity and disaster recovery, and eight months from the earthquake in Abruzzo, which put the systems and procedures of the institutions present in the area to the test, business continuity has become a solid part of the life of Italian banks. In terms of business continuity, the sector has actually gone beyond the *legislative dictates*, with the objective of achieving increasingly higher levels of continuity and, therefore, of service quality. Involving more organisational units and critical processes perfectly integrated with the other business functions and investing – in technology alone - € 350 million between 2005 and 2007, plus a further € 21 million for maintenance, updates and testing. These are the findings of the analysis conducted by ABI Lab, ABI's Bank Technology Research and Development centre, on the solutions adopted by the banks to adequately respond to exceptional disasters and critical events. 271 banks took part in the survey, representing 87% of the system in terms of personnel and over 83% in terms of branches, and the five main interbank outsourcers, which manages the information systems of 471 banks for a total of 8900 branches. The survey covered an analysis of the impact scenarios, the identification of critical processes and the definition of procedures which, in the event of a disaster, guarantee the business continuity of the bank's critical processes. The main results of the survey presented in Milan at ABI Lab's annual workshop on Business Continuity.

Business continuity put to the test of earthquakes and pandemics

In 2009, the earthquake in Abruzzo was reported as one of the reasons for the implementation of continuity solutions (66% of banks), however also more minor events were reported such as fires, floods, blackouts (53%), IT problems (47%), and public safety episodes such as bomb scares and terrorist attacks (2%) and moves (2%). In particular, over the course of 2009, Business Continuity functions coordinated both the responses of the banks operating in the L'Aquila area hit by the earthquake and the containment measures linked to the A virus flu pandemic. In particular, on the occasion of the earthquake that occurred in Abruzzo in the night between April 5 and 6, Italian banks contributed to facilitate the management of the crisis and to assist the local community by rapidly and efficiently taking the measures needed to guarantee the business continuity of the branches operating in the area struck by the disaster. Between 5.45 and 10.30 on April 6, the crisis committees of the 15 banks in question met to tackle the most urgent problems linked to reconciling personnel and assessing the impact on branches. By midday on the same day, the *mirror branches* had been identified that could replace those damaged by the quake, guaranteeing the most urgent services to the community such as blocking cards lost under the debris and paying in cash kept in houses that were considered unsafe due to the earthquake. Two days later, branches along the coast were reinforced ready for the arrival of the evacuees at hotels in the area, while in the days immediately after, 24 mobile branches were prepared in camper vans and containers.

The costs of business continuity

In terms of costs, on average each institute spends over € 1.3 million to implement, maintain and test their so-called "continuity plans". To manage expenses in the best way possible, almost two-thirds of banks have a

specific budget for their business continuity programme, which in almost 54% of cases has a time horizon of one year and in 19% of cases has a longer time horizon.

Crisis scenarios

Business continuity considers a variety of crisis scenarios: from the unavailability of buildings, to that of the IT system and of resources considered “critical”. However, banks have focused their efforts above all on the organisational front, putting in place solutions and procedures to overcome critical stages. As regards the case in which a disaster renders buildings temporarily unavailable, each bank identifies, on average, 1.9 solutions in terms of back-up work stations. 59% envisage said work stations in group buildings other than the branch in question, while 51% has identified alternative places of work. Furthermore, 39% also envisage the possibility of using training rooms for this purpose. 15% of the back-up work stations located at third-party facilities, lastly, are dedicated to single banks, while 27% are shared by different banks.

To guarantee the business continuity of critical resources, banks have set up a series of solutions: specific technological equipment which facilitates reachability (82%); back-up resources with similar competences (20%); arrangements regarding holiday leave (20%) and the planning of trips (1%). Of the other solutions adopted, agreements for mutual assistance with other banks in the event of the unavailability of critical business resources and the use of skills-mapping and the tracing of specialist personnel.

Updates, simulations and tests

The updating of the information contained in the Continuity Plan, the alignment of the solutions identified with the company situation and the planning and performance of tests, as a fundamental time to check the envisaged measures, are essential to guarantee the effectiveness of continuity procedures. As regards updating and checking the Plan, in the majority of cases, it is a formal process: in fact, 90% of banks have drawn up structured and documented procedures with this objective. Furthermore, Business Impact Analysis is used to determine the impact on the business of the unavailability of company resources, to identify containment measures appropriate to real business requirements. This analysis is performed every year by a quarter of the banks and every three years by 21%. Lastly, 79% of the banks envisage an annual plan to check and test the measures included in the Continuity Plan. In particular, in 2008, each group conducted an average of 5.2 test sessions involving an average of 72 resources per test for a total of almost 1600 employees. Three quarters of the banks have also envisaged simulations, namely the most complete, but most onerous test method, proof of the fact that topics such as the effectiveness and efficiency of Business Continuity systems are particularly important to the banking sector. The tests conducted included all stages of crisis management in 15% of cases. The stages covered by the tests include: management of business continuity processes (55% of banks), the return to standard operations (39%) and crisis management and coordination processes (36%).

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