

# **2019 SECURITIES INDUSTRY BUSINESS CONTINUITY TEST**

**Saturday, October 26, 2019**

## **SUMMARY OF RESULTS**

**Test Led By**

**Securities Industry and Financial Markets Association**



# 2019 SECURITIES INDUSTRY BCP TEST

## October 26, 2019

### Summary of Results

#### Executive Summary

The 2019 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)<sup>1</sup>.

The 2019 test followed the format of prior industry-wide tests where firms test connectivity and/or submit test orders and transactions from their backup sites to the markets and industry utilities. The test involved components for Equities, Options, Fixed Income, Market Data, Treasury Auctions, Payment Systems, Service Bureaus 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 approximately **110 securities firms** and **80 market organizations**. During the test approximately **1,100 communications connections** were established between securities firms and banks and the exchanges, markets and utilities. **Test transactions on these connections were successful 98% of the time**. These results were generally comparable to prior tests and underscore the ability of the securities industry to operate through adverse conditions. Industry testing to meet the requirements of Regulation Systems Compliance and Integrity (Reg SCI) also took place on October 13, in parallel with the SIFMA industry test. This is the third year in which Reg SCI testing took place alongside the test, which allows for greater efficiency in industry testing, and will occur again in 2020.

In parallel with the SIFMA test on October 26, the Futures Industry Association led a backup site test of the futures exchanges and clients. The futures test results can be found at the link below:

[https://www.fia.org/sites/default/files/2020-07/2019\\_DR\\_Test\\_Results%20%281%29.pdf](https://www.fia.org/sites/default/files/2020-07/2019_DR_Test_Results%20%281%29.pdf)

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<sup>1</sup> 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](http://www.sifma.org).

## Test Objectives

1. To assess the ability of securities market participants to operate through a significant emergency from their primary or 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

The 2019 test included components for Equities, Options, Fixed Income, Market Data, Payment Systems, Treasury Auctions, 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. We have continued to increase the scope of participating test entities as additional participants have entered the market, and as we look to further broaden the scope of entities engaged to cover the full range infrastructure and service providers broker dealers rely upon.

## Test Format

Participating firms, exchanges, industry utilities, service bureaus and payment banks, operating from either their primary or backup sites (data center and work area recovery), simultaneously connected and/or submitted scripted test transactions to markets and settlement entities and received 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. However, firms that do run this type of configuration were encouraged to test from their DR site as opposed to remaining in their Primary configuration.

## Reg SCI

In parallel with the SIFMA industry testing on October 26, the industry carried out the third test program as mandated by Regulation Systems Compliance and Integrity (Reg SCI). Nearly all Reg SCI entities took part in both testing programs, offering connectivity testing to interested firms as well more involved testing requirements for those firms designated as mandated testers under the rule. In

addition, many firms who took part mandated Reg SCI testing also took part in the SIFMA industry test to test their connectivity with other exchanges, as well as for market segments not involved in Reg SCI, such as fixed income, service bureaus, and payments. Due to system constraints around Reg SCI, equity clearance and settlement entities took part in Reg SCI testing but not the SIFMA industry test in 2017.

## Test Participants Summary

Exchanges, Markets and Industry Utilities (Equities, Options, FI, Clearing, FX)	55
Securities Firms (Including those testing directly with markets and through service bureaus)	~110
Service Bureaus	11
Market Data Vendors	8
Payment Organizations	3

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 approximately 1,100 test interactions in the SIFMA test components of which 98% were successful.

The success rate for 2019 is in line with results for the past few years.

**Notes:** A test interaction is a successful connection between a firm and an exchange, market, service bureau or utility during the test window. Interactions that experienced issues that were corrected during the test window were counted as successful tests.

## Types of Issues Resulting in Unsuccessful Test Transactions

The type of issues noted during this year's test were consistent with issues encountered in prior tests; however the organizations experiencing problems to vary from year to year. Types of problems include:

- ✓ General connectivity issues at firms
- ✓ System specific configuration 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 a small number of failures during this test were not so significant that, during a real event, they could not be addressed fairly quickly with full resources.
- The need for firms to regularly and frequently test their backup connections to market entities is critical and in the few cases where there were issues the test provides a valuable opportunity to uncover them.
- Firms should ensure that appropriate controls are in place to manage changes to applications and hardware that may impact backup site connectivity to markets.
- Robust pretesting and ensuring that correct connectivity and test configuration information is shared across the organization is valuable for the most efficient test day experience
- There was significant value in having providers in DR vs. relying on connections to their Primary systems that are configured as Hot-Hot. We will continue this trend in 2018, while allowing firms the flexibility to test from Primary or DR depending on what is most valuable to them.
- Organizing the industry test in parallel with Reg SCI testing was valuable for test participants, and will be continued in 2020.

## **Inquires About the SIFMA Test**

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## **Futures Industry Test**

For information about the Futures test led by Futures Industry Association, see

<https://bcp.fia.org>

## Appendix A

### PARTICIPATING MARKET ORGANIZATIONS

#### **Equities**

NYSE ARCA  
NYSE MKT (AMEX)  
NYSE (CLASSIC)  
NASDAQ  
Nasdaq PSX  
Nasdaq BX  
CHX  
Cboe BZX  
Cboe BYX  
Cboe EDGA  
Cboe EDGX  
OTC Link ATS  
UBS ATS  
BIDS TRADING  
Dealerweb ATSFINRA

#### **Fixed Income**

NASDAQ Fixed Income  
Dealerweb  
BrokerTec (Formerly ICAP)  
ICAP  
Tullett Prebon  
TradeWeb Markets LLC  
TMC Bonds LLC  
BondDesk  
MarketAxess  
BGC Partners  
Trumid  
Bloomberg TOMS  
BNY Mellon  
Canadian Derivatives  
Clearing Corp. (CDCC)

#### **Options**

OCC  
CBOE  
Cboe BZX Options

Cboe C2 Options  
Cboe EDGX Options  
Nasdaq ISE  
Nasdaq BX Options  
Nasdaq Options Market  
Nasdaq GEMX  
Nasdaq MRX  
NYSE ARCA Options  
NYSE AMEX Options  
NASDAQ PHLX  
BOX  
Cboe BZX Options  
Cboe EDGX Options  
Canadian Derivatives  
Clearing Corp. (CDCC)  
MIAX Options  
MIAX PEARL  
MIAX Emerald  
Montreal Exchange  
Cboe C2 Options

#### **Treasury Auctions**

#### **Payments**

Fedwire  
CHIPS  
SWIFT

#### **Market Data**

Bloomberg  
Refinitiv (ex-Thomson  
Reuters)  
ICE Data Services / eSignal  
SIX Financial Information USA  
Inc.  
Fidessa  
ICE Data Services / Interactive  
Data  
FactSet  
OTC Markets Group

#### **Service Bureaus**

Broadridge BPS  
Broadridge ICI  
Broadridge BPO (Formerly  
Ridge)  
Thomson Reuters BETA  
Systems  
FIS Phase 3  
FIS Valdi  
Fidessa  
ReadQ  
FlexTrade Systems  
Shadow Financial  
**FX**  
Bloomberg FXGO  
Thomson Reuters FXall  
Traiana