

2007

CORPORATE ADMINISTRATION

Countrywide

Corporate Administration



**Business Continuity Compliance of
Critical Vendors**

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Agenda

- Introduction
- Why Vendor Management is Important
- Who is a Critical Vendor
- Managing Business Continuity in Contracts
- Auditing Vendors for Compliance
- Government Regulations

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Risk is good

- Growth of business is risk
- Managing risk limits exposure to failure, increases likelihood of success

Why manage disaster risk with vendors?

- Sarbanes-Oxley Act (SOX)
 - Companies are responsible for “Ensuring continuity for the systems and processes which account for communications between auditors and clients.”
 - “Management will be held responsible for ensuring adequate (continuity) internal controls are in place.”
- Gramm-Leach-Bliley Act (GLBA)
 - “...Institutions should follow a written contingency plan to address any breaches of physical, administrative, or technical safeguards.”
 - “Vendors should also comply with (Disaster Recovery) provisions.”
- Best practice!

Which vendors need to comply?

- All vendors or critical vendors?
- All critical vendors or those who are not regulated?
- How often?
- How to audit?
- Contractual obligations?

Define critical vendors

- Those vendors critical to your continued operations that...
 - Can not easily be replaced (i.e., dual sourced)
 - Example: Staples is not critical if Office Max can quickly perform the same services
 - Provide a service that is time sensitive
 - Example: Wire transfers
 - Represent a material loss to your business

Contract language

- “Client requires its suppliers to incorporate disaster recovery procedures and annual disaster recovery testing as part of its corporate policy. Client may require the supplier to provide a summary of the disaster recovery procedures, the most recent disaster recovery test plan, and the most recent Disaster Recovery test results. Client requires Supplier to have procedures to recover critical Client services within XX time after declaring a disaster.”
- Educate the contract owner that shorter recovery times may greatly increase cost.
- Define recovery time to match RTO for business processes it supports
- Recover critical services
- Include Right to Audit

Auditing critical vendors

- “Belief and seeing are both often wrong” – Robert McNamarra
- Do NOT ask for the vendor’s BC Plan to be sent to you
 - If they voluntarily send you the plans, let IT Security and contracts know that you now possess internal confidential documents of the vendor
- DO ask about all aspects Business Continuity program
 - Evaluate the health of the BC lifecycle
 - Risk Assessment
 - BIA
 - Plan Creation
 - Plan Maintenance
 - Testing
 - Approval

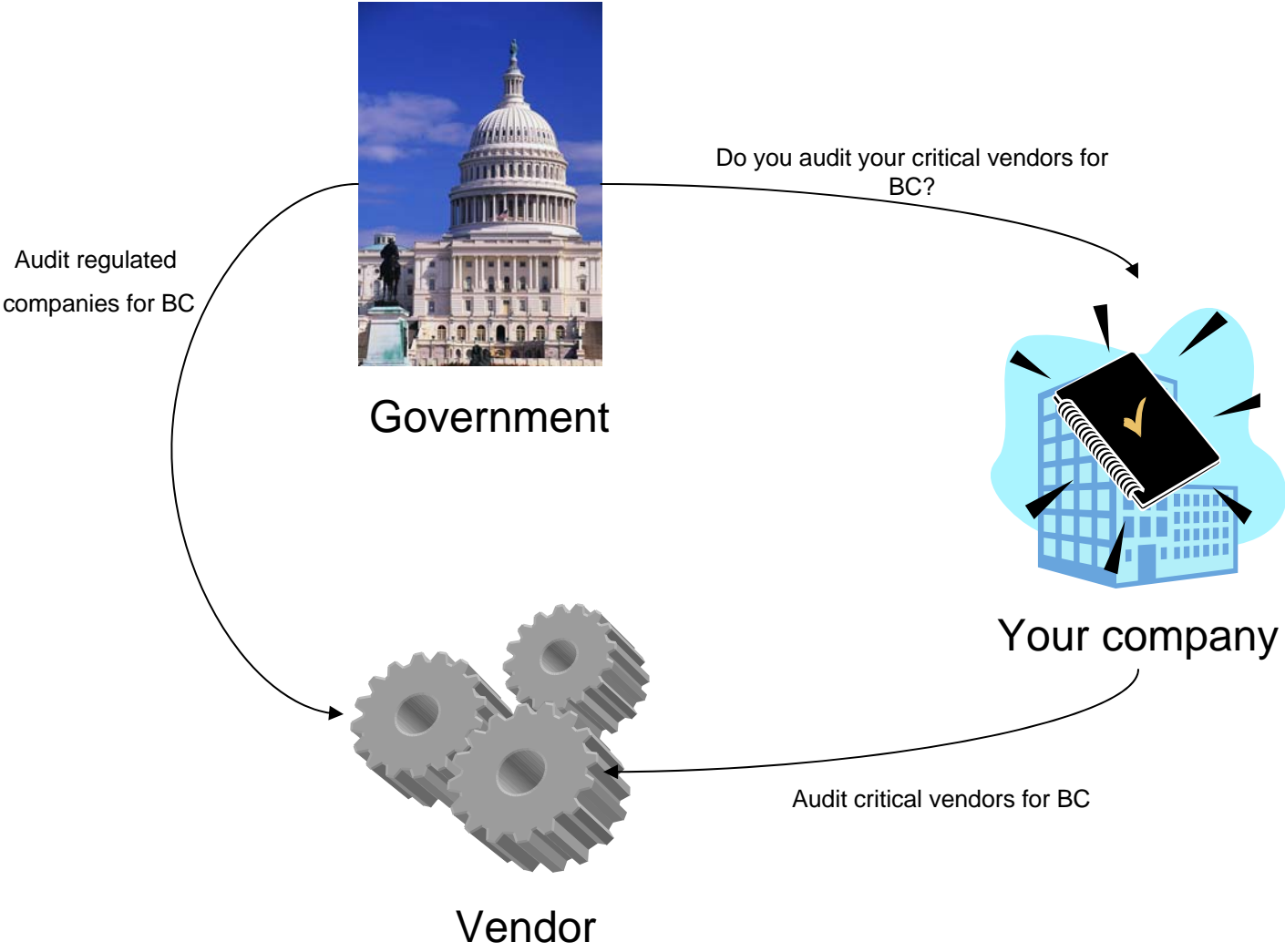
Auditing Critical Vendors

- Ask questions such as
 - Do you have a dedicated team of professionals focused on business continuity?
 - Are the business continuity plans designed around critical business functions?
 - Are critical vendors documented in the plan with the 24/7 contact information?
 - Have all of the key personnel been trained on the procedures?
 - What was the date of your last disaster recovery test? When is the next scheduled disaster recovery test?
- Source:
http://www.recoverychronicles.com/MediaPR/_files/BCPLibrary/PDFs/supplychainarticle.pdf

When to audit

- Prior to contract signature
 - Use auditing questionnaire as part of the Request for Proposal process
- Review during contract amendments
- Per regulations, audit at least once every year on an annual cycle
 - Use auditing questionnaire

Regulated Vendors



Reduce time spent on auditing regulated vendors

- Identify regulated vendors
- Research regulations from industries that match your requirements
 - FFIEC
 - http://www.ffiec.gov/ffiecinfobase/booklets/bcp/bus_continuity_plan.pdf
 - SEC
 - <http://www.sec.gov/rules/concept/34-46432.htm>
 - NASD
 - <http://www.nasd.com/RulesRegulation/IssueCenter/BusinessContinuityPlanning/index.htm>
 - Insurance
 - <http://www.ins.state.ny.us/dprcldoc.htm>
 - NRIC/FCC
 - http://www.nric.org/fg/charter_vi/fg1/RECOM_FG1D.DR.BP.xls
 - HIPPA
 - http://www.training-hipaa.net/template_suite/Contingency_planning.htm
- Develop matrix to speed up qualifications of critical vendors meeting your BC requirements
- Ask
 - Are you regulated by (fill in applicable regulatory bodies)?
 - Have you been audited in the last 18 months?
 - Were there any findings? How Many?
 - Will any identified findings be resolved within 12 months of the finding date?

Non-compliant vendors

- Discuss with business unit requiring vendor your findings
 - Give the option for the vendor to be brought up to compliance within required timeframe
 - Provide vendor with information of your minimum standards and assist if appropriate
- Consider on-site audit if vendor recently met minimum standards.

Conclusions

- Not all vendors need to be reviewed for compliance
- Identify critical vendors
- Include DR requirements in contract language
 - Include right to audit
- Ask about components of BC Program lifecycle
 - Do not ask for the plan
 - Do not accept plan
- Reduce time to audit
 - Identify regulations that vendor already needs to comply to operate

THANK YOU!

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