

AFP®



Annual Conference

OCTOBER 27-30, 2013 | LAS VEGAS

ORIGINAL → ESSENTIAL → UNBIASED → **INFORMATION**

In the Wake of a Disaster: Business Continuity Planning Tips and Lessons Learned

Colleen Taylor

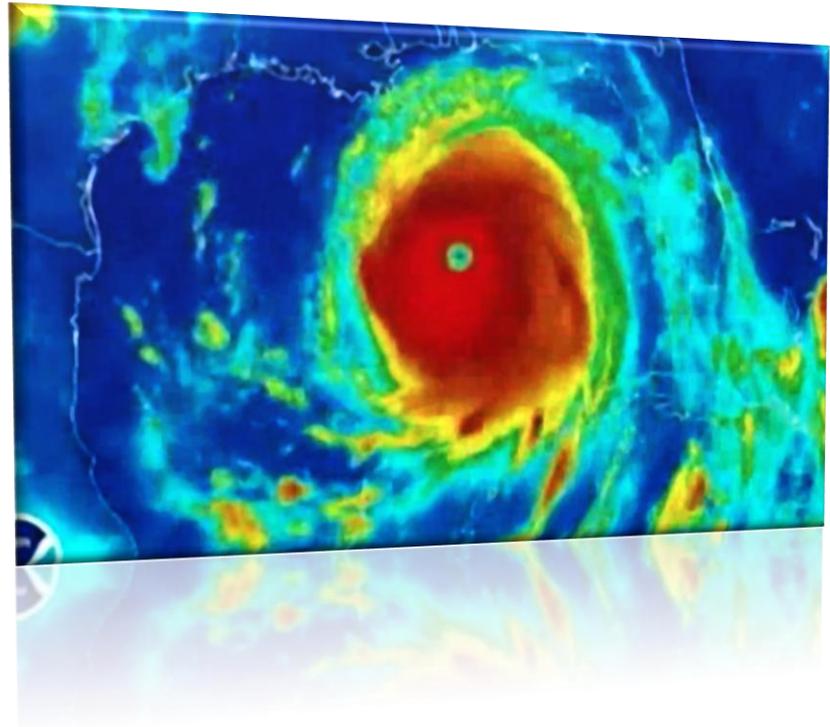
Executive Vice President
Head of Treasury Management and
Enterprise Payments
Capital One Bank

Adi Raviv

EVP Operations and CFO
Strategic Funding Source, Inc.

Who We Are ... and Why This Topic Matters

- Introductions
- Why business continuity planning is relevant for any business today



Session Overview

- Why business continuity planning (BCP) is so critical to our businesses
- Key components of our business continuity plans
- Tales and lessons learned from Superstorm Sandy



My BCP Challenge at Capital One Bank

Pertinent facts about my organization and BCP duties ...

- Fortune 500 company with nearly \$300 billion in total assets
- Provides a broad spectrum of financial products and services to consumers, small businesses and commercial clients
- A geographically diverse institution with operations centered in three areas of the country: New York, the Mid-Atlantic and the Gulf South

Key Elements of Business Continuity Planning



A thorough plan supports...

- People
- Technology
- Facilities
- Communications (with staff, customers and vendors)
- Training and testing

Integrating Third-Party Providers into a Business Continuity Plan

- System application providers (i.e., software as a service)
- Telecommunications companies
- Federal Reserve

My Business Continuity Planning Challenge at Strategic Funding Source

Pertinent facts about my organization and BCP duties ...

- Provider of alternative financing solutions for small businesses, focusing on working capital and short-term loans/cash advances
- Tremendous growth since founding in 2006
- 65 full-time employees, most in NYC office
- More than 200 ISOs (sales agents) around the country
- Receive 150-250 funding applications a day

Why BCP Is So Critical at Strategic Funding Source

- Company has a strong reputation for maintaining the daily flow of funds critical to the ongoing operations of more than 2,000 clients.
- We fund an average of 20-25 new and renewed merchants a day.
- Strategic Funding Source prides itself on reliably providing payments back to its hundreds of syndicate/funding partners daily.
- ISOs (sales agents) depend on twice-weekly commission payments.
- Times Square headquarters location presents a higher than normal terrorism vulnerability.

Developing the Plan at Strategic Funding Source – Phase 1

- Addressed both true disasters and normal business interruption scenarios (e.g., temporary loss of electricity or Internet access)
- Integrated company's geographic footprint into the plan
- Worked with company executives and an IT consulting firm
- Settled on the need and location for a remote backup server facility
- Considered locating a cash management employee in a remote office

Integrating Third-Party Providers into a Business Continuity Plan

- Backup systems provider/Colorado
- Financial institutions



Priorities Drove Planning at Strategic Funding Source

1. Cash management operations — uninterrupted flow of funds to existing merchant clients
2. Ability to repay syndicate/funding partners
3. Capacity to fund new/renewed merchants (underwriting of deals)



The Strategic Funding Source Plan – System Redundancy

- Technology provider consulted/advised on development of disaster recovery plan.
- Strategic Funding Source chose a reinforced underground location in Colorado to house a backup server.
- Facility is outside our primary geographical zones, on a different electric grid and in a region with a low risk of natural disasters.
- Backup server is constantly updated and synchronized to mirror activity in New York and Virginia offices.

Implementing the Plan at Strategic Funding Source – Phase 2

- Configuring backup server facility in Colorado
- Taking stock of the software and hardware employees have at home
- Hardware and software upgrades
- Simulation testing from the office — “go dark” and work off backup server
- Test backup and redundancy plans under different scenarios — employees work from home

The Strategic Funding Source Plan – Leveraging Geographic Diversity

- Offices outside of New York metropolitan area include a customer service office in Williamsburg, VA, and sales offices in Washington State and Long Island, NY.
- Offices can work interchangeably on the New York or Colorado servers.
- If there's an issue with the New York server, New York can run on the Colorado server. If there's an issue with the Colorado server, and Virginia was working on it, Virginia can move to the New York server.
- Geographical diversity reduces risks, supports load balancing and emergency backup and cutover scenarios.
- Relationship with an existing cash management outsourced provider in India (for overnight processing) supports the SFS business continuity plan.

The Strategic Funding Source Plan – Testing and Simulation

- BCP didn't end with implementation. It's ongoing with constant testing and simulation.
- Regular testing of systems (technology) and processes
- Simulation exercises rehearse various levels of readiness.
- Periodically review and update plan



The Superstorm Sandy Experience – Expect the Unexpected

- October 2012 – deadliest and most destructive hurricane of the 2012 Atlantic hurricane season
- Impacted 24 states, including the entire Eastern seaboard; estimated damage in the U.S. amounted to \$65 billion
- Unlike most disasters, several days' advance warning
- Still, Sandy brought unexpected consequences

Superstorm Sandy – Meeting Critical Client Service Needs

- **Unexpected** – Power out in some places more than a week. The length of its power outage meant a client (a school corporation) couldn't use its office PCs to access our online banking system and transmit payroll files to the bank.
- **Response** – The school corporation's accounts payable staffers were directed to a local bank branch, where they used an authorization stamp to manually approve and issue individual payroll checks we created.

Superstorm Sandy – Supporting Employees



- **Unexpected** – Due to the extended nature of the power outages, gasoline became difficult to obtain, and it was hard for bank employees to gas up their cars and get to the office.
- **Response** – Bank received approval from states to truck in gasoline and establish rationing stations. To fill their cars' tanks, employees visited these stations at a scheduled time.

The Superstorm Sandy Experience – Strategic Funding Source

- Storm surge hit New York City late on Sunday, October 28 — one year ago this day — and by Monday was flooding streets, tunnels and subway lines and cutting power in and around the city.
- Forecasts enabled company to review disaster plan with employees before the weekend but there was no time for any new planning.



The Superstorm Sandy Experience – Strategic Funding Source

- Impact was less severe in Times Square than other parts of Manhattan.
- Employees couldn't get to the office. Head of cash management resides in Staten Island and had no power or Internet access.
- Plan kicked in – New York office took customer service calls while Williamsburg, VA, office was under the storm's siege, and vice versa when the storm moved into New York.

Hotspot Device Saves the Day

- Cash management associate in Brooklyn had trained to work from home but didn't have Internet access.
- Using a car service, I delivered a cell phone provider's mobile hotspot device to the associate, creating a Wi-Fi connection at her residence.
- The associate worked with our office in India and initiated funding transactions, which I released from my home in Manhattan, where I had electricity and Internet access.
- Today, each cash management employee has a hotspot device (one for AT&T, one for Verizon, one for Sprint).

Keeping Employees Connected to Technology

- Since Sandy, Strategic Funding Source has further researched the type of computers and computing infrastructure that employees have—and what they need—in order to operate from home.
- Cash management employees now urged to take banking tokens home.
- Purchased and distributed to employees in critical positions several dozen batteries that can recharge cell phones and other electronic devices. These devices offer several hours of emergency backup.
- Moving certain backup services to the cloud

Summary of Key Points

- Establish a plan
- Ensure strong lines of communication with suppliers and customers
- Regularly test and update your plan
- Anticipate the unexpected



Business Continuity Planning Q&A

If you have questions later:



Colleen Taylor
Capital One Bank
colleen.taylor@capitalone.com
212.834.1385



Adi Raviv
Strategic Funding Source, Inc.
araviv@sfscapital.com
212.354.1400 ext. 7011