



**Crisis Management**  
**Ensuring Business Continuity for Rural**  
**Banks**

# Crisis Management - Ensuring Business Continuity for Rural Banks

How rural banks can successfully face a crisis with certainty and respond to business disruption with enhanced business continuity plan.

As financial institutions play a crucial role in the economy, it is important that their business operations are resilient, agile and scalable in order to be able to face any volatile, unpredictable changes. When a crisis strikes, be it an earthquake, a flood or the National Disaster Risk Reduction and Management Council (NDRRMC) classified banking and financial services as an essential sector. In an outbreak of a worldwide pandemic, financial institutions are often required to run services with minimal disruptions.

In the Philippines, like elsewhere, amid the rapid widespread of the Covid-19 pandemic and the lockdown of cities, From its part, the Bangko Sentral ng Pilipinas (BSP) urge all financial institutions under its supervision to “ensure that their operations can withstand the effect of major disruptions.”<sup>1</sup>

The worldwide outbreak of the pandemic reaffirmed how important it is for all types of businesses, especially financial institutions to have a Business Continuity Plan (BCP) in place. Business continuity is the process whereby financial institutions worldwide ensure the continuity of essential operations and recovery of their businesses.

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*“A Business continuity plan is a set of procedures that define how a company mitigates, reacts, continues or recovers its critical functions in the event of an unplanned interruption in normal operations.”<sup>2</sup>*

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## How have you prepared your rural bank to run its operations in the time of crisis or major disruptions?

It’s essential that a rural bank is able to serve its community in times of need. However, provision of financial services at times of crisis would not be possible if a rural bank is not ready and well-equipped to respond to the crisis. As crucial players in the Philippines’ economy, rural banks should be proactive rather than reactive in facing crisis to ensure the continuity of business and respond to the ongoing uncertainty.

Rural banks must not only ensure the continuity of their operations, but also comply with the regulatory requirements. In respect to business continuity in times of crisis, BSP stated in circular

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<sup>1</sup> Bangko Sentral ng Pilipinas Office Of The Governor Circular No. 951  
<http://www.bsp.gov.ph/downloads/regulations/attachments/2017/c951.pdf>

<sup>2</sup> Business continuity planning for financial services  
[https://www.equinix.com/www/resources/whitepapers/Business\\_Continuity\\_Planning\\_White\\_Paper\\_US\\_EN\\_1016.pdf](https://www.equinix.com/www/resources/whitepapers/Business_Continuity_Planning_White_Paper_US_EN_1016.pdf)

NO. 951 that its supervised financial institutions “need to have a comprehensive business continuity management (BCM) process as an integral part of their operational risk management system.”<sup>3</sup>

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*Business Continuity Management (BCM) shall refer to an enterprise-wide framework encompassing policies, standards, facilities, personnel and practices that provides for continuous functioning of the institution during disruptions. It should be able to cover and establish linkages among its multiple components, such as communication plan, crisis management plan, contingency funding plan, and technology recovery plan.*<sup>4</sup>

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The BSP regulatory framework for BCM aims to:

- Minimize disruption of basic banking services
- Minimise financial losses
- Resume critical operations within the shortest possible time from the occurrence of the disaster
- Continue upholding consumer protection
- Avoid systematic impact within the financial services industry<sup>5</sup>

**How can your rural bank strengthen business continuity strategy, risk management while complying with the BSP directives?**

## **Rural banks are moving their operations to the cloud to ensure their business continuity and compliance**

### **The disruptive cloud technology for financial services industry**

Several financial institutions still have their IT systems and data on-site. In the event of a crisis, servers that are physically at the location of your institution can be out of reach due to flood, damage, loss or simply because you cannot physically be in the office.

Often, following geohazard events, data that is locally hosted is lost and not possible to recover. This puts the entire institution at high risk: without its data and IT system it cannot operate. Cloud-based core banking systems offer effective **solutions for responding reliably and at a scale during a crisis**. In line with BSP security regulations and as a response to the vulnerabilities and unscalability of on-premise systems, a growing number of rural banks have made the strategic decision to **move their operations to the cloud** and rely on IT and security professionals. With proper **security and business continuity plan** and measures in place, financial institutions are

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<sup>3</sup> Bangko Sentral ng Pilipinas Office Of The Governor Circular No. 951  
<http://www.bsp.gov.ph/downloads/regulations/attachments/2017/c951.pdf>

<sup>4</sup> ibid

<sup>5</sup> Business Continuity Management (BCM) Initiative of BPS, Dickenson Y. Afrika, De La Salle University, Manila 2017

enabled to overcome crisis and face the future with certainty. However, it is of a vital importance to choose the right core banking system that is catered to the nature of your business and aligned with your growth goals.

## Take your business continuity plan to the cloud with Oradian

Oradian built its core banking platform to respond to the day-to-day needs of rural banks enabling them to deliver digital financial services to better serve their communities in remote, hard-to-reach areas.

### Access to real-time data from anywhere

Oradian supports your rural bank's business continuity by protecting against and handling major disruptions. Its cloud-based core banking system allow for accessing your data anytime and from anywhere. In times of crisis, when you are not able to carry on your operations from the office, cloud technology offers you the possibility **to work from anywhere** while granting you and your staff access to all data required to perform your daily operations. This means that client data is ready and available for your rural bank in real-time and enables constant monitoring of business performance. Moreover, all relevant calculations, **transactions and entries happen automatically**, with no downtime.

Instant access to client data reduces the risk of down-time and enables rural banks to resume operations quickly after a disaster or disruption of operations and respond to the financial needs of their clientele. By reducing your risks, you ensure that your rural bank continues to operate - **without missed opportunities or interruption** caused by external factors.

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To the extent this digital financial infrastructure functions as intended, it provides a basis for the financial sector to perform its key functions of liquidity management and financial resource allocation, which are necessary to support economic activity and sustainable development.<sup>6</sup>

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### Know and control your business operations even in times of crisis

Having a real time insight into the current status of your portfolio is a game changer. There is no need to keep clients' data and loan files in paper form in various locations. All files are stored in the system and backed up by Oradian to mitigate any risks of data corruption, damage and loss while ensuring all **data is available to you at all times**.

Cloud computing solutions allow financial institutions to get **insights on all transactions the moment they occur**, granting decision-makers much greater opportunities to **foresee any potential**

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<sup>6</sup> Digital Finance and Crisis, March 2020

<https://www.refinitiv.com/perspectives/fintech-innovation/digital-finance-and-crisis/>

**delinquency threats.** With no instant full insight into financial performance, it won't be possible to address any shortcomings in a timely manner.

## **Make well-informed decisions in uncertain times**

On the other hand, the real-time reporting capability of cloud solutions that gives instant performance-related feedback allows you to make data-driven decisions in real-time. Access to real-time financial data is crucial to make **strategic decision-making**.

The branch manager can report immediately any delinquency, cash deficiency or any other problems, complete regular internal and periodic regulatory reports fully and on time, assure compliance with all policies and procedures, and get prepared to collaborate with the head office as necessary.

Knowing and controlling financial data in real-time empowers leaders of rural banks to make smart business decisions on the spot, while counter-actions can still be taken in the case of anticipated risks. In such volatile times, the faster you have information about your financial performance, the better the decisions you can make to prevent risks.

## **All your branches are within reach**

With Oradian's core banking system- Instafin you can access data and have an overview into your portfolio performance across all branches. You no longer need to travel or be physically present at your office.

You also can monitor the performance of staff at the individual, branch or any organisation level. The business intelligence capability of Instafin enables organisations to track performance (actual vs. target) of staff at any point in time with customisable operational reports. Such functionality allows managers to closely monitor the activities and accomplishments of branch staff and helps staff reach performance targets, while supporting the financial institution to attain its profit targets on schedule.

## **Ensure effective collaboration among all staff working remotely**

Oradian's core banking system brings together all the involved team members from your institution across all branches on one platform with no need to travel which enhances collaboration and effectiveness amongst team members working remotely.

All types of document such as photos, scanned documents, collaterals and similar can be attached to a client's profile and are accessible to all users who can simultaneously access the platform remotely to assess, review and approve applications. Any changes made to files can be instantly viewed on Instafin to all users with the correspondent rights.

All team members of a Credit Committee can also vote using Instafin to approve or decline the loan-all performed through accessing the system from their own devices. As everyone associated can access the files on the system, members do no longer have to be at the same place for a loan to be approved. Those who need to conduct trips to the field can upload all documents without the need to go back to your branch or head office to transcribe all notes you took in the field.

## Managing cash flow amidst financial crisis

As a leader of a rural bank, it is important in such uncertain times to have visibility on short to medium term cash needs of your business. BSP emphasised that “BSFI should ensure it has sufficient liquidity to support its recovery strategies and continue supporting the delivery of basic banking services to the clients pending full business resumption.”

Monitoring cash flow can be challenging if you lack access to real-time consolidated financial information.

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*According to a U.S. Bank study, 82 percent of business failures are due to poor cash management.<sup>7</sup>*

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With Automated transactions and continuous monitoring provided by Instafin – Oradian’s cloud-based core banking system, leaders of rural banks have a full visibility over the cash balance and thus ability to better manage liquidity. By **managing liquidity in real-time**, your rural bank could foresee when liquidity is going low or high and thus predict risks and act accordingly. For example, low cash flow slows down operations and prevent financial institutions from meeting their business needs, which has such an impact on the overall portfolio’s health.

## Uninterrupted business operations with secure data storage, backup and recovery

In the event of a crisis, financial institutions of all types are required to assure services provision **without interruptions or major disruptions**. Oradian supports your financial intuition’s business continuity and ensures full recovery of your data in the least possible time so that you operate continuously while complying with local regulations and aligning with industry standards and best practices.

### Data storage

To ensure your business continuity and protect your business against major disruptions like cyber-attacks, flood and supply failures, Oradian hosts its customers data in three data centres that are geographically dispersed throughout Europe.

- A primary data centre that is used for running the services
- A secondary data centre that mirrors the primary data centre and is used for disaster recovery.
- A third data centre that is used for storage of encrypted data backups.

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<sup>7</sup> Entrepreneur Europe: 10 Critical Cash Flow Rules, [November 30, 2007]  
<https://www.entrepreneur.com/article/187366>

Your data is stored in centres that meets international security standards. These data centres are protected by multi-layered security model that is compliant with key industry standards such Information Security Management **ISO/IEC 27001**. Data centres have **automated disaster recovery** to ensure reliable hosting and **no downtime**. This model includes perimeter security, video surveillance, security personnel, sophisticated access control system and protection from external and environments threats.

Using **ISO/IEC 27001** will help your organization manage the security of assets such as financial information, intellectual property, employee details or information entrusted to you by third parties. ISO/IEC 27001 is the best-known standard in the family providing requirements for an information security management system (ISMS).

### **Regular backup and testing of business continuity plan**

Oradian responsible for performing regular backup and disaster recovery tests to ensure a recovery and business continuity plan in case of a natural disaster or failure.

### **Data encryption**

Your rural bank's data and your clients' personal data is transmitted with secured, encrypted connections. This ensures that your data is safe during transit from your cloud-based core banking system to the data centres.

### **Data protection**

Instafin, protects data by letting you control who sees what. It also allows you to create and manage multiple user groups within your staff. For each user group that you create, you define their access levels according to your internal policies.

## **Oradian provides services in compliance with the BSP regulatory requirements**

One way that the BSP supports financial inclusion is by providing a framework to ensure that rural banks, the primary financial service providers in many rural communities, manage their IT and operational risks. In 2013, BSP issued [circular 808](#)<sup>8</sup> guiding all financial institutions supervised by the BSP on its risk management, opening up for **cloud-based technical solutions for the rural banking industry**.

BSP conducts comprehensive audits of rural banks, including how IT risks are managed, how data is stored and **how rural banks are prepared to respond in the case of a disaster or serious incident**. Oradian's cloud-based platform is designed to enable your rural bank to better manage your IT risks, improve your **data security and privacy** while boosting your business continuity planning – all essential for compliance. For your rural bank, this means that you tap into global best practice.

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<sup>8</sup> Guidelines on Information Technology (IT) Risk Management for all banks and other BSP supervised institutions, BSP circular 808, <http://www.bsp.gov.ph/downloads/regulations/attachments/2013/c808.pdf>

## Conclusion

Cloud technology enables rural banks to be ready for the future – at all times. As a leader of a rural bank it is your responsibility to properly secure your clients' data and improve the level of privacy that you provide to your clients. With a cloud-based core banking system, financial institutions improve data security, cut downtime, and ensure data recovery

### About Oradian

Oradian is a financial inclusion company serving financial institutions in remote, hard-to-reach communities. Using insights from our community of customers, Oradian builds a cloud-based core banking system that financial institutions plug into to access best practice and efficiency. Their global community is made up of over 80 financial institutions in 12 countries serving over 4 million end-clients. For follow-up and feedback reach out to [knowledge@oradian.com](mailto:knowledge@oradian.com).