

CSA Staff Notice 11-321
Business Continuity Planning – Industry Testing Exercise

February 7, 2013

Introduction

Business continuity is an ongoing priority for securities industry participants and regulatory authorities. Various events over the past few years, such as flu outbreaks, natural disasters, black-outs and marketplace system problems heightened that priority by highlighting the risk of operational disruptions to the financial system.

Substance and Purpose

Staff of the Canadian Securities Administrators (CSA Staff or we) support and encourage the industry's efforts to identify the challenges and address the potential impact of incidents that could disrupt normal business operations. Securities regulations require that business continuity plans be tested regularly, to reflect current or potential developments. Subsection 12.4(2) of National Instrument 21-101 *Marketplace Operation* requires marketplaces to test their business continuity and disaster recovery plans on a reasonably frequent basis and, in any event, at least annually. In addition, subsection 11.1(b) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* requires a registered firm to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices. Dealer Member Rules of the Investment Industry Regulatory Organization of Canada (IIROC) requires Dealer Members to establish and maintain a business continuity plan and conduct an annual review and a test of their business continuity plan to determine whether any modifications are necessary. In addition, clearing agencies are expected to have procedures to ensure business continuity including regularly testing their business continuity plans.

We are of the view that dealers, marketplaces, self-regulatory organizations and clearing agencies should participate regularly in industry-wide testing.

As stated in IIROC Notice 12-0279 issued on September 24, 2012, IIROC has set the date for a market wide test on October 5, 2013. IIROC expects all Dealer Members and major service providers to participate in this test and it will share the results of the test with all participants.

CSA Staff encourage all dealers, marketplaces and clearing agencies to participate in the October, 2013 market-wide exercise organized by IIROC. Participation in this exercise may lead to the discovery of potential system and operational problems that could undermine the integrity of the capital markets.

Questions

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