Cayman Islands Monetary Authority Case Study

Business Continuity Planning in the Post Ivan Recovery in the Cayman Islands

Hurricane Ivan Chronology

Hurricane Ivan hit the Cayman Islands on September 11 2004; the Cayman Islands Monetary Authority (the "Authority") resumed full operations on 20 September 2004, as did many financial institutions.

By 20 September 2004, electricity, water and telecommunications services were restored in the capital and the Cayman Islands' seven clearing banks were able to make available a wider range of services to all clients. The banks had begun skeleton operations, offering withdrawals to their customers after the event, even without the benefit of functional electricity and telecommunications.
By the week of 27 September 2004, full retail banking services were restored in the capital.

Business Continuity Planning - Financial Services Sector – Immediate Post-impact survey

In a post-hurricane survey carried out among banks by the Authority, 90 percent of respondents reported having had business continuity plans at the time the hurricane struck. These businesses were able to resume at least some services almost immediately after the hurricane. Businesses that had not invested in continuity and recovery planning were closed for longer periods.

Business Continuity Planning - Financial Services Sector – 2007 survey

Three years on from Hurricane Ivan, institutions were just as convinced of the value of contingency planning as they were in the weeks after the event. In May 2007, the Authority issued a questionnaire to its licensees and registrants in the banking, insurance and funds sectors. It was an informal, purely voluntary survey to get them to reflect on, and share with the Authority, the role of contingency planning in their response to, and recovery from Hurricane Ivan. The Authority received very positive responses from licensees in the banking, insurance and investment funds sectors which has increased the focus and efficiency in responding to contingency planning as a jurisdiction.

Confirming the findings of the post Ivan survey, 30 respondents in this survey (or 94 percent) reported having had contingency plans in place at the time of the Hurricane.

When asked if the implementation of their plan made a difference to the recovery of their company, 83 percent, reported that implementing the plan had made a positive difference.
Among their various comments, respondents reported that by implementing their plan they were able to quickly establish staff wellbeing & requirements; ensure their records and

equipment were backed up and secured; evacuate staff, including staff key to the resumption of business, and transition to back-up sites (including off-island locations). Many of the businesses were international and, through their plan, could activate arrangements to access recourses off-island.

A common theme among respondents was that implementing their plans made the recovery process a lot easier and a more efficient. The implementation of their plans facilitated continuation of service or shortened the period of interruption of business thus preventing loss of business or keeping losses to a minimum.
Respondents noted that their plans provided a point of reference, a road map, and a structure that staff could hold on to and within which they could do what needed to be done.
One respondent said: "The recovery of critical operations provided a structured work environment for staff to return to, which was essential given the additional personal chaos that many had to address."

A major benefit was the preservation of consumer/community confidence. One respondent put it this way: "The largest benefit was the confidence of the community as we were able to provide them with financial resources to assist them to meet their immediate needs. Also we were able to meet the needs of our international clients through our counterparts in other jurisdictions." Some respondents saw a clear links between the implementation of their contingency plans and subsequent growth in their businesses due to the efficient recovery of operations.

It is important to note that having disaster response and recovery plans did not spare the financial sector from severe challenges from Hurricane Ivan. Several of the respondents noted that one of the most important benefits of having had a contingency plan during such a time was the testing of those plans and the subsequent improvements to their preparedness.
Fifty five percent of respondents to our recent survey reported experiencing some difficulties in implementing their plan. The most common issue was that most people had not imagined the magnitude of such an event and the significant effects.

Most of the population had not prepared for the level of storm surge that the island experienced. The destruction of roads and vehicles, which made movement from point to point difficult; the destruction of housing stock which significantly reduced available living accommodations were all drastic effects

Interestingly, when we asked the question of whether the implementation of a business continuity plan made a difference to the recovery of licensee businesses, a total of five of the 29 respondents to whom the question applied reported that implementing their plan had *not* made a difference to their recovery.

Several respondents highlighted aspects that their plans had not adequately covered. These include the inability to evacuate key staff immediately prior to the strike; the lack of electricity, telecommunications, water and domestic necessities in the immediate aftermath, which made communication attending to personal needs difficult. This speaks to the fact that all did not have adequate plans in place to deal with a disaster of that magnitude.

REGULATORY FRAMEWORK

The Cayman Islands Monetary Authority regulates the Cayman Islands' financial services sector which is inclusive of Banks, Trust and Corporate Business, Insurance both international and domestic and Funds business.

As the regulator of financial services, one of the Authority's specific responsibilities is to "promote and maintain a sound financial system in the Islands" and to "promote and enhance market confidence." Ensuring that regulated entities achieve and maintain a high degree of resilience is a critical way in which the Authority fulfils the responsibility of promoting and maintaining a sound financial system and market confidence. It goes without saying, that as the regulator, the Authority has a duty to ensure its own business continuity so that it can continue to carry out its functions with minimum disruption should a disaster threat occur.
Not only is the Authority responsible for licensing and supervision of financial services, it is also responsible for the distribution and management of the Islands currency. The provision of these services is crucial to the continued functioning of the financial sector and in fact for all residents being able to continue, or resume, normal activity.

The Authority has therefore made business continuity planning a priority and has developed its own business continuity /disaster recovery plan. The plan was in development before Hurricane Ivan and contributed to CIMA's ability to resume operations after the hurricane.

Cayman Islands Monetary Authority - BCP

The Cayman Islands Monetary Authority's plan guides the Authority through six steps covering:

- Crisis Assessment
- Response Management
- Business Recovery Management
- Emergency Management
- Staff Well-Being Management
- Public Relations Management

Hurricane Ivan demonstrated the value of having alternate locations from which business operations can continue in the event of a major contingency. The Authority's Business Recovery plan therefore now provides for two off-site locations to facilitate continuity of operations should the need arise. The primary back-up site is on Grand Cayman. The other back-up site is on the sister island of Cayman Brac and provides a further layer of protection.

To help set the environment in which disaster recovery and business continuity planning becomes an intrinsic part of business operations in the financial industry, the Authority has developed a *Statement of Guidance on Business Continuity Management for All Licensees.* The Statement of Guidance provides a framework for licensees to develop, implement and maintain their own comprehensive business continuity plans. The measure is in keeping with regulatory principles articulated by the Basel Committee on Banking Supervision, International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS).

The Statement of Guidance, which came into effect in March 2007, recommends licensees adopt a process-oriented approach to business continuity planning. This approach involves business impact analysis, risk assessment, risk management, and risk monitoring and review. It notes the responsibility of the board and senior management for the effective management of the entity's business continuity. It states the need for planning for risks that could cause major operational disruptions. It deals with recovery objectives, communications, training and testing. One of the ways in which the Authority monitors compliance with the standards outlined in the Statement of Guidance is through the routine examination/inspection process.

There has always been close cooperation between Government and financial services providers. One of the key factors in the financial sector's recovery from Hurricane Ivan was the willingness and ability of the Authority, the Government and the private sector to work together.

In the aftermath of the hurricane, the Authority held weekly meetings with various industry associations to ensure that the needs and concerns of the financial industry were aired and addressed; that their priorities were defined and relevant information forwarded to Government.