

H1N1: Local financial institutions prepared, says BNM

Measures in place to ensure smooth operations of payment and settlement systems

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KUALA LUMPUR: Local financial institutions are prepared to deal with any disruptions to business continuity from threats such as the Influenza A (H1N1) pandemic, said Bank Negara Malaysia (BNM).

Measures were also in place to ensure the smooth operations of the payment and settlement systems, said the central bank in a reply to email queries from *The Edge Financial Daily* about the state of preparedness of local banks.

As at July 8, there were 45 new cases of Influenza A (H1N1) infections, out of which 23 were imported cases and 22 locally transmitted. The new cases brought the total number of infections in the country to 513. No deaths have been reported.

In ensuring the preparedness of local financial institutions (FIs)

to deal with any events that could potentially disrupt their banking business, the central bank issued the Guidelines on Management of IT Environment in 2004 which included business continuity management (BCM) measures, and the BCM Guidelines in 2007.

"The broad objective of the BCM guidelines is to ensure continuity of essential services by FIs in the event of a major disruption. The guidelines also aim to promote sound BCM practices in the financial sector and to improve FIs' preparedness for any eventualities," BNM said.

The central bank said the guidelines were developed in line with international standards and best practices. They outline several measures to be undertaken by FIs under various scenarios such as a pandemic.

These include undertaking risk assessment and business impact analysis, identifying critical business functions and the respective maximum tolerable downtime and recovery time objectives, and establishing recovery sites and arrangements.

Under the guidelines, FIs are required to regularly test, review

and update their BCM plan to reflect changes in the operating environment and emerging risks. The guidelines also require FIs' internal auditors to assess and evaluate their compliance with the guidelines.

BNM conducts regular on-site supervision of financial institutions and also actively engages with the management of FIs to ensure compliance with the regulatory requirements and guidelines. The FIs also submit the results of BCM testings to BNM, as part of the central bank's surveillance.

Where pandemic threats were concerned, BNM said the business continuity management guidelines issued in 2007 included measures on risk assessment and business impact analysis, and recovery strategy.

It said financial institutions should assess the impact of an outbreak of a pandemic or infectious diseases on their critical business functions, and plan the appropriate response and the continuity of operations should high absenteeism or large geographical areas come under quarantine or isolation.

"Given that the threat of a pan-

demical or infectious disease poses unique challenges, an FI should ensure that its BCP has adequate arrangements and resources to deal with a possible emergence of a pandemic or infectious disease," said the central bank.

"Given the high dependency of the financial system on other critical service providers such as telecommunications and electrical power suppliers, a wide-scale collaborative effort may be needed involving these players to support a wide-scale BCM testing and implementation," it added.

On July 1, Health Minister Datuk Seri Liow Tiong Lai said the Influenza A (H1N1) Technical Committee had asked companies to come up with a contingency plan should a large group of their employees be infected with the flu.

"In the current slow economic situation we do not want companies to be caught off-guard when their employees are tested positive or placed under quarantine, and have to face the possibility of ceasing operations," he was reported as saying in a local daily.