

# BCP as a Method for Streamlining Operations

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SIA STP Conference - New York City

May 20, 2003

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# Agenda

- Morgan Stanley's Business Continuity Planning Program
- Making BCP Part of Business as Usual

“No company has enough budget or manpower to implement the perfect business continuity plan – even if there is such a thing. Thus the real issue facing companies today is how to achieve maximum possible risk reduction with the minimum possible investment of resources.”

FORTUNE Magazine, 11-18-2002

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# Morgan Stanley's Business Continuity Planning Program

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- Business Continuity Planning is a *process* not a project
- Due to the dynamic nature of the securities business, some percentage of what you plan for today will quickly deteriorate over time
- It is better to have a plan that is substantially complete and accurate than no plan at all

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# Morgan Stanley's Business Continuity Planning Program

## Drivers for BCP

- Senior Management mandate to “get it done”
- As our reliance on technology increases so do the risks of disruption to business as usual
- Regulatory pressure has been increasing
- The effects of September 11, 2001 underscored the importance of BCP for every organization

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# Morgan Stanley's Business Continuity Planning Program

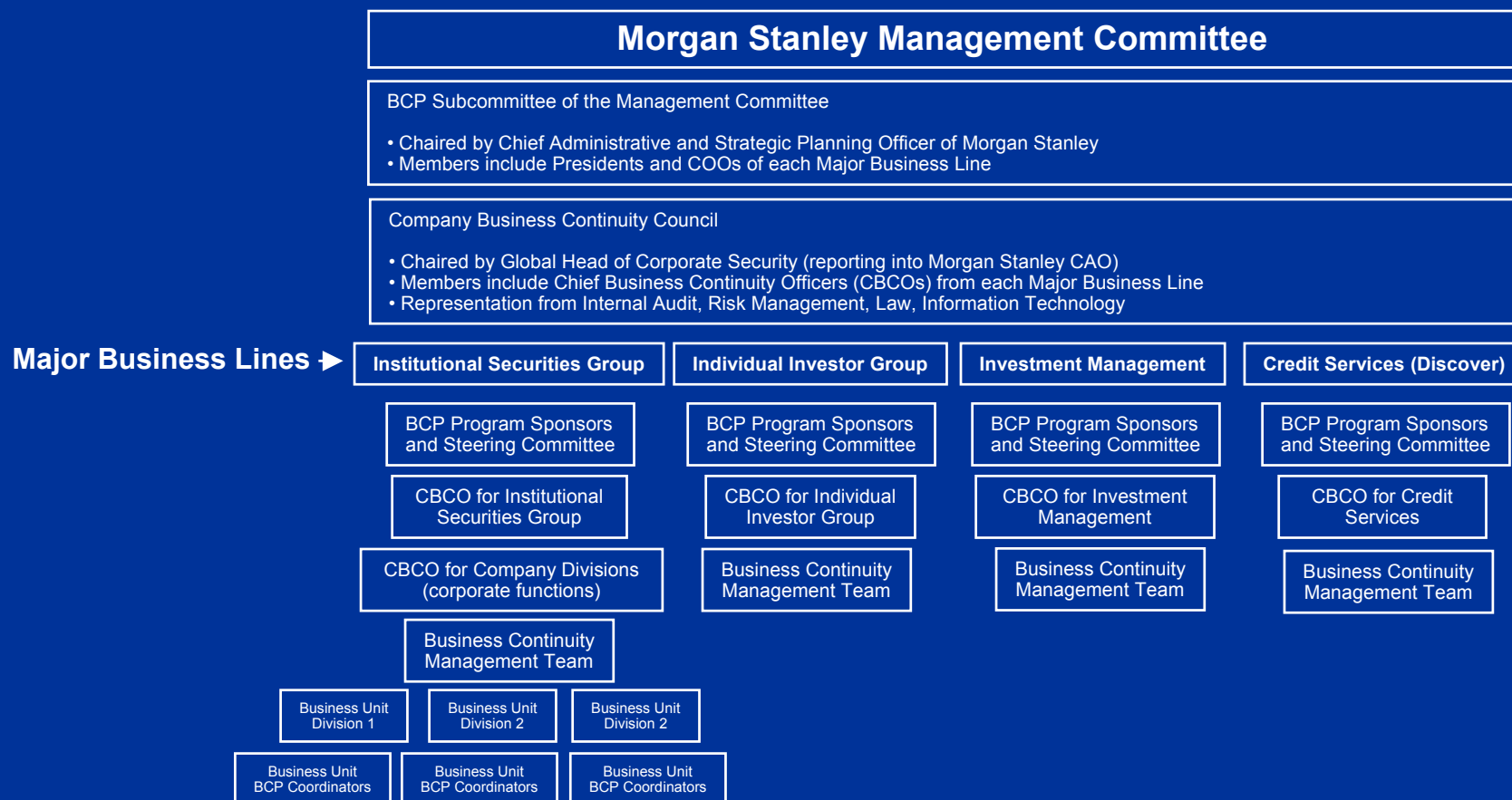
## Background

- Morgan Stanley's BCP Program evolved over the last 15 years, tracing its roots back to mainframe computer disaster recovery programs.
- In New York, the program expanded following the increased terror threats during the 1991 Persian Gulf War and was successfully utilized during the 1993 World Trade Center bombing.
- In London, the program was also expanded in the early 1990's following increased IRA terror threats and attacks.
- Business Continuity Management typically fell under the responsibility of staff within IT or other support organizations.
- Immediately prior to Y2K, the firm's senior management recognized the need to centralize the planning process under the direction of each major business line.

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# Morgan Stanley's Business Continuity Planning Program

## BCP Program Structure is Aligned by Major Business Lines



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# Morgan Stanley's Business Continuity Planning Program

## Major Components of Business Continuity Planning

- **Business Impact Analysis**
  - Assessment of business continuity risks and need for BCP
  - Activity can be developed internally or outsourced
- **Business Recovery**
  - Planning process should be owned by each business unit
  - Plans developed in conjunction with a centralized BCP team
  - Utilize web-based planning software
  - Activity can be developed internally or outsourced
- **BCP Awareness and Training**
  - Web sites, web casts, brochures, wallet cards, etc.
  - Usually developed internally
- **Crisis Management**
  - Process for managing incidents
  - Communicating with internal and external parties during a crisis event
  - Managed internally
- **Technology Recovery**
  - Strategies to recover critical data, applications, hardware and networks
  - Can be developed internally or outsourced
- **Work Area Recovery**
  - Alternate workspace strategies for “recovery essential personnel”
  - Can be developed internally if existing real estate portfolio is diversified
  - Can also be outsourced
- **BCP Testing**
  - Failover strategies and crisis management process should be tested at least once per year

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## Morgan Stanley's BCP Approach

- **Plan for a “going concern” level of franchise protection**
- **Examples of critical business functions to be performed in a going concern mode of recovery include:**
  - Quickly resuming client servicing functions
  - Manage market risk of existing positions
  - Settling customer commitments
  - Managing credit risk with counterparties
  - Funding existing business
  - Producing required external operating and financial reports
  - Intra- and inter- departmental communication and escalation
- **Identify critical business functions first, then map the appropriate recovery resources to functions. Recovery resources include:**
  - Systems/Applications
  - Personnel
  - Vital Records
  - Equipment/Supplies
  - Locations
  - Dependent Critical Business Functions
- **BCP ensures the alignment of critical business functions with recovery resources**

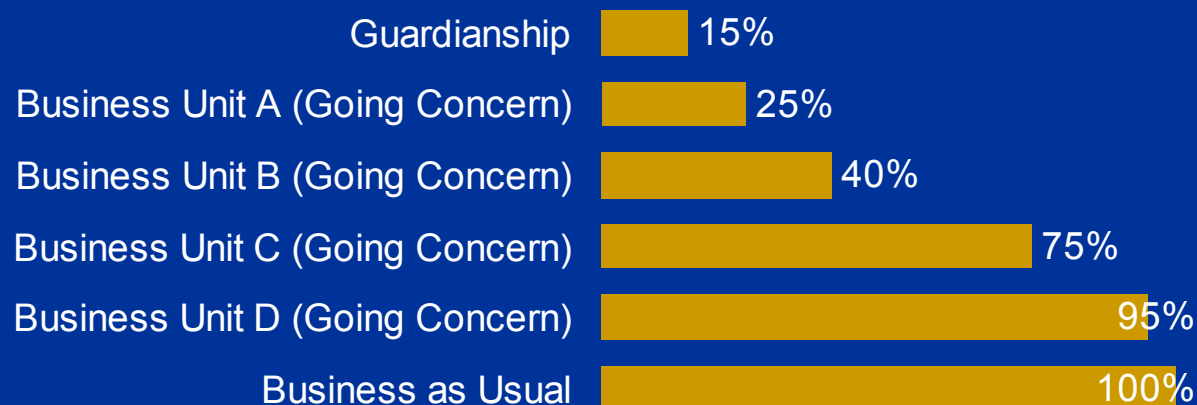
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# Morgan Stanley's Business Continuity Planning Program

## Morgan Stanley BCP Business Objectives

### Plan for a "going concern" level of franchise protection

Business Unit function activity as a percentage of Business as Usual



Note: The definition of going concern varies by business unit; "guardianship" is defined as minimal operational activity.

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# Making BCP Part of Business as Usual

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## How to Build BCP into your Production Operating Environment

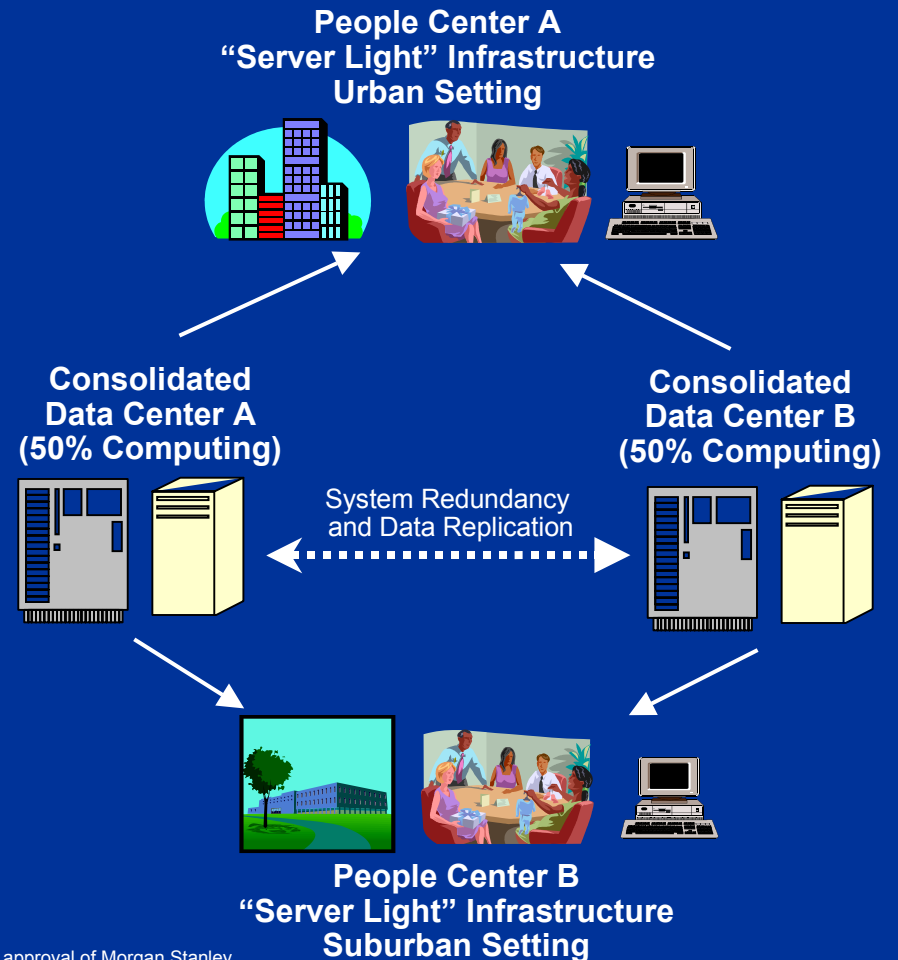
- Take the high cost components of BCP/Disaster Recovery (Technology and Real Estate) out of the process by leveraging production operational solutions where feasible:
  - Active/Active Campus Computing
  - Active Work Area Recovery Sites
- Consolidate and simplify your enterprise technology infrastructure environments away from your people centers: server consolidation and/or clustering, storage area networks (SANs), server blade frames, hard-drive imaging, etc.
- Re-purpose office space, cafeterias, training centers as work area recovery locations (when remote computing is not an option)
  - Institutional Securities has had a displacement strategy in place for over 3 years. Our strategy utilizes only existing space and technology to recover essential personnel by displacing staff deemed less-critical at time of incident.

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# Making BCP Part of Business as Usual

## Diversified Operations – Active/Active Campus Computing Model

- Assumes people and technology have been separated creating a “server light” environment
- Allows separation of primary operations between urban and suburban locations
- Establishes diversity at all operational levels (personnel, real estate and technology)
- Results in a resilient, and cost-effective operating model
- Potential savings realized from less expensive real estate and labor pool costs



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## Examples of Building BCP into the Production Operating Environment

- Extended assumed outage duration to a minimum of 4 weeks and scope of business recovery to “going concern”
- Expanded assumed outage location from a single building to a wider region
- Continued diversification of the firm’s real estate portfolio and technology centers to reduce the risk of an incident impacting a single site or campus. Examples include:
  - Permanent relocation of WTC-based employees to several buildings throughout NYC and New Jersey following events of 9/11/01
  - Sale of new skyscraper at 745 7<sup>th</sup> Avenue to Lehman Brothers and purchase of former Texaco headquarters in Westchester, New York
  - Establishing a new regional institutional securities processing center for the Americas (Baltimore)
    - Follows strategy already in place for Europe (Glasgow) and Asia Pacific (Sydney)
    - Processing platforms are the same, thus enabling an environment for better STP and BCP

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# Making BCP Part of Business as Usual

## BCP paradigm shift from “Build and React” to “Integrate and Mitigate”

- BCP has traditionally been a reactive process
- Due to the heightened threat environment, business continuity issues should be considered along with all primary operational risks
- Strategies such as secondary and tertiary data centers and diversified office locations are getting increased focus
- In order to gain operational efficiencies, BCP should be integrated as part of business as usual
- By leveraging information maintained during the planning process, opportunities can be found to concurrently streamline operations, reduce risk and cost over time

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