2013 SECURITIES INDUSTRY BUSINESS CONTINUITY TEST

October 5, 2013

SUMMARY OF RESULTS

Test Lead By

Securities Industry and Financial Markets Association
2013 SECURITIES INDUSTRY BCP TEST
October 5, 2013
Summary of Results

Executive Summary

The 2013 test is part of an ongoing industry-driven backup site testing initiative that began in 2003 and is led by Securities Industry and Financial Markets Association (SIFMA)\(^1\).

The 2013 test followed the format of prior industry-wide tests where firms submit test orders and transactions from their backup sites to the markets and industry utilities. The test involved components for Equities, Options, Fixed Income, Clearing and Settlement Utilities, Market Data, Payment Systems, Treasuries, Commercial Paper and FX. The exercise was supported by all major exchanges, markets and industry utilities. Participation in the test was voluntary and results for specific firms, exchanges, markets and utilities are retained in strict confidence by SIFMA.

Participants in the SIFMA test included 128 securities firms and 62 market organizations. During the test approximately 985 communications connections were establish between securities firms and banks and the exchanges, markets and utilities. **Test transactions on these connections were successful 97% of the time.** These results were generally comparable to prior tests and underscore the ability of the securities industry to operate through adverse conditions.

In parallel with the SIFMA test on October 5, the Futures Industry Association led a backup site test of the futures exchanges and clients. The Futures test included 23 futures exchanges and clearing organizations. **In the futures test, 64 clearing/non-clearing firms and trading firms participated. Between 73% - 100% of firms tested successfully, depending on the exchange.**

Results for that test can be found at: http://www.futuresindustry.org/business-continuitydisaster-recovery.asp.

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\(^1\) The Securities Industry and Financial Markets Association (“SIFMA”) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (“GFMA”). For more information, visit www.sifma.org.
Test Objectives

1. To assess the ability of securities market participants to operate through a significant emergency from their backup data centers and work area recovery sites and to examine the level of resiliency of the markets and the industry overall.

2. To provide firms and exchanges with an opportunity to test and evaluate their backup sites and backup communications with the markets on a single day.

Markets and Utilities Tested and Expanded Test Components

The 2013 test included components for Equities, Options, Fixed Income, Clearing and Settlement Utilities, Market Data, Payment Systems, Treasuries, Commercial Paper and FX.

Market participants included all major exchanges, markets and industry utilities plus major service bureaus and market data vendors. See Appendix A for list of participating market entities.

The Financial Information Forum assisted in coordinating with the services bureaus and market data vendors during the test.

Test Format

Participating firms, exchanges, industry utilities, service bureaus and payment banks, operating from backup sites (data center and work area recovery), simultaneously submitted scripted test transactions to markets and settlement entities and receive simulated confirmations. The test was not intended to be a simulation of any specific real event.

Firms and markets were requested to test from backup locations but, in some instances, this was not technically feasible. For a connection between a firm and a market to be considered a valid test interaction, at least one of the entities had to test from a backup site. A number of exchanges and markets and some firms run multiple “hot” sites as a normal data center configuration. In a multiple hot site configuration, order traffic is routed automatically to one or more of the sites and if a site fails, traffic is automatically shifted to the operational sites. This test did not require shutdown of one of the hot sites.
Test Participants Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchanges, Markets and Industry Utilities</td>
<td>39</td>
</tr>
<tr>
<td>(Equities, Options, FI, Clearing, Treasuries, FX)</td>
<td></td>
</tr>
<tr>
<td>Securities Firms</td>
<td>128</td>
</tr>
<tr>
<td>(Including those testing directly with markets</td>
<td></td>
</tr>
<tr>
<td>and through service bureaus)</td>
<td></td>
</tr>
<tr>
<td>Service Bureaus</td>
<td>12</td>
</tr>
<tr>
<td>Market Data Vendors</td>
<td>8</td>
</tr>
<tr>
<td>Payment Organizations</td>
<td>3</td>
</tr>
<tr>
<td>Future Exchanges and Clearing Organizations</td>
<td>19</td>
</tr>
</tbody>
</table>

See Appendix A for a complete list of market entities participating. The names of the participating firms will not be released.

Overall Test Results

There were 985 test interactions in the SIFMA test components of which 97% were successful.

The success rate for 2013 is in line with results for the past few years.

Notes: A test interaction is a connection between a firm and an exchange, market, service bureau or utility. Test interactions are considered successful if a two-way communication is recorded during the test window. Interactions that experienced issues that were corrected during the test window were counted as successful tests.

Successful Test Interactions by Market

<table>
<thead>
<tr>
<th>Market</th>
<th>Success Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>97%</td>
</tr>
<tr>
<td>Options</td>
<td>98%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>95%</td>
</tr>
<tr>
<td>Clearing &amp; Settlement</td>
<td>94%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>100%</td>
</tr>
<tr>
<td>Treasury</td>
<td>100%</td>
</tr>
<tr>
<td>FX</td>
<td>100%</td>
</tr>
<tr>
<td>Payments</td>
<td>100%</td>
</tr>
<tr>
<td>Market Data</td>
<td>100%</td>
</tr>
<tr>
<td>Service Bureaus</td>
<td>95%</td>
</tr>
<tr>
<td>Total</td>
<td>97%</td>
</tr>
</tbody>
</table>

Types of Issues Resulting in Unsuccessful Test Interactions

The type of issues noted during this year’s test are consistent with issues encountered in prior test except that the organizations experiencing the problems seem to vary from year to year. Types of problems include:

- General connectivity issues at firms
- System specific connectivity issues at firms
Observations and Conclusions

- This test and prior annual industry tests have consistently achieved extremely positive results that underscore the ability of the industry as a whole to operate through adverse conditions.
- One of the primary values of the annual test is the opportunity it provides for firms and markets to test their backup strategies collectively as an industry.
- The types of problems that caused the failures during this test were not so significant that, during a real event, they could not be addressed fairly quickly with full resources.
- Participants agree that it is valuable to continue to modify and expand the scope of the test each year.
- The backup strategies installed by securities firms and market entities performed extremely well.
- The need for firms to regularly and frequently test their backup connections to market entities is critical.
- Firms should ensure that appropriate controls are in place to manage changes to applications and hardware that may impact backup site connectivity to markets. Some of the problems seen during the test resulted from applications changes and hardware configuration changes that were installed since the last test.

Private Voice Line Test

- In conjunction with this year’s SIFMA Industry Test we hosted an additional test around Private Line connectivity. Private Voice Lines are an integral component of a firm’s trading strategy. They ensure a direct path to a firm’s counterparties, as well as provide a means of identification when calls are received. Like other key technologies, Private Lines must be recoverable within predefined timeframes.
- 5 firms took part in the test which exercised 11 scenarios.
- 2 firms failed over their lines, the other 3 were remote ends.
- No issues reported
- In the debrief, the team decided that given the limited scope/pool of firms that utilize this technology, we shouldn’t continue with this testing stream however, SIFMA should publish a best practice recommendation that firms should do this on their own.

Inquires About the SIFMA Test

Inquires about the test may be directed to:

Karl Schimmeck
Vice President
SIFMA
120 Broadway, 35th floor, New York, NY 10271
212-313-1183
kschimmeck@sifma.org
Futures Industry Test

For information about the Futures test led by Futures Industry Association, see http://www.futuresindustry.org/business-continuitydisaster-recovery.asp
Appendix A

PARTICIPATING MARKET ORGANIZATIONS

**Equities**
- BATS BZX
- BATS BYZ
- Chicago Stock Exchange
- Direct Edge EDGA
- Direct Edge EDGX
- NASDAQ
- National Stock Exchange
- NYSE/Euronext
- NYSE/AMEX

**Options**
- BATS Options
- Boston Options Exchange
- Canadian Derivatives Clearing Corporation
- Chicago Board Options Exchange
- ISE
- Montreal Exchange
- MIAX
- NASDAQ OMX PHLX
- NYSE/ARCA
- The Options Clearing Corporation

**Fixed Income**
- BondDesk - ATS
- MarketAxess - ATS
- The Municenter - ATS
- TradeWeb - ATS
- Dealerweb - IDB
- eSpeed - IDB
- ICAP - IDB
- Tullett Prebon – IDB

**Clearing/Settlement**
- DTCC
- Omgeo

**Payments**
- Fedwire
- CHIPS
- SWIFT

**Market Data**
- Bloomberg
- eSignal
- Factset
- Fidessa
- Interactive Data
- OTC Markets Group
- SIX Financial Information
- Thomson Reuters

**Service Bureaus**
- Broadridge ICI
- Broadridge BPS
- Broadridge BPO
- Fidessa
- Lava ECN
- OTC Markets Group
- ReadQ
- SunGard Phase 3
- SunGard Valdi
- Thomson Reuters BETA Systems

**Treasuries**
- US Treasury Auctions

**FX**
- Bloomberg Tradebook
- Bloomberg FXGO
- CLS
- FXAll
- Hotspot

**Futures**
- Canadian Derivatives Clearing Corporation
- CBOE Futures Exchange
- CME Group
- ELX Futures
- Eris Exchange
- ICE Clear Canada
- ICE Clear Credit
- ICE Clear EU
- ICE Clear US
- ICE Exchanges
- LCH Clearnet
- Mercado Español de Futuros Financieros
- Minneapolis Grain Exchange
- Montreal Exchange
- New York Portfolio Clearing
- NYSE Liffe US
- OneChicago
- Options Clearing Corporation
- TrueEx

Bank of New York - Clrg Bank
JP Morgan Chase - Clrg Bank
Flex Trade
Shadow Financial