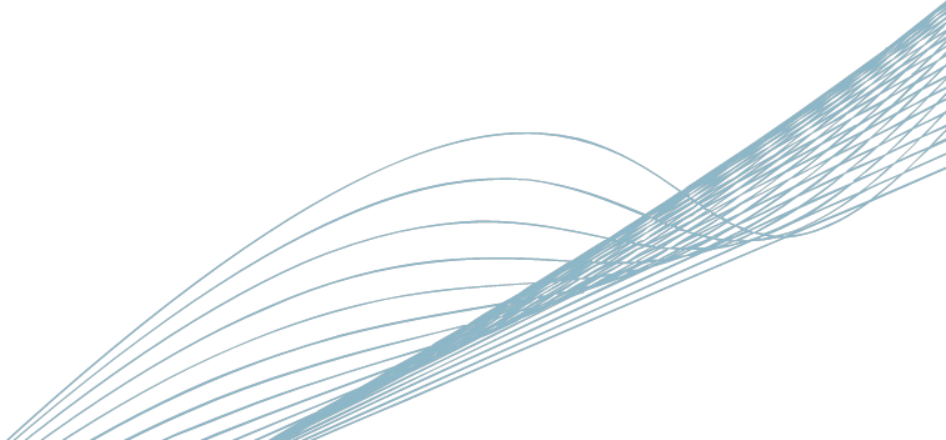
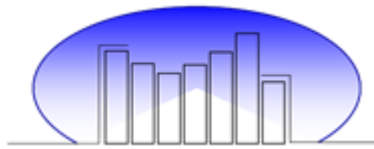


**WISE2017**  
**Industry briefing**



Friday, 10 March 2017

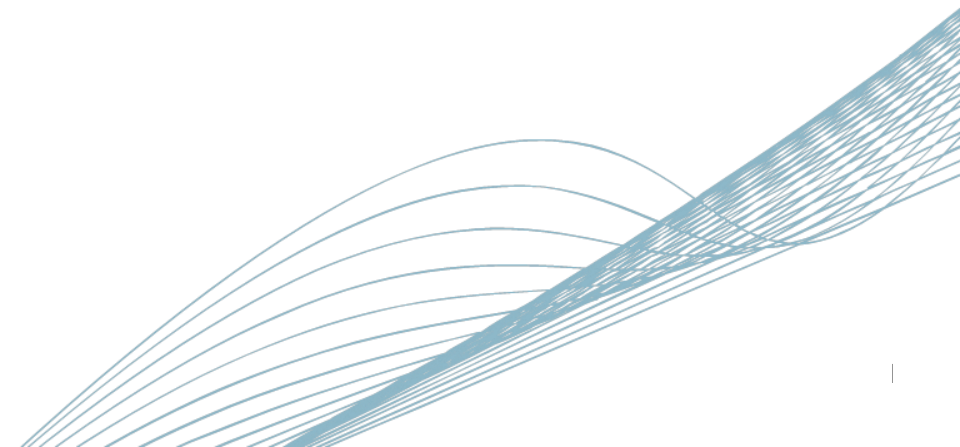


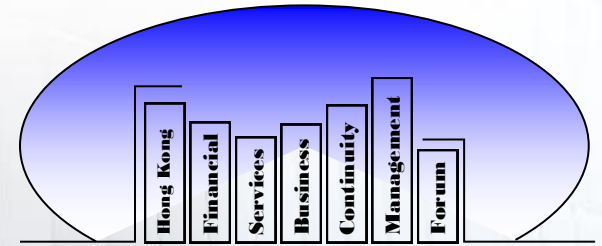


# WISE2017

## Word of welcome

Bénédicte N. Nolens | Senior Director  
Head of Risk & Strategy, Securities and Futures Commission





# WISE2017

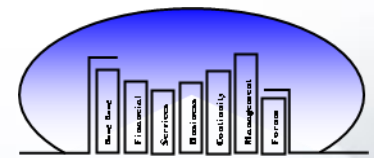
## Whole Industry Simulation Exercise

Willem Hoekstra | Chairman of HKFSBCM

Executive Director, Head of Business Continuity Asia, Nomura



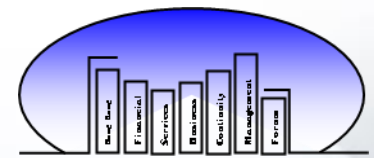
# Introduction



## The HKFSBCM Forum

- Formalized in 2011. Registered as association.
- Aim
  - Provide a platform for business continuity information exchange
  - Allow the members to work jointly to address the concern of financial services business continuity
- BCM professionals
  - $\pm$  25 different firms
  - Banking and securities industry
- Earlier projects
  - Industry surveys and benchmark on BCM related topics
  - Coordination during crises (eg Occupy)
  - Joint Pandemic simulation exercise
  - Conference meeting with foreign Consuls

# Definitions ISO-22301



## Business Continuity Management

“BCM is a holistic management process that identifies potential **threats** to an organization and the **impacts** to business operations those threats, if realized, might cause, and which provides a **framework** for building organizational **resilience** with the capability of an effective **response** that safeguards the interests of its key **stakeholders, reputation, brand and value-creating activities.**”

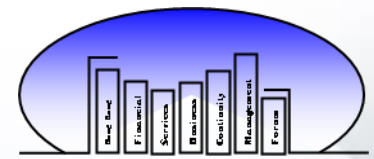
## Crisis

A crisis is a significant threat that can have negative consequences if not handled properly.

## Crisis Management

Crisis management is the **process** by which an organization deals with a **major event** that **threatens** to harm the organization, its stakeholders, or the general public.

# Crisis Management



Structured management response to escalated incidents: **Set of procedures** applied in handling, containment, and resolution of an emergency in planned and coordinated steps.

Crisis Management is a top management activity.

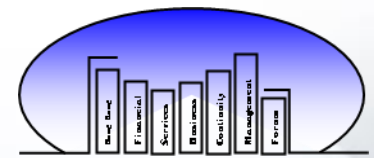
Crisis Management is different from normal management and requires different skills



1964, Stanley Kubrick. *Dr. Strangelove or: How I Learned to Stop Worrying and Love the Bomb*. With Peter Sellers



# WISE - Objectives



## Exercise Objectives

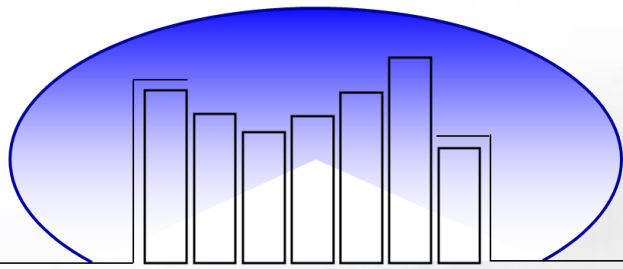
- **Crisis & stress Management skill training**
- Familiarization with CM process
- Familiarization with BC plans and facilities
- Test coverage and feasibility of BC Plans, and stress test of plans
- Create sense of urgency
- Promote BCM
- Practice interbank and interagency coordination
- Practice crisis communication, internal, external and with regulators
- Fulfill regulatory requirements
- **Build confidence in banking sector with Clients, regulators and society at large.**

## Why participate?

**A cost efficient, best practice and unified way to:**

- improve Crisis Management skills
- meet internal and external requirements
- Build stakeholder confidence
- Surface and build resilience to both individual as well as systemic risks

**Many countries run similar exercises and learned from the experience.**



# WISE 2015

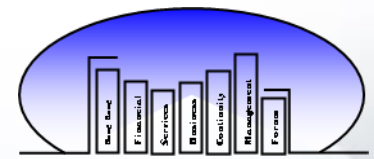
Industry Wide Crisis Management Exercise

Hong Kong Financial Services BCM Forum





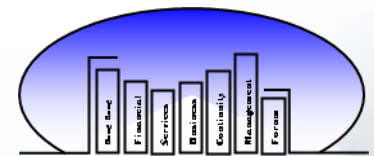
# WISE 2015



## What happened on **Friday 9 October 2015**?

- Tabletop exercise with central injects
- 25 banks and securities firms in HK
- An estimated total of 625 people, mainly senior management of the participating firms
- Play as-if a crisis situation unfolds
- Organized by 40 people of HKFSBCM
- By the industry for the industry – not for profit
- Partnered with consultancy firms
- The authorities were supportive of the exercise

# Inject example



Inject 4

Exercise Time: 12:30pm

- a) Email to CEO and Head of Corporate Banking from major client
- b) South China Morning Post online post



Mon 16/09/2015 12:30 PM

James BAHN

URGENT ABC Holdings - Payment issue

To Lai, John (CEO), Reynolds, Steve (Corporate Banking)

Cc legal@abch.com

John, Steve,

Urgent – ABC Holdings needs to resolve this payment issue within the next two hours. We've underpaid three of our counterparties by HK\$2,500,000 each, and overpaid one by \$750,000. I need a firm commitment on how you're going to resolve this issue so that I'm able to relay appropriate messages to my clients and counterparties. My corporate comms people don't have enough information to operate with at the moment, and the media is starting to take an interest. This is becoming a serious issue for us - I've copied by legal team as I want full transparency on how MyBank resolves this issue.

Jim

James R. Bahn  
Director, ABC Holdings Inc.  
+852 1234 1233 | [jrbahn@abch.com](mailto:jrbahn@abch.com)

MyBank (HKG:578 -7.1)

EDITION: HONG KONG MON AUG 16, 2015 JOBS EVENTS EDUCATION COURSES 28°

South China Morning Post 南華早報

HONG KONG NEWS BUSINESS TECH LIFESTYLE COMMENT SPORT PROPER

## LATEST NEWS

0 sec ago  
Four trees collapse in Hong Kong after heavy rain as government defends axing century-old banyans on safety grounds

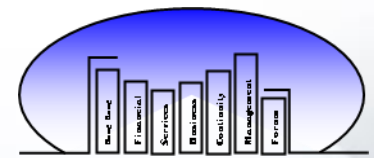
7 min 34 sec ago  
August 10: Vast construction projects rejected amid environmental concerns; Car dealerships slash price amid slow market

7 min 23 sec ago  
Michael Clarke dismisses claims internal rifts in Australian cricket team sparked Ashes rout

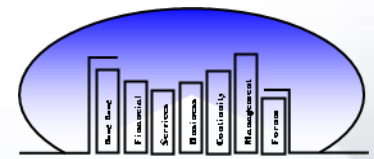


MyBank down 7% in morning trading due to suspected cyber-attack

# Key Take-aways



1. WISE 2015 provided a suitable platform for CMTs to exercise and validate their crisis management skills and decision making.
2. Participating firms believe they were able to deal with the scenario provided. An even more challenging scenario could be considered in the future.
3. Communication amongst the industry during a crisis was swiftly established, but could be enhanced using secure messaging platforms.
4. Metrics could be introduced to formally measure the effectiveness of the CMTs' performance.

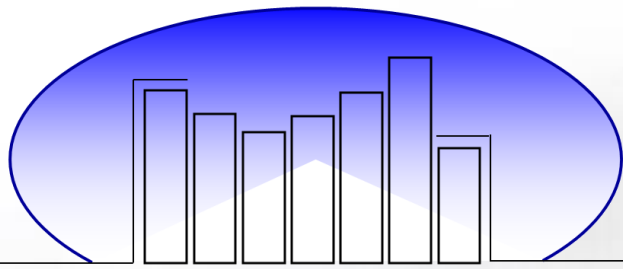


# Survey feedback

- The exercise format is successful: 100%
- The exercise was well organized: 99%
- The exercise helped develop personal confidence: 98%
- Keen to participate in future exercises: 90%
- The scenario provided useful lessons: 90%\*
- The scenario was realistic: 75%\*\*

\*Scenario sometimes perceived as too complex or too simple, and more relevant to retail banks than wholesale security houses.

\*\*It was not the intention of the organizers to create a fully realistic scenario.



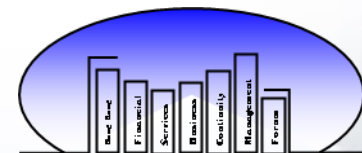
# WISE 2015<sup>7</sup>

Industry Wide Crisis Management Exercise  
Hong Kong Financial Services BCM Forum



# WISE2017

## What is different?



Clear industry appetite to continue these exercises (bi-)annually. Four concerns:

- Sustainability of current organizational structure and credibility of the organization
  - High dependency on professional volunteers from the industry. This has inherent risks.
  - High dependency on the contribution of consultancy firms who worked at own expense. We cannot expect this to continue in future years.
  - The absence of formal endorsement by the authorities meant it was difficult to get the invitations on the right desks, and have the C-suite take the invitation seriously. As a result, participation was largely restricted to HKFSBCM member organizations.

**New: Contracted Control Risks for execution. Closer and continuous engagement with authorities.**

- The scenario was perceived by some as too complex, whilst others thought it too simple.
  - This might relate to the nature of the firm involved.

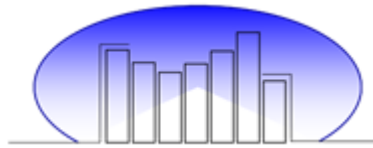
**New: Bespoke scenarios for wholesale security firms versus retail banks. Improve on realism by including email communication.**

- No metrics were used to measure the effectiveness of the CMTs' performance.
  - A benchmark on CM effectiveness would be welcome without public disclosure

**New: A (Self-)assessment on expected or preferred behavior made available to facilitators.**

- Not all parties in Financial Sector participated.

**New: In addition to banks and securities firms, also fund managers and insurance firms invited.**



# 2017 Risk Outlook Control Risks

John Macpherson | Senior Partner  
Greater China and North Asia



# Control Risks

## Deliver Opportunity and Growth

We provide the crucial intelligence and insight needed to identify and seize opportunities and support critical decision-making.

## Resolve Critical Business Issues and Crises

We ensure that the challenges faced by global organisations – such as major regulatory issues, litigation, acute security problems, and reputational and other crises – can be managed and resolved effectively.

**CLIENT**

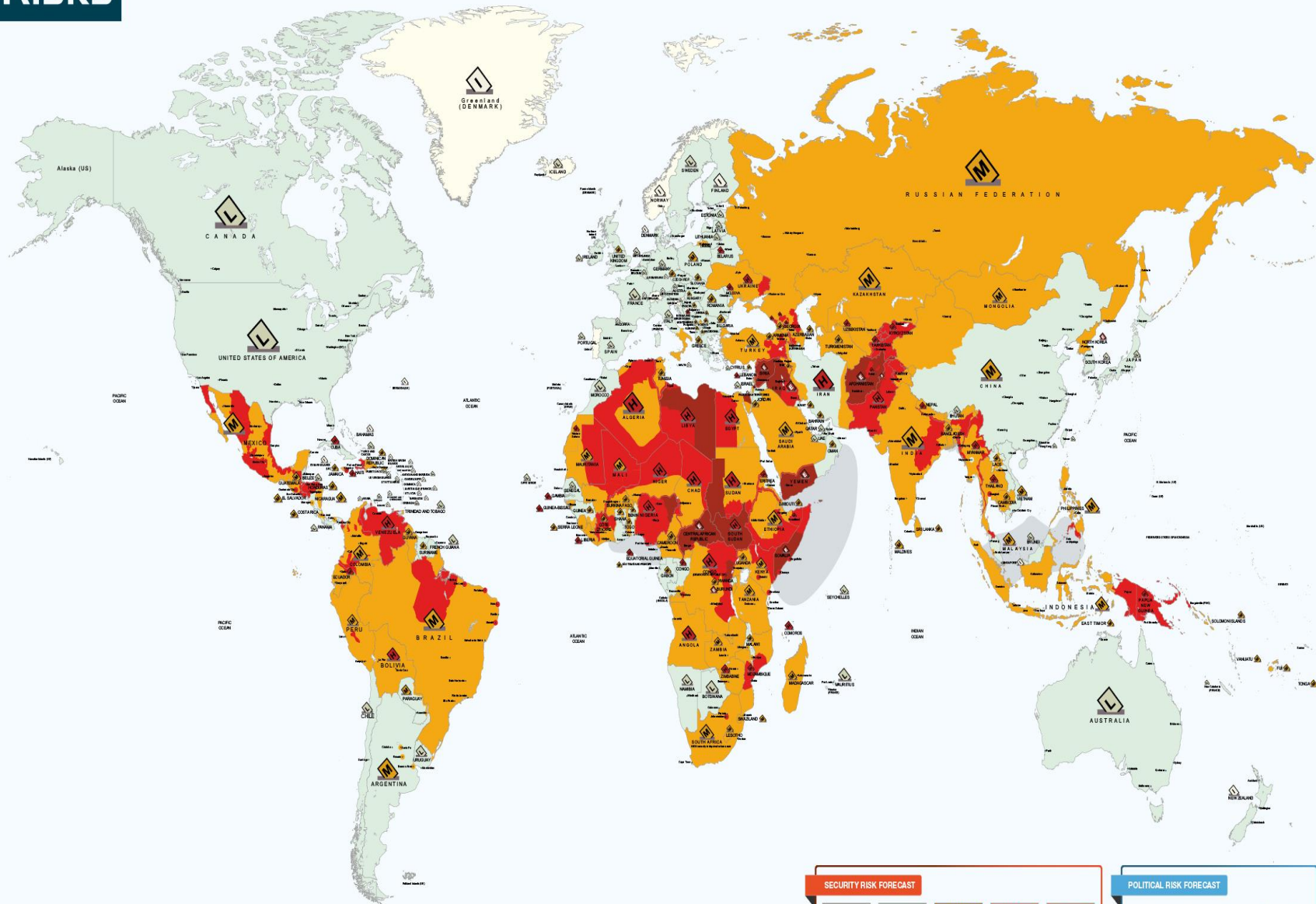
## Build Secure, Compliant and Resilient Organisations

We enable senior executives to meet their duty of care and regulatory obligations by helping them to build organisations that operate securely, are truly compliant and have the resilience to manage the challenges of a rapidly changing global marketplace.



# Control Risks

# RiskMap 2017



**SECURITY RISK FORECAST**

INSIGNIFICANT    LOW    MEDIUM    HIGH    EXTREME

**PIRACY RISK**    Areas of heightened piracy risk.

**POLITICAL RISK FORECAST**

INSIGNIFICANT    LOW    MEDIUM    HIGH    EXTREME

Copyright © Control Risks 2016. All rights reserved. Reproduction in whole or in part prohibited without the prior consent of the Company. The Risk Ratings are comparative, relative to the Control Risk associated to the location or an exposure to a region. Control Risk has no individual commercial effect to assist in the accuracy of the information on which the Risk Ratings are based. Therefore, the Risk Ratings are provided "as is" and include no assurance judgments in the circumstances prevailing at the time. The Risk Ratings provided should not be construed as definition of trading status. Misuse and/or resale of the map is not being undertaken in accordance with Control Risk.

## Top Five Global Risks for 2017

The Tower  
of Disruption



EU  
Politics



Great-power  
Sabre-rattling



Regulatory  
Whiplash



Islamic State  
Collapse



- Change is taking place on an episodic level, but also on a systemic level.
- There is something that feels qualitatively different about risk this year.
- We appear to be at one of those inflection points in the arc of history.


## Asian Risk





- Asia's net zero-sum benefits may be flattening
- Philippines, Thailand, India, etc. remain concerns
- Slowing growth will tempt local populist trends
- Expect more of the “new normal”; here to stay
- IS fragmentation may drive “returnees” to region

## Top cyber risks in Asia Pacific for 2017

 1 Collaboration of state, activist and criminal threat actors

 2 Cyber criminals: less drive by – more targeting

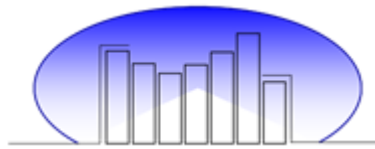
 3 Professionalisation of business email compromise

 4 Data nationalism and regulatory proliferation

# Control Risks



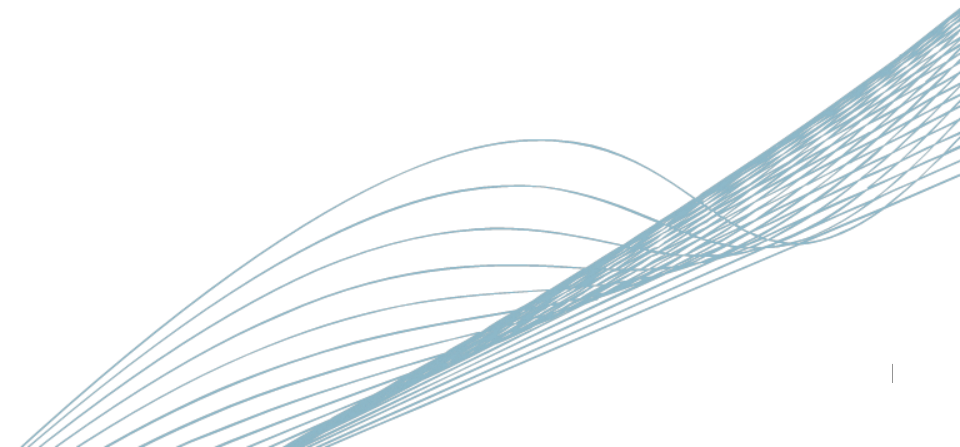
[John.macpherson@controlrisks.com](mailto:John.macpherson@controlrisks.com)

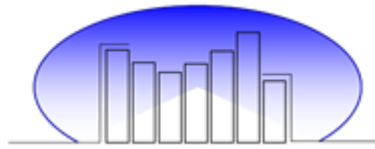


# WISE2017 Practicalities

Ben Wootliff | Partner

Head of Cybersecurity practice in APAC, Control Risks





## Who should participate?

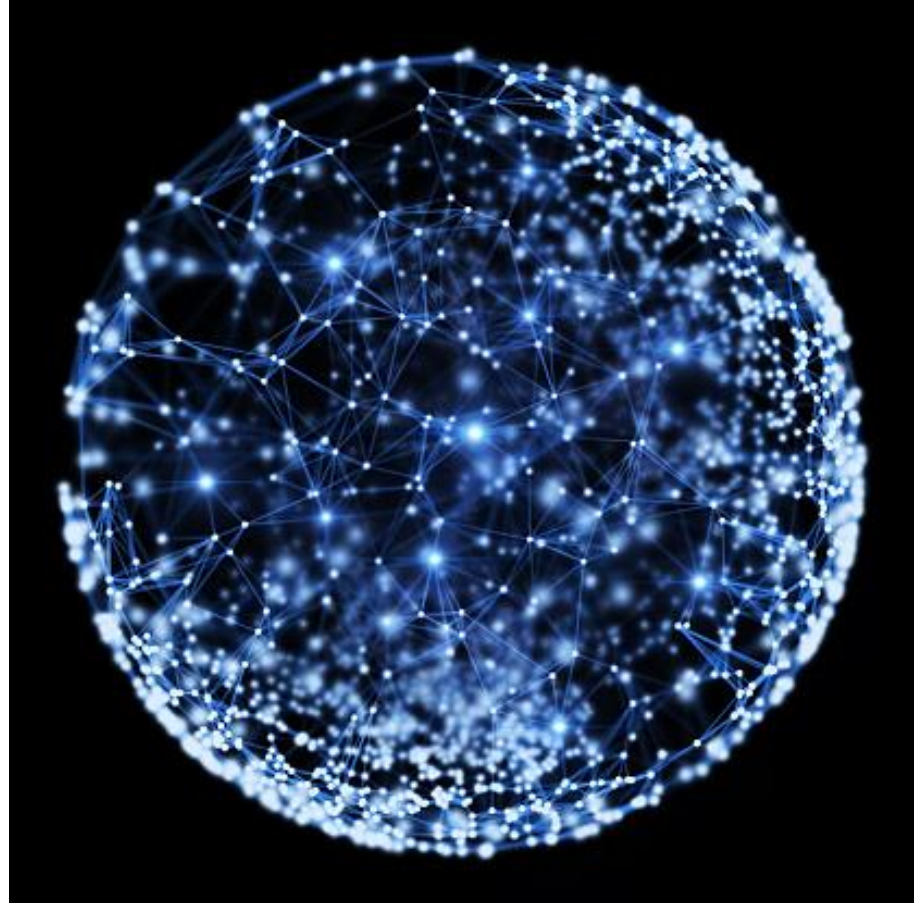
### Participant organisations

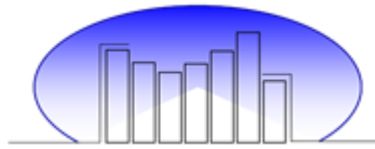
- Banks
- Securities firms
- Asset management firms
- Insurance companies
- Clearing houses

...with operations in Hong Kong.

### Participant individuals

- Members of senior management which form the organisation's formal Crisis Management Team
- Key decision makers in the event of a crisis





## Why should you participate?

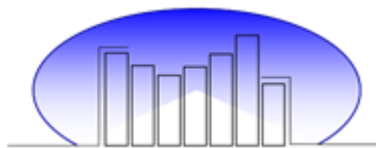


### The benefits

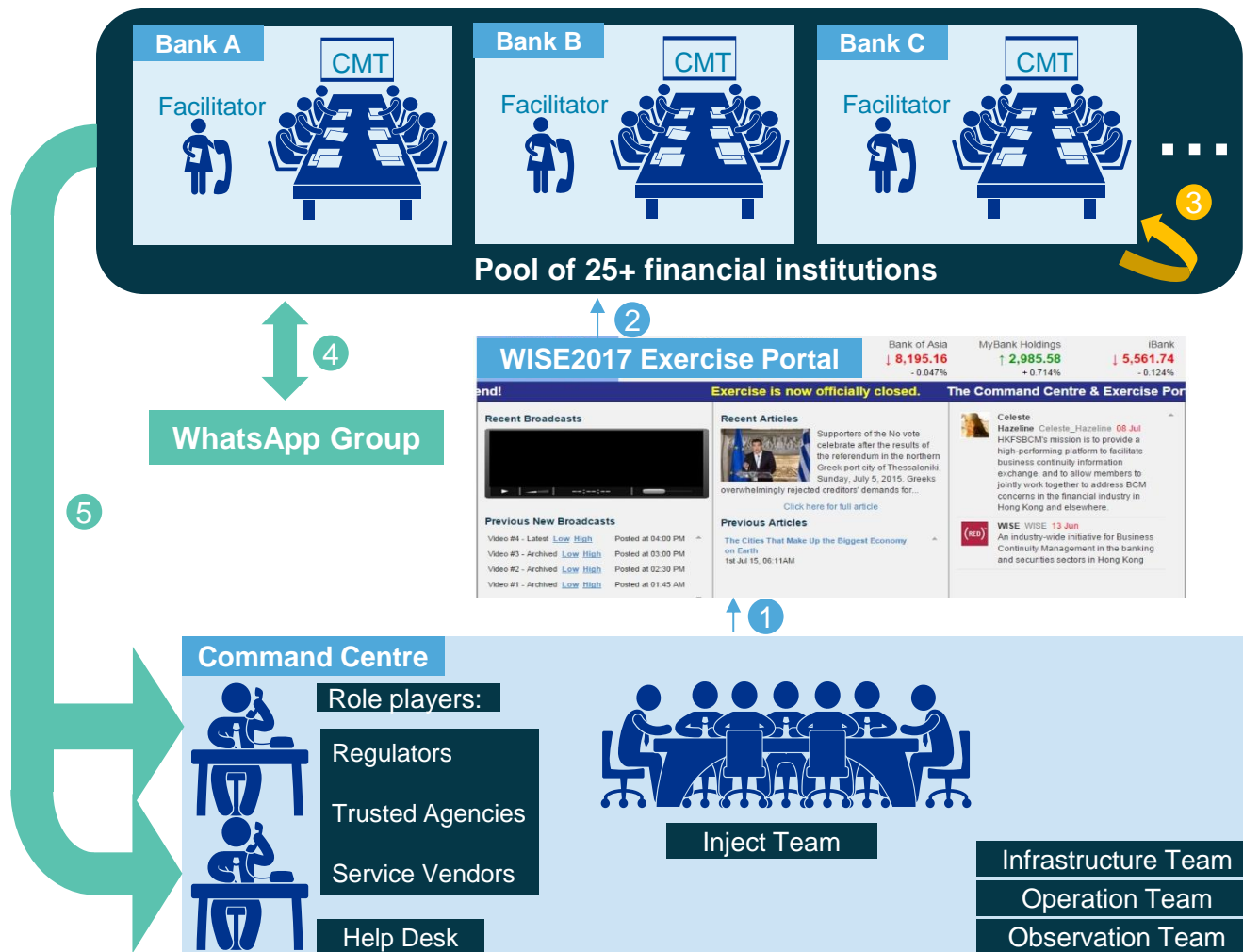
- Full participation in a semi-live exercise involving your Crisis Management Team
  - Cost-efficient way to undergo a high-quality and world-class CMT scenario exercise
  - Briefings on crisis management and crisis communications including guidance on reviewing individual preparedness
- Access to Control Risks' threat intelligence portal
  - A series of subject matter expert briefing sessions in the months leading up to the exercise that will improve industry-wide education and preparedness
  - Company-specific confidential debriefing, benchmarking and industry report

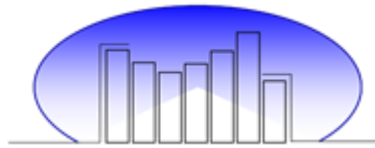


# Control Risks



## Structure of the table-top exercise





## ■ A realistic delivery of the unfolding scenario

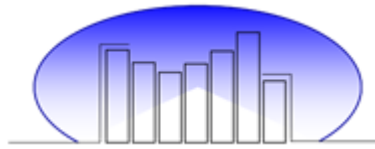
Injects will be delivered in a closed loop environment through an online portal.

The master events lists will include the flexibility to shift information serials around and will outline a potential range of interdependencies, escalations and outcomes.

Supporting material will be in the form of:

- Written material: emails, media injects
- Audio material: telephone exchanges, role-plays, radio news media
- Audio-visual material: news reports, interactive role play
- Social media: Facebook, Twitter, blogs, WeChat, Weibo, WhatsApp





## Role of the Facilitator

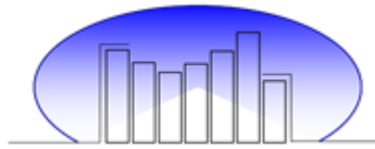
### Overview

- The role of the Facilitator is to assist the Crisis Management Team (CMT) of their respective institution during the Interactive Session
- Ensure that all CMT members are assembled before commencing the Interactive Session

### Two key responsibilities during Interactive Session

- Facilitate discussion within their respective institution's CMT to ensure that critical issues are properly discussed and addressed
- Provide real-time feedback to the WISE2017 command centre on the progress of the simulation





## ■ Scenario development

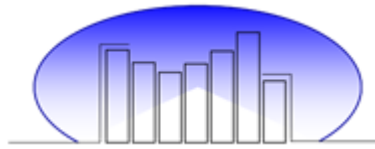
### Early stages

- Interviews, consultation and a pre-simulation workshop with key selected figures from the HKFSBCM, in conjunction with a wide array of other market players and experts
- A proprietary 'risk storm' review that identifies and assesses risks across the sector

### Volunteers

- Volunteers are welcome to contribute to the development of the scenario
- Volunteers will be ineligible to facilitate





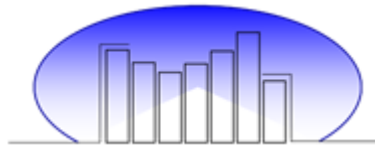
## You have registered for WISE2017. What next?

### Before the exercise

- Facilitator briefing, training and workshop
- Full, complimentary access to Control Risks' weekly cyber threat intelligence reports
- Connectivity testing of the injects portal
- Preliminary run-through and final rehearsal

### After the exercise

- Debriefs will take place with all of the participant organisations and supporting staff after WISE2017 is concluded. A formal report will include:
  - ✓ Benchmarking of the participants' performance against:
    - Industry best practice
    - Mean performance
  - ✓ A review of all aspects of the WISE2017 including its development
  - ✓ Consolidation of feedback from facilitators; analysis of lessons learned
  - ✓ Detailed feedback and recommendations for future development, both as an industry and to individual participants



## Timeline

### ■ **March**

- ✓ Industry briefings
- ✓ Scenario development commences

### ■ **April onwards**

- ✓ Facilitator briefings and training
- ✓ Complimentary session per participating organisation on 'The Principles of Crisis Management'
- ✓ Full, complimentary access to Control Risks' cyber threat intelligence reports

### ■ **June onwards**

- ✓ Connectivity testing of the injects portal

### ■ **August**

- ✓ Thursday, 31 August 2017: Registrations for WISE2017 close

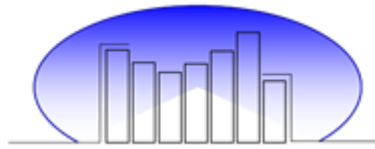
### ■ **September**

- ✓ Another round of targeted media to raise awareness

### ■ **October** Whole Industry Simulation Exercise 2017

- ✓ Scheduled for Friday, 27 October 2017 (13:00 – 17:00)





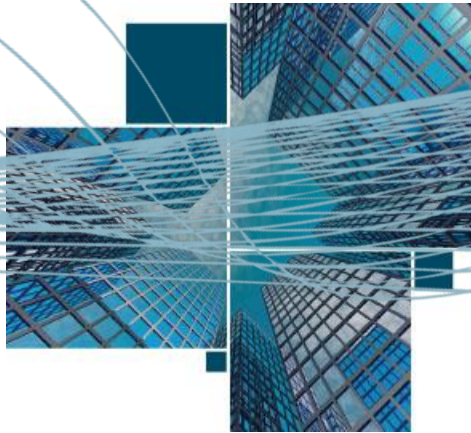
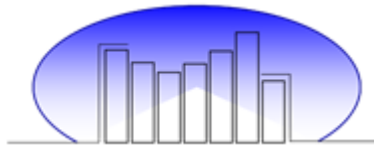
## What is crisis resilience and how do we strengthen this quality in an organisation?

**Moderator: Ben Wootliff, Partner, Head of Cybersecurity practice in APAC, Control Risks**

- **Bénédicte N. Nolens, Senior Director, Head of Risk & Strategy, Securities and Futures Commission**
- **Willem Hoekstra, Chairman of HKFSBCM; Executive Director, Head of Business Continuity Asia, Nomura**
- **Rachel Hui, Chief Inspector of Police, Cyber Security and Technology Crime Bureau, Hong Kong Police Force**
- **John Macpherson, Senior Partner, Head of Greater China and North Asia, Head of Crisis and Security Consulting GCNA, Control Risks**



# Control Risks



**Questions**