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**Highlights**

Highlights of [GAO-03-468T](#), a testimony before the Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, Financial Services Committee, House of Representatives

## Why GAO Did This Study

The September 11, 2001, terrorist attacks exposed the vulnerability of U.S. financial markets to wide-scale disasters. Because the markets are vital to the nation's economy, GAO's testimony discusses (1) how the financial markets were directly affected by the attacks and how market participants and infrastructure providers worked to restore trading; (2) the steps taken by 15 important financial market organizations to address physical security, electronic security, and business continuity planning since the attacks; and (3) the steps the financial regulators have taken to ensure that the markets are better prepared for future disasters.

## What GAO Recommends

GAO's report recommends that the SEC Chairman work with industry to

- develop goals and strategies to resume trading in securities markets;
- determine sound business continuity practices needed to meet these goals;
- identify organizations critical to market operations and ensure they implement sound business continuity practices; and
- test strategies to resume trading.

In addition, the report contains recommendations to improve SEC's oversight of information technology issues.

[www.gao.gov/cgi-bin/getrpt?GAO-03-468T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-468T).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Davi M. D'Agostino (202) 512-8678 or [dagostinod@gao.gov](mailto:dagostinod@gao.gov).

# POTENTIAL TERRORIST ATTACKS

## More Actions Needed to Better Prepare Critical Financial Markets

### What GAO Found

The September 11, 2001, terrorist attacks severely disrupted U.S. financial markets as the result of the loss of life, damage to buildings, loss of telecommunications and power, and restrictions on access to the affected area. However, financial market participants were able to recover relatively quickly from the terrorist attacks because of market participants' and infrastructure providers' heroic efforts and because the securities exchanges and clearing organizations largely escaped direct damage.

The attacks revealed limitations in the business continuity capabilities of some key financial market participants that would need to be addressed to improve the ability of U.S. markets to withstand such events in the future. GAO's review of 15 stock exchanges, clearing organizations, electronic communication networks, and payments system providers between February and June 2002 showed that all were taking steps to implement physical and electronic security measures and had developed business continuity plans. However, some organizations still had limitations in one or more of these areas that increased the risk that their operations could be disrupted by future disasters.

Although the financial regulators have begun efforts to improve the resiliency of clearance and settlement functions within the financial markets, they have not fully developed goals, strategies, or sound practices to improve the resiliency of trading activities. In addition, the Securities and Exchange Commission's (SEC) technology and operations risk oversight, which is increasingly important, has been hampered by program, staff, and resource issues. GAO's report made recommendations designed to better prepare the markets to deal with future disasters and to enhance SEC's technology and operations risk oversight capabilities.



Source: Associated Press.



Left: An aerial view, September 17, 2001, of where the World Trade Center collapsed following the September 11 terrorist attack. Surrounding buildings were heavily damaged by the debris and massive force of the falling twin towers. Right: The debris-clogged Winter Garden between the buildings of the World Financial Center near the World Trade Center. These surrounding buildings, which contained important facilities of various financial market participants, were heavily damaged by the falling twin towers.