

# Congress of the United States

Washington, DC 20515

October 24, 2002

Honorable Mike Oxley  
Chairman  
Committee on Financial Services  
2129 RHOB  
Washington, DC 20515

Dear Chairman Oxley:

We are writing to request that the Committee on Financial Services conduct a hearing on the initiative put forward by the Federal financial services regulators and New York State Banking Department to issue guidance requiring that major financial services firms (core clearing and settlement) diversify their backup operations to out-of-region locations. We agree that prudence dictates appropriate systems be in place to ensure rapid recovery and timely resumption of critical operations in the event of future attacks or natural catastrophes. However, we submit that the recommendations in this white paper—particularly the guidance specific to geographic dispersion—warrants further review before it is adopted as a regulatory guideline. We respectfully request that a hearing focus on the existing level of the industry's disaster readiness, the experience gained from September 11, and the impact the proposal could have on the New York region.

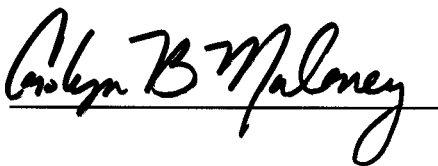

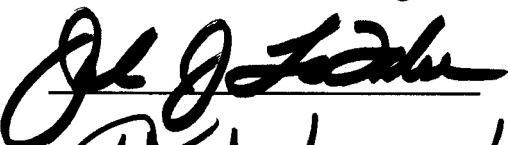
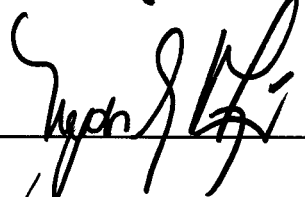

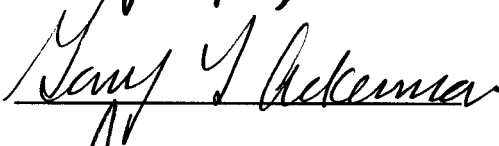

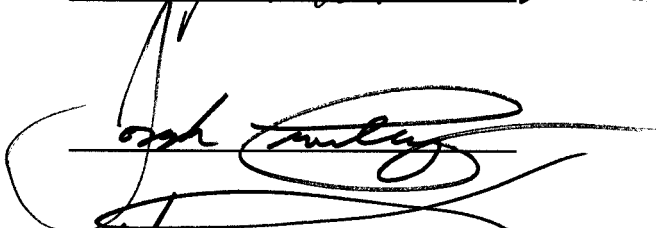
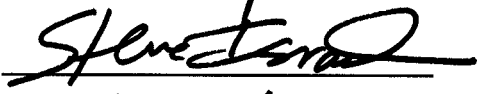
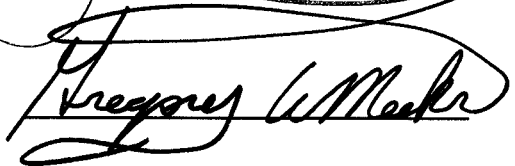
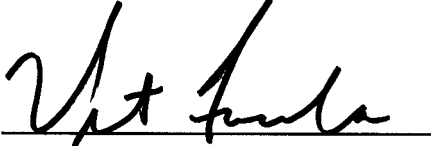
Experience has shown financial services firms' contingency planning is fairly well in place and continues to evolve. The surprise terrorist attacks of September 11, 2002, caused unprecedented damage in the heart of the largest financial district in the world. Despite the extraordinary damage to lower Manhattan, communications were not as severely affected in the outer boroughs of New York City and the markets reopened within a number of days. The success of these existing company contingency plans, many of which were adopted during Y2K, raises questions regarding the need for formal guidance "recommending" that firms move additional operations to out-of-region facilities potentially several hundred miles away from New York or other financial centers.

Implementation of the "Draft Interagency White Paper on Sound Practices to Strengthen the Resilience of the U.S. Financial System" could result in the relocation of thousands of workers and significant physical resources of major financial institutions across the country. It could force financial services firms to permanently diversify their physical operations beyond backup facilities in which they have already invested hundreds of millions of dollars. Press reports indicate that numerous industry participants have filed public comments expressing concern with this proposal. While we share the goal of maintaining the continuity of the U.S. economy in the event of an attack or natural disaster, we believe the Committee would benefit from a careful review of the white paper and from public and industry input.

Applied in their most extreme and inflexible manner, the conclusions in the white paper could have a disproportionate impact on the New York region. We remain concerned that "guidance" put forward in this white paper would formally establish government policy that could harm the region going forward. We believe that advocacy of any policy having the potential to impair New York's recovery is directly counter to the stated intentions of Congress and the Bush Administration and should only be adopted as a last resort.

We thank you for your consideration of this bipartisan request and for your work in assuring the Financial Services Committee continues its leadership role in safeguarding U.S. financial systems.

Sincerely,

 <hr/>	 <hr/>
 <hr/>	 <hr/>
 <hr/>	 <hr/>
 <hr/>	 <hr/>
 <hr/>	 <hr/>
 <hr/>	<hr/>