

# Facing the challenge

IN A WORLD WHICH HAS SEEN MANY UNCERTAINTIES REMOVED IN RECENT TIMES, THE NEED FOR ROBUST INDUSTRY RESILIENCY IS PARAMOUNT, WRITES ANN BERGIN

**S**eptember 11 changed everything - our outlook on the world at large, our personal and professional priorities, the things we took for granted.

Ensuring resiliency, redundancy and safety took on a heightened and blunt significance for the worldwide financial services industry. And no more so than within the infrastructure organizations that support and sustain the industry.

The exigencies thrust upon us called for a new level of strategic thinking, reinforced by the SEC's 2003 Interagency Paper on Sound Practices to Strengthen the Resilience of the US financial system. The paper identified three objectives: (1) Rapid recovery and timely resumption of critical operations following a wide-scale disruption; (2) Recovery following the loss or inaccessibility of staff in at least one major operating location; and, (3) robust testing to ensure that continuity arrangements are effective and compatible.

Long before the paper was published, DTCC had taken steps to meet these requirements. With responsibility for clearing and settling millions of trades every day worth trillions of dollars, a potential system disruption at DTCC could create marketplace uncertainty and undermine confidence in capital markets. Back-up data processing operations, managed from alternate sites, were in place years before 9/11. And, because of this capability, the DTCC was able to keep its critical services fully operational on that day and in the week that followed, settling \$1.8 trn in outstanding transactions.

All well and good. But the brutal reality of that Tuesday made it clear that DTCC was operating within an altered world order; it needed to re-examine its continuity procedures and

systems and rapidly implement a new plan for business continuity.

The organization moved quickly, launching geographically dispersed remote data centers more than 1,000 miles from New York, far beyond the 20-to-30-mile limitation previously thought suitable.

These centers now offer complete production environments that can



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handle securities trade clearance and processing securely and without interruption; and with automated multi-hop data mirroring, consistent copies of data are pushed across unusually long distances within minutes.

DTCC also multiplied its operations centers where all critical systems functions - clearance, settlement, income processing and corporate actions services - can now be managed seamlessly. To ensure that the entire structure is at all times flexible for quick recovery, customer activity is routed among these remote data and operations centers daily.

The backbone of this highly complex system is DTCC's communications network, SMART (Securely Managed

and Reliable Technology), which supports the entire settlement infrastructure of the US. Through SMART, the multiple data and operations centers function as a unified complex, always accessible, always operational. The network is engineered to be "self healing", meaning that if one connection goes down, the data traffic is automatically rerouted through other parts of the network.

Many financial services companies have, likewise, improved their business continuity capabilities with protection for their operations, systems and staff. However, the industry is still learning about its vulnerabilities in cyberspace. Cyber threats pose a unique challenge, as cyber terrorists are a borderless and constantly moving opponent. Technology providers - including software providers - need to dramatically increase the security of the technology they provide the financial services sector and take responsibility to ensure this resilience if we are to stay ahead of threats both imaginable and beyond imaginable.

To do that may very well take the combined momentum of unified global market forces, and there are many signs that this is beginning.

For those of us involved in the mutual fund industry, the responsibility for protecting a \$14 trillion global pool of assets is immense. And those of us who provide infrastructure services to this industry have an obligation and opportunity to envision future challenges, and use our technological resources to help move the industry forward in its business continuity planning.

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