

Year 2000 (Y2K) Contingency Planning – Critical Minimum Parameterization (CMP)

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November 2, 1999

The Chairman/ Managing Director/ Chief Executive
All Commercial Banks/ Non-Banking Subsidiaries of Commercial Banks/
All-India Financial Institutions/Primary / Satellite Dealers in Government Securities/ Primary
(urban) Cooperative Banks

Dear Sir:

Year 2000 (Y2K) Contingency Planning – Critical Minimum Parameterization (CMP)

In view of the complexity of the issues involved in the context of the Year 2000 problem, we had advised all banks and financial institutions to attach high priority to the development, validation and implementation of Y2K Contingency Plans. In particular, banks and institutions were advised to identify a range of Year 2000 scenarios, prioritise them in terms of probability of occurrence and impact potential for business and lay down cost effective approaches to mitigate associated risks. Banks were also required to file a copy of their Year 2000 Contingency plans with us, duly noted by their Board of Directors, for our information.

The High Level Working Group on Year 2000 Issues (Chairman: Shri S.P. Talwar, Deputy Governor), during the recent review of the Year 2000 preparedness of the banking and financial sector, felt that Contingency Planning was a key element in assuring the business continuity of the sector. Hence, the Board of Directors and the Top Management of banks and financial institutions should devote special attention to the strengthening of the Year 2000 Contingency Plans of their respective organisation. The Group also felt that Critical Minimum Parameterization (CMP) for a comprehensive Year 2000 Contingency Plan should be identified and communicated to banks and financial institutions for their guidance. Accordingly, by picking out the common elements from contingency plans received from banks, a list of core considerations representing the Critical Minimum Parameters for a comprehensive Year 2000 contingency plan has been compiled and presented in the Annexure for the information and guidance of banks and financial institutions. The CMP is intended to serve as a Self-Assessment Check List which banks and financial institutions may use for a self-evaluation of their Contingency Plans.

Banks and financial institutions would be well advised to ensure that the contingency plans prepared by them are comprehensive and compare favorably when evaluated with reference to the suggested Critical Minimum Parameterization. Banks and financial institutions are also advised to keep their Board of Directors informed of the findings of their self evaluation of the organisation's Year 2000 Contingency Plans.

Yours faithfully
(M.R. Srinivasan)
Chief General Manager
Encl: as above

**DEPARTMENT OF BANKING SUPERVISION
Y2K PROJECT CELL**

Annexure

Year 2000 Contingency Planning

Critical Minimum Parameters

- I. Key Assumptions
 - Assumptions regarding Generic Year 2000 Scenarios and Probability Studies.
 - Probability assessments regarding potential impact on business, reputation and profitability of the bank.
 - Assumptions relating to the use of Back-up computer systems (Back-up systems with the same technical structure as the acting system cannot be relied upon in a Year 2000 Contingency).
 - Assumptions relating to the availability of recovery solutions/ skills in the event of contingencies.
- II. Operations
 - Itemized all major operations/ back office requirements
 - Itemized all major Supporting Operations
 - Strategy to reduce pressure on systems across millennium weekend
 - Where volumes are large, is there a way of having a blend of manual and stand alone PC based operation or simply PC based operation?
 - Arrangements planned for taking hard copy back-up of all books and balances
 - Have a strategy in place for ensuring performance of Treasury Contracts.
 - Internal Controls and operating procedures under contingency planned, documented and communicated to staff.
 - Planned alternate approaches in the event of each envisaged scenario
 - Planned orderly shut down and recovery in disaster scenarios
- III. Cash and Liquidity Issues
 - Adequate cash and liquidity requirements estimated
 - Authorisations issued for higher holding limits
 - Logistics for cash build up planned
 - Storage, insurance and security arrangements for cash planned
 - Standby arrangements for Liquidity Support made.
- IV. Participation in Clearing
 - Familiarized with the contingency plans for which clearing house where the bank is a member or sub-member
 - Contingency plans at the Service branches/ clearing branches dovetailed with those of the clearing house
 - Addressed issues relating to participation in clearing operations.
- V. Financial Telecommunications
 - Identified and secured alternate financial telecommunications channels

- VI. Personnel Policy Issues
- Key Personnel identified and Core Group Planned
 - Transfer and Leave Policy for Core personnel formulated
 - Arrangements planned for ensuring availability of Core Personnel
 - Arrangements made to ensure availability of technical support including vendor personnel at critical locations
- VII. Legal Issues
- Obtained warranties/ indemnities from vendors/ service providers to mitigate legal risks
 - Would operations under the contingency plan expose the institution to the risk of not being able to comply with statutory/ regulatory requirement.
- VIII. Event Management Centres
- Event Management Centres Planned
 - Infrastructure for EMC planned and arranged
 - Personnel to man EMCs identified and their role defined
 - Contact particulars and alternative channels of communication identified in respect of key operations personnel, vendor resources, utilities & infrastructure service providers, customers, correspondents, Y2K Project Cell in RBI & EMCs of RBI and other external dependencies
- IX. Triggers for Activation
- Identify triggers for activation of contingency plans
- X Duration of Operation
- How long will it be necessary to operate on contingency mode?
 - How long will it take for recovery to be effected?
 - Is the Contingency Plan sustainable as planned?