



**FINANCIAL SUPERVISORY COMMISSION  
OF THE  
COOK ISLANDS**

**Banking Prudential Statement**

**BPS11**

**Business Continuity Management**

## Objectives and key requirements of this Prudential Statement

This Prudential Statement requires each bank to implement a whole-of-business approach to business continuity management that is appropriate to the size and complexity of its operations. Business continuity management increases resilience to business disruption arising from internal and external events. Business disruption must be appropriately managed to ensure the bank protects the interests of the institution and ultimately its depositors

The key requirements of this Prudential Statement are that a bank must:

- identify, assess and manage business continuity risks;
- develop and maintain a Business Continuity Plan; and
- notify the FSC in the event of certain disruptions.

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## Authority

1. This Prudential Statement is issued by the Financial Supervisory Commission (FSC) in accordance with section 65 of the Banking Act 2011 (the Act).

## Application

2. This Prudential Statement is applicable to all financial institutions licensed under the Banking Act 2011.

## Definitions

3. This Prudential Statement has used the following terms, which unless otherwise indicated, have the meanings specified below:
  - 3.1. **Bank** – an entity licensed under the Banking Act 2011.
  - 3.2. **Business Continuity Management** - a whole-of-business approach that includes policies, standards, and procedures for ensuring that specified operations can be maintained or recovered in a timely fashion in the event of a disruption. Its purpose is to minimize the operational, financial, legal, reputational and other material consequences arising from a disruption.
  - 3.3. **Business Impact Analysis** – a dynamic process for identifying critical operations and services, key internal and external dependencies and appropriate resilience levels. It assesses the risks and potential impact of various disruption scenarios on an institution’s operations and reputation.
  - 3.4. **Recovery Strategy** - sets out recovery objectives and priorities that are based on the business impact analysis. Among other things, it establishes targets for the level of service the institution would seek to deliver in the event of a disruption and the framework for ultimately resuming business operations.
  - 3.5. **Business Continuity Plan** - detailed guidance for implementing the recovery strategy. They establish the roles and allocate responsibilities for managing operational disruptions and provide clear guidance regarding the succession of authority in the event of a disruption that disables key personnel. They also clearly set out the decision-making authority and define the triggers for invoking the Plan.
  - 3.6. **Critical Business Operations** - the business functions, resources and infrastructure that may, if disrupted, have a material impact on the Bank’s business functions, reputation or profitability, and as such depositors’ interests.
  - 3.7. **Business Disruption** - any interruption to normal business working conditions that may have a material impact on the bank’s business functions, reputation or profitability, and as such depositors’ interests.

## **Board and Senior Management Responsibilities**

4. A bank must identify, measure, monitor and control potential business continuity risks to ensure that it can meet its ongoing obligations to its customers in a timely manner.
5. A bank's Board and senior management are collectively responsible for the institution's business continuity.
6. The Board must approve the bank's Business Continuity Management Policy (BCM Policy).
7. BCM should be an integral part of the overall risk management program of a bank.
8. The Board must ensure that the bank's business continuity risks and controls are considered as part of its overall risk management systems and when completing a risk management declaration required to be provided to the FSC<sup>1</sup>.

## **Business Continuity Management**

9. A bank's BCM must, at a minimum, include:
  - 9.1. a BCM Policy in accordance with paragraphs 10 and 11;
  - 9.2. a business impact analysis (BIA) including risk assessment in accordance with paragraphs 12 and 13;
  - 9.3. recovery objectives and strategies; in accordance with paragraphs 14 and 15;
  - 9.4. a business continuity plan (BCP) including crisis management and recovery in accordance with paragraphs 16 to 19; and
  - 9.5. programs for:
    - 9.5.1. review and testing of the BCP in accordance with paragraph 20; and
    - 9.5.2. training and ensuring awareness of staff in relation to BCM.

## **BCM Policy**

10. A bank must have an up-to-date documented BCM Policy that sets out its objectives and approach in relation to BCM.
11. The BCM Policy must clearly state the roles, responsibilities and authorities to act in relation to the BCM Policy.

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<sup>1</sup> Refer to *Prudential Statement on Governance and Risk Management*

## **Business Impact Analysis**

12. A BIA involves identifying all critical business functions, resources and infrastructure of the bank and assessing the impact of a disruption on these.
13. When conducting the BIA, the bank must consider:
  - 13.1. plausible disruption scenarios over varying periods of time;
  - 13.2. the period of time for which the bank could not operate without each of its critical business operations;
  - 13.3. the extent to which a disruption to the critical business operations might have a material impact on the interests of depositors of the bank; and
  - 13.4. the financial, legal, regulatory and reputational impact of a disruption to a Bank's critical business operations over varying periods of time.

## **Recovery objectives and strategies**

14. Recovery objectives are pre-defined goals for recovering critical business operations to a specified level of service (recovery level) within a defined period (recovery time) following a disruption.
15. A bank must identify and document appropriate recovery objectives and implementation strategies based on the results of the BIA and the size and complexity of the bank.

## **Business Continuity Planning**

16. A bank must maintain at all times a documented BCP that meets the objectives of the BCM Policy.
17. A copy of the Plan must be maintained at an off-site location readily available in the event of a disruption.
18. The BCP must document procedures and information that enable the bank to:
  - 18.1. manage an initial business disruption (crisis management); and
  - 18.2. recover critical business operations.
19. The BCP must reflect the specific requirements of the bank and must identify:
  - 19.1. critical business operations;
  - 19.2. recovery levels and time targets for each critical business operation;
  - 19.3. recovery strategies for each critical business operation;
  - 19.4. infrastructure and resources required to implement the BCP;

19.5.roles, responsibilities and authorities to act in relation to the BCP; and

19.6.communication plans with staff and external stakeholders.

## **Review and Testing of BCP**

20. A bank must review and test its BCP at least annually, or more frequently if there are material changes to business operations, to ensure that the BCP can meet the BCM objectives. The results of the testing must be formally reported to the Board or to delegated management.

21. The BCP must be amended to correct any problems or issues identified as part of the review and testing required under paragraph 20.

## **Audit Arrangements**

22. A bank's internal audit function, or an external expert, must periodically review the BCP and provide assurance to the Board or to delegated management that:

22.1. the BCP is in accordance with the bank's BCM Policy and addresses the risks it is designed to control; and

22.2. testing procedures are adequate and have been conducted satisfactorily.

## Issuance Details

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