



Financial Services Technology Consortium

PROJECT PROSPECTUS

FSTC Resiliency Model Initiative: Phase 3

The Resiliency Model serves both as a process improvement tool and a roadmap to refining resiliency capabilities for organizations and their partners. It creates unbiased common ground for organizations and vendors to develop cost-effective risk management solutions. This project assumes at its core that true resiliency is a collaborative problem, and that in our increasingly global economy, the problem needs to be addressed as an industry, rather than in isolation. With the reality of increasing, devastating business interruptions due to hurricanes and other natural disasters, terrorist threats, regional infrastructure failures, and breaches in technology security, this initiative is re-defining what it takes for the financial services industry to stay in business, no matter what the circumstances.

Project Vision:

- Implement resiliency engineering tools and concepts across a variety of organizations.
- Help organizations *identify* a level of adequate resiliency, *attain* it and learn to *sustain* it.
- Provide a continuous improvement process to drive down cost and consistently improve efficiency.
- Create ways to measure the resiliency process and determine its efficiency.
- Provide a benchmark to assess capabilities for attaining and sustaining resiliency relative to peers, industry and third parties.
- Manage regulatory compliance through a structured process rather than a reactive, ad-hoc process.

The Problem:

The term “resiliency” is an increasingly common component of risk management jargon. While we have moved to this new more expansive term, the actual practices used to manage operational risk remain largely undefined, disjointed and inefficient. Organizations lack a consistent systematic resiliency management process, a common set of metrics or a uniform terminology. Escalating physical and cyber threats, complex technologies, interdependent supply chains and the global marketplace have made the job of managing disruptions increasingly difficult. Recognizing the need for better risk management methodologies and a clear specification for resiliency, FSTC has been working with Carnegie Mellon’s Software Engineering Institute to develop a resiliency model (RM).

Risk management is not a new activity for most organizations, in particular as it relates to financial areas such as investments and credit. What is new is the increased emphasis on operational risk management and the dramatic increases in attention paid to business continuity and information security. Ensuring an organization's ability to deliver products and services consistently has taken on a new level of importance. The criteria for *quality* in the delivery of products and services now requires more than just reliability, it now includes the goals of privacy and information integrity.

The risks we face today can be more daunting than the natural disaster scenarios which formed the basis for most disruption planning in the past. Carefully targeted physical and cyber attacks are becoming an increasingly prevalent source of risk and are far more difficult to manage. To add to the challenge, regulatory activity is gaining momentum in terms of both scope and complexity, as well as increasingly demanding requirements for financial services resiliency as our products and services moved towards more real-time straight through processing. Simply put, new tools and methodologies are needed to consistently manage risk, improve our processes and keep costs under control. We can no longer rely on the inefficient ad-hoc approaches of the past.

Organizations are actively seeking ways to measure where they stand relative to their industry peers. Executive teams need to know what and where investments should be made to meet the increased demands from customers, regulators and stockholders. Absent a means of measuring where one's organization is and where it needs to be, it is a struggle to build a business case to support increased spending. There is a clear need for a common "yardstick" with which to measure resiliency, establish systematic process improvement activities and balance the 'costs versus risk' equation. A resiliency management model provides the kind of tool set that is needed to effectively manage operational risk and facilitate collective action to strengthen industry-wide business sustainability capabilities.

Background:

The Resiliency Model initiative draws on the expertise of individuals leading operations risk management, business continuity and information security activities at a diverse range of large organizations. By utilizing the work of Carnegie Mellon's Process Improvement for Security Management (PrISM) initiative as the baseline for inquiry, the RM project was able to make dramatic progress. The project leveraged a variety of other industry resources as well (NFPA, DRII, DRJ, COSO, COBIT, ITIL) to outline a taxonomy of terms and identify capabilities, characteristics and goals inherent to effective risk management. The project developed a consensus of what constitutes the key capabilities associated with resiliency--the Resiliency Model.

PrISM gets to operational resiliency with a slight bias toward security. FSTC's focus is also about operational resiliency but is rooted in concerns about business disruptions and business continuity. Both efforts essentially draw on the same capabilities and processes, which led to the present collaboration on operational resilience process improvement. The teamwork on common issues is benefiting both

inquiries. Moreover, the success of the collaboration has spawned the emergence of a new management discipline, “resiliency engineering” which is defined as the process used by organizations to establish, develop, implement, and manage the operational resiliency of services, related processes and associated assets.

At this stage, it’s time to refine, validate and apply the resiliency engineering framework (REF) developed in the earlier phases of the Resiliency Project in a variety of settings and organizations. By utilizing the REF, adding process improvement components and validating the tool through actual use, the Resiliency Model can be strengthened. Through continued refinement and institutionalization of the Model, the long term goals of the Resiliency Model Initiative can be achieved in Phase 3 and beyond.

Accomplishments of the Resiliency Model Project – Phases 1 and 2

- Development of “resiliency” concept and “resiliency engineering” discipline
- Identification of resiliency capabilities, goals and characteristics
- Development of model framework and supporting architecture
- Development of notional capability plateaus and metrics
- Development of a resiliency taxonomy and framework glossary
- Development of survey of practice questionnaires
- Documentation of resiliency drivers, concepts and guidelines on the use of the model
- Publish first version of the model framework

Outline of Next Steps

The Resiliency Model must be utilized to validate and refine the methodology of resiliency engineering. The project has made considerable progress in developing the resiliency capabilities that comprise the REF and has built accompanying survey of practice questionnaires which can be used improve the resiliency posture of organizations. The next steps for the project requires the use of the REF by organizations to determine their current state of resiliency, establish forward-looking goals and develop plans to close identified gaps. By piloting the REF at a variety of organizations and sharing information on experiences the project will be able to validate and refine model.

Below is a detailed outline of next steps for the Resiliency Model initiative over the next seven months:

- Complete:
 - Pilots at a variety of organizations / industries
 - Accompanying process improvement guidance – a how-to document
- Collaborate with select organizations to:
 - Share information on their experiences using the framework
 - Deploy evaluation methods

- Enhance the framework
- Expand the early users community
- Refine:
 - Process improvement and maturity concepts
 - Metrics and benchmarking
 - Training and model management activities
- Expand the project team to include:
 - Additional industries such as technology, manufacturing and defense
 - Government and academic organizations
 - Additional specialized process improvement modeling resources to accelerate the development of the product suite, eg, experienced CMMI users

Benefits of participating in Phase 3

- Work with other leading risk management experts who will at the least influence if not set the standard for resiliency management – help shape the future
- Immediate access- use this cutting edge risk management tool to identify and resolve operational risk gaps and get ahead of the curve – the competition
- Learn by sharing resiliency experiences with other large financial services oriented organizations who have similar processes
- Multiple financial services organizations working together will have greater influence on the Resiliency Model structure and design
- Leverage the power of the collective voice of our consortium to influence the financial sector, its suppliers and regulators
- Establish a venue to flesh-out areas of the model that need to be more specialized to meet the needs of financial services organizations
- Low cost access to the Resiliency Engineering Initiative, leading process improvement practitioners and risk management experts

The Resiliency Model Initiative--Phase 3 Deliverables

Ongoing refinement and use of the Resiliency Model is vital to the establishment of an independent, scalable industry standard. Phase 3 activities will include careful communication with other industries/groups, institutionalizing the model into organizations, data gathering and benchmarking. The model will require an iterative process of refinement, based on increased field experience and inevitable developments from within organizations.

- Validation of the Resiliency Engineering Framework version v0.9
 - Confirmation of existing process areas
 - Identification of any new process areas
 - Consolidation of process areas as required

- Assessment methodology requirements to accompany expanded survey of practices (SOP) questionnaires
- Establish a forum for the exchange of information on and experiences with REF pilots at participant organizations, including tangible benefits coming out of the pilot experience (e.g. assessment insights and areas for improvement)
- Explore the development of benchmarking concepts and techniques
- Define process capability levels which describe an evolutionary path toward sustaining resiliency
- Release next full Resiliency Framework, Version 1, to the industry/public

Draft Resiliency Model Initiative--Phase 3 Milestones and Schedule

RM-2 will run for approximately seven months from project launch to completion and distribution of the final deliverables to the project participants.

November 06 - conduct a User Group meeting which will include the establishment of a detailed project plan, timelines and objectives

January 07 – release REF version 0.91 with extended notes and descriptions

February 07 – conduct a User Group meeting focused on initial pilot assessment activities, experiences and recommended improvements to the REF & SOP

March 07 – release SOP v1.0 to accompany extended REF v0.1

April 07 – assessment methodology requirements

May 07 – financial services User Group meeting; REF version 1.0 with detailed sub-practices

Participation and Roles

The RM-3 project will employ a collaborative group of volunteer FSTC Members (Financial Institutions and Service Providers), SEI's NSS Group, Government Organizations and other industry groups who will utilize the REF, exchange information and refine the Resiliency Model. The success of the RM as an accepted standard requires that the model work for any organization that wishes to measure and/or improve its resiliency capabilities.

Benefits and Collaboration

An effort of this type provides an opportunity for FSTC members to share costs and resources to develop a standard Resiliency Model. Rather than working separately to develop individual interpretations of resilience, contributing to a confusion of terminologies and foregoing any economies of scale, the RM Team can produce a scalable independent Model to measure, benchmark and create a process improvement roadmap to resiliency.

Project participants will gain early and, in some cases, exclusive access to the REF artifacts. Members of project will influence the final form of the RM and arguably the future of operational risk management. The two risk management perspectives, security and continuity, enrich the results and create more options for project participants to consider. RM allows for enhancing the rigor of SEI's modeling methodology with the in-the-trenches expertise of some of the most mature risk management organizations in the world today.

FSTC projects also benefit significantly from the collective expertise that a diverse group of member financial institutions and vendor companies can bring to the forum. FSTC provides the optimum environment for a project of this kind because its multi-organization teams define capabilities, compile data from a variety of sources, and establish measurement methodologies in order to reach independent, unbiased results.

Launch Requirements

The project will move forward as soon as eight institutions, and ideally, at least three companies commit to participation. General FSTC support is assumed once the project is approved.

Project Fees

Financial Institutions

- \$17,000 Assets over \$100 billion (including affiliates)
- \$14,000 Assets from \$50 billion to \$99 billion (including affiliates)
- \$11,000 Assets from \$20 billion to \$49 billion (including affiliates)
- \$ 6,000 Assets under \$19 billion (including affiliates)

Technology Companies

- \$17,000 Revenue/funding over \$100 million (including affiliates)
- \$14,000 Revenue/funding from \$50 million to \$99 million (including affiliates)
- \$11,000 Revenue/funding from \$20 million to \$49 million (including affiliates)
- \$ 6,000 Revenue/funding under \$19 million (including affiliates)

Contact Information and Next Steps

To secure a place as a project participant in RM-3, or to learn more about this initiative, contact FSTC Charles Wallen Managing Executive of the BCSCOM (Charles.Wallen@fstc.org) immediately.

- FSTC is currently soliciting interested parties to participate in the project
- 3+ face to face meetings are anticipated; kick-off, mid-term status, project close-out and potentially other in-person sessions as required
- Regular Project conference call meetings
- ***Participation commitments are requested by October 31, 2006***

Letter of Commitment

In order to plan the project it is important for us to determine the number of participants we can count on early in the project. Therefore if you plan to join the project, we are requesting that you sign and send back the attached letter of commitment prior to project launch, along with a commitment fee of \$3,000 that will be counted towards your project participation fee.

To: Financial Services Technology Consortium
Subject: Authenticating the FI to Consumers – Project Commitment Letter

This letter acknowledges that my company intends to participate in the FSTC **Resiliency Model Phase 3** project as described in the Project Prospectus.

To this end I agree to pay a Commitment Fee of \$3,000.

This fee will go towards the full Project Participation fee. Half of this fee (\$1,500) is refundable if, after a good faith effort, my company fails to gain final approval to participate in the project.

Signature _____

Date _____

Name _____

Company _____

Phone _____

Email _____

Mailing address: _____

Please **fax** the signed commitment letter to **646-349-3629** and mail the original to:

FSTC
Attn: Deb Karl
PO Box 20
Newton, MA 02468