

Recovery Plan Webinar Questions and Answers

On October 14, 2021, BCFSA hosted an information session offering participants a high-level overview of the Recovery Plan Guideline currently in development.

Speakers Ravinder Purewal and Rob O'Brien of BCFSA's Financial Institutions Policy team provided background and context for the guideline, highlighted the importance of crisis preparedness planning, and answered questions from participants.

For the benefit of those unable to attend the webinar, the following FAQ covers the main themes of the questions from participants.

THEME: NEED FOR RECOVERY PLANS

- 1. How did BCFSA determine the need for a Recovery Plan Guideline?

BCFSA conducted a comprehensive analysis prior to the Recovery Plan Guideline release. Below are some factors that support the release of the Recovery Plan Guideline.

Support a vibrant financial services sector by fostering strong and resilient institutions

Canadian financial institutions have historically been and continue to be resilient, in large part due to risk management planning. This is owed in part to maintaining liquidity and capital management plans, which help organizations to proactively monitor liquidity and capital levels, and to provide a step-by-step plan to respond to breaches of liquidity and capital metrics. It is these types of plans that have contributed to the resiliency of Canadian financial institutions. Recovery Plan Guidelines continue to build the resilience of financial institutions

Invest in Preparation:

Finance teams and leaders must be able to respond quickly to the changing circumstances they face. Businesses that

are not prepared to respond to severe financial stress events face an increased risk of non-viability. A Recovery Plan is designed to respond to all types of adverse financial crises. The better prepared a financial institution is to respond to all future potential crises, the better it can recover from these adverse events. Recovery Plans make individual financial institutions more robust and prepared to respond to financial stress events and contribute to increased systemic stability.

Adherence to National and International best practices.

The Financial Services Regulatory Authority of Ontario released a Recovery Plan Guideline with an effective date of July 5, 2021. The Office of the Superintendent of Financial Institutions ("OSFI") also has Recovery Plan expectations of its financial institutions; however, these expectations have not been publicly released in the form of a guideline.

In developing the draft Recovery Plan Guideline, BCFSA reviewed the FSRA guideline and discussed the Recovery Plan expectations with OSFI staff. We have also reviewed international

2. How do Recovery Plans differ from other plans, such as Business Continuity Plans (“BCP”) and Disaster Recovery Plans (“DRP”)?

Planning for Ongoing Viability:

The purpose of a Recovery Plan is to respond to a severe financial stress event. The Recovery Plan is a comprehensive plan, and it is strategic in nature. The Recovery Plan is activated when a financial institution is approaching but has not yet reached the point of non-viability.

The BCP and DRP are considered operational plans, which are also intended to respond to unplanned events, but where the ongoing viability of the financial institution is not threatened.

A BCP is intended to ensure a financial institution remains operational during an unplanned business interruption, and a DRP is a plan to restore normal operations following an unplanned business interruption impacting critical technology infrastructure, data, and system applications.

Internal Controls and Risk Management:

Recovery planning encourages financial institutions to examine their organizational processes and practices to address gaps before being faced with a financial disruption event, potentially minimizing or eliminating the impact of the event.

Actionable Steps:

A Recovery Plan provides a step-by-step manual with a tested set of actions to use when faced with a severe shock.

Reputation Management:

Finally, it protects and enhances a financial institution’s reputation and provides assurance to customers that it is prepared to respond to severe stress events without impacting its viability.

Recovery Plan guidelines in the US and UK.

THEME: PROPORTIONALITY

- 3. Will proportionality be applied to Recovery Plans?

Proportionality means that the expectation of the Recovery Plan is commensurate with the organization’s risk profile and reflects the relative differences between the institutions in how they identify, measure, monitor, and mitigate risk.

A Recovery Plan is expected of all financial institutions, regardless of size and complexity. BCFSa will apply the concept of proportionality when assessing whether the financial institution has developed a suitable Recovery Plan.

We expect larger, more complex financial institutions to have a more detailed and comprehensive Recovery Plan, while smaller financial institutions with a lower risk profile will have less intense expectations.

While we understand that some financial institutions would like more clarity regarding the application of proportionality, it is dependent on the level of risk posed by the financial institution, and the expectations of the Recovery Plan will be tailored based on that risk assessment.

- 4. Is the Recovery Plan Guideline tailored to B.C. provincially regulated entities?

Recovery planning principles are consistent across Recovery Plan guidelines. The concept of proportionality will be applied to determine the appropriate level of detail required for each financial institution’s Recovery Plan. The expectations of each financial institution’s Recovery Plan will be commensurate to the level of risk each financial institution poses to the system.

THEME: DEVELOPING AND OPERATIONALIZING RECOVERY PLANS

- 5. What level of involvement is expected of the Board in operational components of the plan?

The Board is expected to review and approve the financial institution's Recovery Plan. The Board expectations are outlined in the Governance section of the Recovery Plan Guideline. The Board is expected to provide oversight and guidance as the Recovery Plan is developed, the drafting, maintenance and testing of the Recovery Plan is the responsibility of senior management.

- 6. Are there sample plans available?

Sample plans would not be appropriate because Recovery Plans for each financial institution must be tailored to that specific institution's operations and risk profile.

THEME: TIMELINES

- 7. What is the expected timeframe for implementation of the Recovery Plan Guideline?

BCFSA will consider the implementation timelines of recently issued guidelines such as the Information Security and Outsourcing Guidelines when determining the effective date of the Recovery Plan Guideline. The timeline for implementation will be communicated once the Recovery Plan Guideline has been finalized. The Guideline is anticipated to be finalized in the spring of 2022.

- 8. What are the opportunities for providing feedback during the consultation?

BCFSA is open to holding consultation sessions with regulated entities. BCFSA has scheduled a consultation session with the credit union sector via CCUA and would be happy to schedule consultation sessions with other groups. Regulated entities are also invited to provide written feedback.

The consultation closes on December 3, 2021. To request a consultation session, please send an email to the policy inbox at policy@bcfsa.ca.