Newsletter

Issue No. 1, 2020

MANAGING OPERATIONAL CHANGE DURING A PANDEMIC – A REGULATORY PERSPECTIVE

Introductory Note: In the last issue of our newsletter the growing risk of cyber security was discussed along with implications and possible strategies to be incorporated in the internal control policy. Who would have thought, that the year 2020 would present a set of unique challenges that have now taken center stage, thanks to the COVID-19 Pandemic!

Companies are grappling to develop policies such as remote working solutions to address business disruptions triggered by the ongoing pandemic. This brings its own exposures which must be addressed to avoid potential cash slippages from an already financially challenged sector. Against this backdrop, **Business Continuity Management** (BCM) will be discussed in this issue, as an integral part of risk management response to current and possible implications of the COVID-19 pandemic.

Included in this Issue…

Business Continuity Plans (BCP) incorporate several processes geared at addressing likely impacts of operational disruption imposed by internal/external events such as cyber threats, natural disasters or pandemics. Whether a BCP is maintained or being drafted, now is an excellent time to review policies and procedures that address likely impacts of material loss to business operations resulting from fraud and related crimes that may be elevated due to the ongoing pandemic. The following discussion will consider key components of an effective BCP as part of the risk management framework.

> *"Now is an excellent time to review policies and procedures that address likely impacts of material loss to business operations resulting from fraud and related crimes that may be elevated due to the ongoing pandemic."*

THE FOUR STAGES OF A BCP

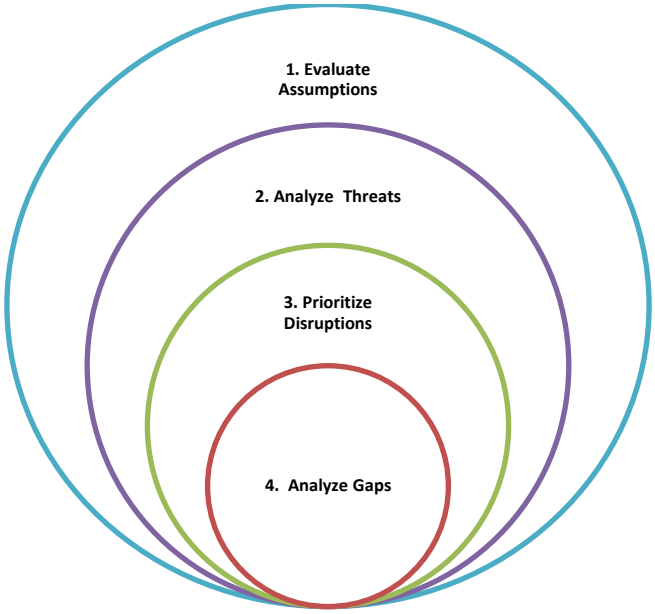
Business Impact Analysis

Recent lockdown and remote working arrangements presented a practical opportunity to identify business priorities which need to be maintained during emergencies and business interruption events. A business impact analysis (BIA) is the first stage of the BCP and should assist management in the prioritization of essential business functions. Benchmark considerations to conduct an effective BIA should include the following:

- Assessment and prioritization of all business functions/processes and interdependencies;
- Identification of the potential impact of business disruptions resulting from uncontrolled, non-specific events on business functions and processes;
- Assessment of the legal or regulatory environment. For instance, the possibility of business relocation will have security and reporting implications;
- Estimation of maximum allowable downtime and acceptable level of losses associated with business interruptions; and
- Estimation of recovery time and recovery point objectives.

The above considerations are dynamic and involve interrelated company-wide factors which should be proportionate to the size and complexity of the business.

Risk Assessment



The second stage of a BCP involves a robust stress-testing of key business areas geared at evaluating the effectiveness of the BIA. Businesses are encouraged to evaluate all stress scenarios involving personnel, systems, data, location etc. At minimum, the risk assessment stage should include the following:

- An assessment of the BIA assumptions through various stress test scenarios which incorporates micro and macro risk factors;
- Business impact analysis which considers various factors. For

instance, what are the implications of the Global pandemic on customer markets, technological infrastructure, systems and data? Similarly, what are the implications of a major hurricane on location? What legal or regulatory concerns, if any, must be addressed in a remote working situation?

- Prioritization of possible business interruptions through severity and probability assessments.
- Policies and procedures assessments to address, how the BCP will be implemented based on prioritized potential business interruptions.

Taking into consideration that business threats come from many areas such as malicious activity, natural disasters, pandemics or technology failure, it is important that stress testing assessments focus on the **impact** of threats rather than one specific threat. This will help to ensure a comprehensive assessment which is flexible or easily adapted to any given threat scenario.

Policy assessments are geared at identifying gaps between a business's procedures versus the BCP. The outcome of this activity will underscore any additional risk areas that must be incorporated in the BCP process.

Risk Management is the third stage of the BCP process and involves the identification, assessment and control of a business's risk areas through the BCM process. Before proceeding with this part of the discussion, consider the following:

1. Does your business have a **written** BCP?

2. Does your BCP address risk factors at the **company-wide** level?

3. Is your BCP **known to all relevant staff**?

Businesses, regardless of size and complexity, should document a BCP that addresses business recovery strategies and procedures for critical business areas following disruptions. Further, it is the board's and management's responsibility to ensure that such a plan is subjected to periodic reviews and amendments, as necessary. To ensure proper implementation, the BCP must also be known to all relevant personnel who should be trained on carrying out the action plans. At a minimum, the BCP should be:

- Documented and stored (electronically and off-site) in the event the original copy is destroyed or unreachable during a threat;
- Annually reviewed and approved by the board and senior management;
- Shared with employees;
- Specific in identifying the implementation triggers;
- Specific in outlining the immediate steps to be taken after a business disruption;
- Flexible in order to adequately respond to unexpected threat scenarios;
- Impact specific rather than event-focused;

Businesses are reminded that the development or maintenance of a BCP which is outsourced to third parties does not alter the board and senior management's responsibility to develop, implement, review and maintain a plan which addresses the unique business disruption exposures and other exigencies.

Risk Monitoring & Testing

The final stage of the BCP cycle is arguably the most critical and one which is often part of the supervisory review process. Risk monitoring and

testing ensures that the BCP remains adequate and relevant throughout changing business environments and exigencies. BCPs should be tested on a holistic or company-wide level to ensure that expectations are achievable. At minimum, the testing machinery should consider material changes in the business and its external environment and should include the following:

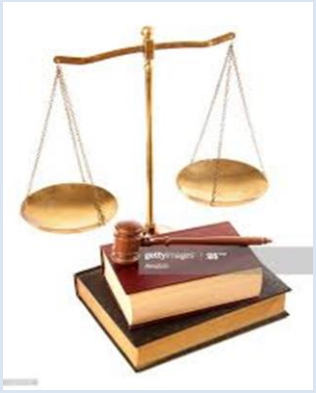
- The assignment of roles and responsibilities for implementing the testing program;
- An assessment of the BIA and risk assessments;
- Communications testing; and
- Board and senior management evaluation of the testing program, the results and recommendations.

It should be noted that revisions to the BCP which emanate from test results should also be documented and tested. As noted before, your BCP must be scalable to adequately match the nature, complexity and scope of the business. With this in mind, the foregoing are benchmark considerations for building and maintaining an effective BCP. Critical to the success of the entire process is the financial component. An effective BCP should include **liquidity considerations** to address cash requirements for restoring downed systems; implementing remote working arrangements; and accessing alternative cash delivery sources during times of pandemic, natural disasters and the like.

Key personnel requirements are other critical success factors of an effective BCP as the issue of **succession planning** should also be considered as a risk mitigation strategy.

Reminder!! In response to the ongoing COVID-19 pandemic, we invite you to take advantage of our electronic document submission portals via the eRegistry or email. Also inquire with our Finance team on making electronic payments.

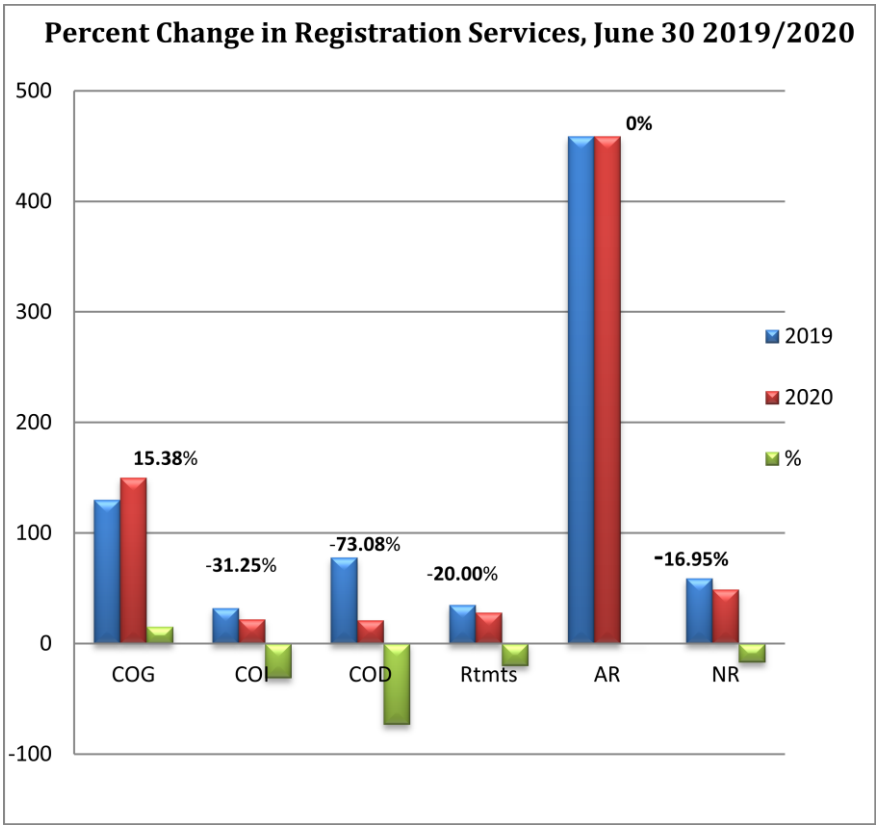
LEGISLATIVE UPDATE



The Law Miscellaneous (Amendment) Act, No. 3 of 2020 was gazetted on March 30, 2020. This Act amends several legislations, including the International Business Corporations Act (IBC Act), in an effort to maintain the jurisdiction's high rating following the second round mutual evaluation report of Global Forum. Importantly, this Act amends several sections of the IBC Act to remove references to bearer shares which is a significant step in immobilizing their use in this jurisdiction! The department will be issuing a circular to provide further information on company registration processes pursuant to this important change.

STATISTICAL UPDATES

The Commission continues to monitor the range of registration services for trends which may be indicative of the ongoing global pandemic. The following chart provides an overview of the percentage change in new registrations and other key services for the period ended June 30, 2019/2020. The analysis has shown a 16.95% decline in new company registrations compared to the same period in 2019. Conversely, a 15.38% increase was recorded COGs while AR remained consistent.



COG	Certificate of Good Standing
COI	Certificate of Incumbency
COD	Change of Directorship
RTMTS	Reinstatement of Company
AR	Annual Renewals
NR	New Registrations

CROSSWORD PUZZLE - BUSINESS CONTINUITY

X D A I B K J Q F W X E C I V R E S R E B M E M
N Y R E V O C E R J B A R N B R V M O Y V Y B T
L I M Q D K O D A Y T A C O U E Z D T W Y K S K
L B B U E H M Y I L Y I C I S V U A A C K R X R
E N U L H S M D M Q S D R T I A J M R L V D V E
A D B Q C L U T X K R E I A N C F A T F E A K V
R I M Y N R N S T E E M S R E U J G S E S X W O
N S J E A T I C E K T L I A S A D E I D U M S L
I A K N L R C K R A S A S L S T I E N N O O N I
N S P S A R A F R U A I M C C I S T I O H C O A
G T S T V O T G O Q S C G E O O R I M I E S I F
C E J T A T I Y R H I O M D N N U S D S R X T J
E R X M F A O U I T D S T R T N P O A O A H A U
N P S O I R N D S R L Y X E I L T L N L W M L X
T M K U R E S G M A A U N T N J I O A P N Z U Y
E I N U E N P L Z E R X R S U L O C L X W O G C
R M C I V E L C H M U M R A I Q N V P E O G E N
S A I E T G A C G F T Q X S T U Z B C P T W R E
A N M U I U N J O F A M D I Y T I R U C E S S G
F U E D O O L F J N N U J D K X U U R N G Q I R
E S D T R A X R L S T V A N D A L I S M A B O E
T T N J D S R T O A V U S B A L A R M S R N B M
Y M A N N O I T A T U P E R B D M Y A K A I H E
V O P P O A D Y W Y R E B B O R T N B B G L H U

Alarms	Avalanche	BCP	BIA
Communications Plan	Crisis Mgmt	Damage	Disaster
Emergency	Evacuation	Explosion	Failover
Generator	Learning center	Safety	Member service
Plan Administrator	Recovery	Regulations	Reputation
Social Media	Terrorism	Tsunami	Vandalism
Business Continuity	Colo Site	earthquake	
Disaster Declaration	Disruption	Garagetown Warehouse	
Fire	Flood	Pandemic	
MOC	Natural Disasters	Security	
Robbery	RTO		

Our Mission: To develop Antigua and Barbuda as an effectively regulated, well managed major financial services jurisdiction

WE INVITE YOUR QUESTIONS & COMMENTS

IBCs & CMTSPs Department

Financial Services Regulatory Commission

Email: registryandCMTSP@fsrc.gov.ag