
ChicagoFIRST

Chicago Financial Services Industry Coalition
for Business Continuity

Testimony
of
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Executive Director
ChicagoFIRST

before the

U.S. House Financial Services Committee

on

Protecting our Financial Infrastructure:
Preparation and Vigilance

September 8, 2004

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Good morning. Chairman Oxley, Ranking Member Frank, and Members of the Financial Services Committee, I am Brian Tishuk, the Executive Director of ChicagoFIRST. I am honored to appear before this Committee and to be part of this distinguished panel. Chicago's leading financial institutions comprise our organization, through which they cooperate with one another and collaborate with government to address common business continuity and homeland security issues.

In my statement, I will discuss how regional public/private partnerships can enhance the resiliency of financial institutions and how ChicagoFIRST, as such an entity, can be replicated across the nation.¹

Introduction

I became the first Executive Director of ChicagoFIRST in February of this year. This followed a 19-year career at the Treasury Department, where I addressed financial institutions issues of all kinds within Financial Institutions Policy. Following the horrific events of September 11, 2001, I established and led the Department's Office of Critical Infrastructure Protection and Compliance Policy (CIPCP), which focused on: critical infrastructure protection and homeland security; money laundering and terrorist financing; and the security of personal financial information.

Before explaining the activities that we have undertaken within ChicagoFIRST, I would like to first explain the need for regional partnerships and how the basic structure and approach of our organization serves as a model for financial institutions in other areas of the country.

Regional Partnerships

Natural disasters, terrorist attacks, and other crises happen locally and affect the region in which they occur most acutely.

¹ A list of our members and strategic partners is appended to this statement.

Government takes the necessary steps to prevent intentional acts, respond to a disaster, and to recover. Private institutions establish security protocols to prevent and thwart intentional acts, and they develop and implement business continuity and disaster recovery plans.

These are necessary, but insufficient, steps to protect the people who comprise the most important asset of financial institutions. Financial institutions must ensure that their plans do not conflict with those of their counterparts and that they will mesh well with governmental plans for prevention, response, and recovery. For example, if a firm's evacuation plan calls for employees to head south to a park, that firm should not find out in the midst of a crisis that the city will order its employees north to an alternate location. It would also be an inauspicious time to learn that, while the firm's building is safe, yellow tape prevents essential employees from reentering the facility to resume critical operations. The global reliance on U.S. financial markets renders such a situation completely unacceptable for financial institutions.

Engaging local and state governments to discuss evacuation procedures, credentialing, sheltering in place and other issues can best be accomplished through a regional partnership, such as ChicagoFIRST. The public sector will be overwhelmed if each institution seeks to cover the same ground individually, possibly with conflicting and inconsistent solutions. Financial institutions will be much stronger, and far more successful, working together.

That ChicagoFIRST is unique within the financial sector attests to the difficulty of forming a regional partnership. Yet, such efforts are necessary for the protection of critical financial infrastructure. We believe that the federal government should more actively promote and support efforts to form and sustain organizations like ChicagoFIRST in financial centers. The Treasury Department and the Department of Homeland Security (DHS) have contributed to our success. However, these agencies need to do more to draw financial institutions into the homeland security effort through these partnerships.

The Treasury Department, as the financial sector's lead agency, has a solid and respected record of applying its varied resources to benefit the sector. However, we believe it should bolster its efforts to

increase private sector awareness of the work of the Financial and Banking Information Infrastructure Committee (FBIIC), composed of all relevant federal financial regulators, the Financial Services Sector Coordinating Council (FSSCC), a private sector organization that coordinates with FBIIC, and the Financial Services Information Sharing and Analysis Center (FS-ISAC), an private sector information sharing organization. Knowledge of these resources would help financial services institutions throughout the country understand that they will not be going it alone as they work to form partnerships to increase their resiliency in the face of potential disasters.

The Department of Homeland Security (DHS) also has a role to play. Its regional arms, such as the Federal Emergency Management Agency and the United States Secret Service, can provide regional partnerships tremendous value and assistance, as they have done for ChicagoFIRST. DHS's Private Sector Office can also support and facilitate regional partnerships, as that Office, too, has done with ChicagoFIRST. However, the Department as a whole needs to take more of an initiative in reaching out to financial institution centers and promoting regional partnerships.

Federal agencies and national organizations cannot organize regional partnerships, but their assistance in working with state and local government, financial institutions, and others can prove invaluable.

Founding ChicagoFIRST

The Chicago financial services industry is the most diverse in the United States. Its participants include securities and futures exchanges, large and small banks, securities and futures clearinghouses, and check clearing and cash operations by the Chicago Federal Reserve Bank. The financial services industry is one of the largest employers in the City of Chicago. Because of its diversity, disruption of these markets would seriously affect key operations across the country.

In light of the events of September 11, each of the members of the Chicago financial services community reexamined and enhanced its individual business continuity plan to increase its ability to survive such an event. As this work proceeded, many institutions came to

realize that the utility of each firm's individual plan depended on the emergency preparedness of the City of Chicago and the State of Illinois.

During the summer and fall of 2002, two third-party efforts sought to coordinate the Chicago financial community. Although institutions saw the benefit of organizing, it became clear that they preferred to organize themselves, rather than to be coordinated by an outside party.

Treasury Department officials visited Chicago in March 2003 and encouraged the members of the financial services industry to work together on business continuity issues. They also met with the head of the City of Chicago's new Office of Emergency Management and Communications (OEMC), stressing the importance of the financial services industry and the need for the OEMC to work with the industry.

Informal discussions among Chicago financial institutions in April 2003 led to the realization there were a number of common questions and concerns about the emergency plans of the City of Chicago and the State of Illinois. They also shared a sense of frustration that answers were hard for them to obtain individually.

In May 2003, a number of the leading financial institutions determined that it would be productive to form an organization to address regional business continuity issues in partnership with the city, state, and federal government. Louis Rosenthal, Executive Vice President, LaSalle Bank, and Ro Kumar, First Vice President, The Options Clearing Corporation, now co-Chairs of ChicagoFIRST, took the lead at the meeting. They presented a draft mission statement and draft primary objectives for a potential new organization that they called ChicagoFIRST. Active discussion by the industry participants at the meeting refined the drafts, which led to an agreement to form ChicagoFIRST as an informal coalition.

Mission and Objectives of ChicagoFIRST

The mission and primary objectives agreed to in May 2003 continue to guide ChicagoFIRST today.

The mission of ChicagoFIRST is to increase the resilience of the Chicago financial community in collaboration with the city, state, and federal agencies, including to: (1) protect the lives of the thousands of people who work in the industry; (2) protect the financial assets that have been entrusted to it for safekeeping and investment; and (3) implement the primary objectives of the organization expeditiously.

The primary objectives were to: (1) obtain a seat at the OEMC's Joint Operations Center (JOC) in the event of a crisis that affects Chicago's financial community; (2) develop and communicate standard evacuation procedures for industry personnel to exit the city if necessary; (3) create permits/passes for essential personnel to enter business facilities that are safe, but to which access is restricted (credentialing); and (4) increase the understanding of city and state emergency management administrators about the criticality of the local financial services industry.

In July 2003, the formation of ChicagoFIRST was announced at a press conference attended by representatives of the organization, the OEMC, and the Department of the Treasury. The Department lauded ChicagoFIRST as "a useful model that may serve other communities well."² The participants at the news conference stressed that collaboration between the private and public sectors was necessary to protect the Chicago financial services community. ChicagoFIRST also announced that it would initially be supported by BITS, a technology and business strategy group consisting of the top 100 financial services companies in the U.S. BITS' role was to support implementation of ChicagoFIRST's primary objectives and to recommend an ongoing structure for the coalition.³

² Joint Press Release of the Department of the Treasury, City of Chicago's Office of Emergency Management and Communications, and ChicagoFIRST (July 10, 2003) (quote of Michael Dawson, Treasury Deputy Assistant Secretary for Critical Infrastructure Protection and Compliance Policy).

³ As a condition of assisting ChicagoFIRST, BITS was permitted to produce a paper outlining the manner in which the ChicagoFIRST experience could be replicated elsewhere. With the assistance of the Treasury Department, which hired the Boston Consulting Group to collaborate with BITS and ChicagoFIRST, a final document is expected to be published soon.

In January 2004, 14 members formed ChicagoFIRST as a legal entity and hired me. Assistant Secretary Abernathy fully supported these developments, considering them means of both furthering the goals of ChicagoFIRST and Treasury's interest in developing other regional partnerships within the financial sector.

Progress on the Primary Objectives of ChicagoFIRST

Thanks to the tireless efforts of volunteers from ChicagoFIRST's members and the invaluable assistance of our strategic partners, important progress has been made on all of ChicagoFIRST's primary objectives. However, much remains to be done.

ChicagoFIRST's most important objective was to obtain a seat at the OEMC's JOC. The JOC includes seats for a number of city agencies that would be involved in a regional disaster, including the police, fire department, sanitation department, and public health department. ChicagoFIRST's members wanted a seat at the JOC to gain and share information in times of emergency in order to protect employees and businesses. OEMC agreed to give ChicagoFIRST a seat at the JOC in July 2003. Staff from the members of ChicagoFIRST and from the Federal Reserve Bank of Chicago will occupy the seat if necessary. A rotation schedule has also been devised.

Developing and communicating standard evacuation procedures has proven to be a more complicated project than the members of ChicagoFIRST initially thought. The city and state are both working together and with ChicagoFIRST, but we have found that our mutual assumptions require further analysis and lengthy discussion. Moreover, the city can share only so much of its plans, because it needs to preserve its flexibility in times of emergency and is concerned that revealing evacuation plans too widely could jeopardize security.

However, useful progress has been made. Just last month, ChicagoFIRST was privileged to be one of very few private sector entities to participate in a tabletop sponsored by the Illinois Department of Transportation and the Illinois Emergency Management Association, with active participation by the OEMC and numerous city agencies. This exercise revealed that some of the assumptions underlying the business continuity plans of many of our members might conflict with the assumptions underlying the evacuation plans of

the city. ChicagoFIRST continues to work through these issues with the city in a spirit of partnership.

ChicagoFIRST is also working with the city and the Red Cross to develop plans for shelter-in-place protocols for employees. Jointly, we will devise guidance on these protocols and train ChicagoFIRST employees on shelter-in-place best practices.

Steady progress has been made toward a credentialing system that would allow essential personnel to access closed buildings or areas of the city when it is safe to do so after a regional disaster. ChicagoFIRST and the city are using an interim credentialing solution while a permanent credentialing system is being developed. The city and state are currently discussing the need for and development of a common credentialing system, a dialogue for which ChicagoFIRST deserves some credit.

With the participation of the Department of the Treasury, ChicagoFIRST held an education briefing for the city in August 2003. The briefing was well attended and well received by city employees, many of whom were first responders with extensive experience in protecting lives and property, but less experience with the financial services industry. ChicagoFIRST members also have made presentations about the organization and its goals to the Illinois Terrorism Task Force. ChicagoFIRST has also reached out to fledgling regional business continuity organizations in Minneapolis and Cleveland.

ChicagoFIRST as the Model for Regional Partnerships

Every regional partnership will necessarily be unique, addressing issues of relevance to a locality in a manner appropriate for the parties involved. Only those agencies and institutions “on the ground” can do this, and financial institutions can do this well only if they organize themselves and leverage their relationship.

Though a product of its own milieu, ChicagoFIRST has been constructed in a manner that would allow its salient elements to be replicated in other parts of the country. I would like to highlight four components of our model that would place any regional partnership in good stead.

Grassroots Leadership

Financial institutions should organize themselves in a grassroots fashion. Only they can articulate the business case and present it credibly to their colleagues and to their public sector partners. Third-party organizers will necessarily operate under a different business model, continuing to lead a partnership only as long as it proves beneficial to them, with the needs of its financial institution members taking an understandably secondary position.

Leadership must come from within the financial institution members. One leader is essential, but having two assures competitors that there is no hidden agenda. Ro Kumar and Louis Rosenthal provided that leadership for ChicagoFIRST, drafting the mission statement and identifying the “low hanging fruit” that helps such a coalition succeed at the outset.

Organization Self-funding

With the critical infrastructure largely in the hands of the private sector, we have an obligation to put “skin in the game,” as the saying goes. However, at least in the short term, funding from the public sector must also be provided. I am not saying that government should be expected to fund operating expenses. Doing so will simply invite public control of the organization, which will vitiate the very concept of a partnership.

Nevertheless, there is a role for government assistance. The federal government should help to fund projects that enhance the security of the region and would be difficult, if not impossible, for the partnership to fund alone. The Treasury Department has been very generous with ChicagoFIRST and other financial sector participants in this regard. We believe that DHS should also be supporting regional partnerships, but we have not been completely satisfied with their participation to date.

Build Relationships with Public Agencies

In a general sense, the whole purpose of an organization like ChicagoFIRST is to build relationships with its public partners. This

allows both the public and private sides to know what to expect of one another in a crisis, so that false assumptions will not have to be confronted during the heat of a crisis, but can instead be factored into our respective approaches to such events.

Information sharing derives from such relationships. Although our highest priority was to secure a seat in the Chicago JOC, we knew that much of our information sharing would take place outside of a crisis, and it has. Such sharing ranges from the mundane of our asking the city about a bevy of police/fire/rescue vehicles on the street in a particular location to the essential of having the City of Chicago and the State of Illinois give us a “heads up” about impending issues and announcements, such as the August 1 disclosure of terrorist threats against financial firms in New York City, New Jersey, and Washington, DC.

A regional partnership will neither supplant nor direct the business continuity plans of its individual members; that responsibility remains with them. The core competence of a partnership is to: obtain information from the public sector and to share it with the members; share relevant institution information among the members; and provide the public sector with timely information about financial institutions that protects employees, markets, and the region.

Model Adaptability

Not only can the above elements be replicated elsewhere, but also adapted to any region. For example, the size and importance of the Chicago financial community justifies a partnership where the private sector is exclusively financial. However, those areas of the country that lack a critical mass of financial institutions could adapt this model to a group that includes members from other sectors.⁴

Even if other sectors become members, financial institutions remain fertile ground for leaders and organizers. Being heavily regulated, they find nothing unusual about working with the public sector. More importantly, financial institutions understand keenly the need to reduce operations risk.

⁴ For example, a partnership in one region is being led by a financial institution, but other members include an electronics store, a retail store, and a manufacturer.

I don't want to underestimate the difficulty of establishing and continuing an organization like ChicagoFIRST. I can assure you that "getting off the ground" is only the beginning of the challenges and expenses. That being said, the members of ChicagoFIRST are committed to making sure that the organization is around for the long haul.

ChicagoFIRST is on the Map

Despite its short history, ChicagoFIRST has been tremendously successful, becoming a fixture of the Chicago financial landscape.

- The City of Chicago has become our most important partner, and we have worked with them on several pilot programs of mutual benefit. In fact, Ron Huberman, the Executive Director of the OEMC, has reached out to ChicagoFIRST and proposed his own agenda for protecting financial markets.
- The Illinois Terrorism Task Force, one of the state's forward-looking homeland security efforts, recognizing the contribution we can make, has invited us to attend regular meetings of the government-focused task force.
- The Illinois State Police have developed an information-sharing conduit for law enforcement called the Statewide Terrorism Intelligence Center. Before rolling it out to certain segments of the private sector, the state police asked ChicagoFIRST to pilot test it. And we are.
- Local media have begun recognizing ChicagoFIRST as a single point of contact for the area's financial community.

ChicagoFIRST has also become part of the landscape of the national financial sector.

- ChicagoFIRST presents at each of the financial sector outreach conferences held by FBIIC and FSSCC. According to the surveys collected after each one, our presentation is valued highly by the attendees as an important best practice.

- ChicagoFIRST joined FSSCC earlier this year, and will host the quarterly meetings of FBIIC and FSSCC next week. This marks the first time that these meetings have been held in a city other than New York or Washington, DC.
- Our presence here today illustrates the progress that we have made in addressing homeland security issues facing Chicago's financial institutions since September 11.

July Tabletop Exercise

I would like to elaborate on the crowning achievement of 2004: a July tabletop exercise that proved successful in every way. Most importantly, we devised a scenario that examined how the partnership would function if financial institutions were forced to operate for an indefinite period of time under the threat of terrorist attack. Two weeks after the event, we saw that very scenario unfold in real life as the Secretary of Homeland Security unveiled terrorist designs against East Coast financial institutions.

The goal of the tabletop, conducted by ChicagoFIRST, in collaboration with the OEMC, and with important financial assistance from the Department of the Treasury, was to test the resiliency of the financial services sector and to improve security in Chicago. Representatives of members of ChicagoFIRST and many of our strategic partners actively participated in this two-day exercise. In all, 21 financial institutions and 17 government agencies attended the exercise. The scenarios that the participants worked through were designed to severely test the plans and communications channels between ChicagoFIRST and its strategic partners.

ChicagoFIRST will meet later this month to examine the lessons learned at the exercise and to develop a plan to address these issues through committees headed by ChicagoFIRST members. Some of those tasks include the following:

- Obtain alternative communication methods, because traditional methods could be damaged during a crisis;
- Strengthen employee preparedness for emergencies, both at work and at home;

- Develop our nascent relationships with the counties in the region, where many of our employees live;
- Institute relationships with telecommunications providers and the utilities; and
- Test, fill gaps, repeat. Our members found the tabletop so valuable that we are firmly committed to the concept of group testing.

Area of Concern

One of my former colleagues was fond of asking those involved in homeland security efforts what kept them awake at night. If posed to me, I would give the following answer:

- As identified threats lead to the hardening of financial institutions and metropolitan areas on the East Coast, terrorists will look for financial targets perceived to be softer. We do not want Chicago to be seen as such a target.
- We have mentioned to DHS our interest in hardening Chicago generally and the financial district specifically. Among other things, we seek: funding for certain safety equipment sought by both the city and ChicagoFIRST; placing a DHS regional center in Chicago; and procuring security clearances for key financial representatives so that deeper collaboration between the public and private sectors can occur.

To date, we have not received answers to these inquiries from DHS. We hope that our appearance here today will be the beginning of a relationship with that agency as productive as those we have with the City of Chicago, the State of Illinois, and the Treasury Department.

Conclusion

The members of ChicagoFIRST are very proud of our progress. We have a very productive relationship with the City of Chicago, the State of Illinois, and the Department of the Treasury and law enforcement at all levels. While much remains to be done, the members of ChicagoFIRST are confident that the financial services

community of Chicago is better prepared to protect its employees and businesses in the event of a regional disaster than we were before ChicagoFIRST was formed. We hope that our successful approach can provide a model for private/public partnerships in other cities throughout the country.

Thank you again for the opportunity to testify at this important hearing. I would be happy to answer any questions that you have.

MEMBERS OF CHICAGOFIRST

ABN AMRO/LaSalle Bank
Allstate Insurance Company
Archipelago
Bank of America
Bank One
Chicago Board Options Exchange
Chicago Board of Trade
Chicago Mercantile Exchange
Chicago Stock Exchange
Harris Bank
Mesirow Financial
Mizuho Securities USA
Northern Trust
The Options Clearing Corporation
UBS
William Blair & Company

STRATEGIC PARTNERS OF CHICAGOFIRST

Chicago Electronic Crimes Task Force (United States Secret Service)
Chicago Police Department 1st District - Central
City of Chicago Office of Emergency Management and Communications
Commodity Futures Trading Commission
Federal Bureau of Investigation/InfraGard – Chicago Chapter
Federal Deposit Insurance Corporation
Federal Emergency Management Agency, Region V
Federal Reserve Bank of Chicago
Financial and Banking Information Infrastructure Committee
Financial Services Information Sharing and Analysis Center
Financial Services Roundtable/BITS
Financial Services Sector Coordinating Council
Futures Industry Association
Illinois Department of Financial and Professional Regulation
Illinois Emergency Management Agency
Illinois Terrorism Task Force
Office of the Comptroller of the Currency
Securities and Exchange Commission – Division of Market Regulation
State of Illinois
United States Attorney's Office, Northern District of Illinois
United States Department of Homeland Security, Private Sector Office
United States Department of the Treasury, Office of Critical Infrastructure Protection