

PUBLICATION

Coronavirus and Financial Institutions Preparedness: What Banks Should Do Now

March 2020

All financial institutions should regularly review and update their business continuity plans (BCPs), but with the increased possibility of business disruption caused by the spread of coronavirus (COVID-19), financial institutions should ensure adequate pandemic planning is in place as a supplement to a BCP.

The Federal Financial Institutions Examination Council (FFIEC) recently issued updated [guidance](#) on pandemic planning for financial institutions. Of significant concern to the industry from a disruption standpoint is staffing. It is anticipated that at the peak of a COVID-19 wave in a particular geographic location, the rate of employee absenteeism from self-quarantines, school closings, and enforced quarantines could be as high as 40 percent. As many financial institutions cover multiple geographic locations, this has the potential to impact institutions on a rolling basis, creating the need for a flexible BCP that provides for an adequate level of employee staffing, telecommuting, policies and procedures regarding visitors to an institution's physical premises, the increased use of telephone and online banking, greater use of ATM- and window-banking, and employee re-entry protocols. All systems should be tested to ensure adequacy at various staffing levels, while maintaining the integrity of the organization's services, to determine the protocols and systems that will be required to provide sufficient backup facilities for those services.

In addition to the internal analysis, planning and testing required by the potential of a coronavirus disruption, financial institutions should be aware of the measures regulators are currently evaluating to stave off delinquencies or a liquidity crisis. In particular, regulators have the option of stepping in to encourage banks to forbear against borrowers who are at risk of delinquency. This would help ease the concerns of banks and other financial institutions in instituting alternative delinquency protocols to assist customers affected by a COVID-19 outbreak. While the extent of the federal government's assistance to offset any significant economic disruption due to COVID-19 is yet unknown, FFIEC agencies have the authority to institute additional measures to ensure liquidity. All federal alerts and responses to this unfolding situation should be monitored and evaluated in the event additional procedures or training of staff are necessary as part of your organization's pandemic planning.

As your organization evaluates the coronavirus situation, you should consider what additional planning and procedures will need to be added to your company's BCP to address this unique situation, ensuring testing and analysis of those procedures are included to maintain effectiveness. In addition, to the extent your institution's plans include more employees working remotely, it is important to be aware of cybersecurity risks. More information about such risks and how to avoid them can be found on our recent [alert](#) on that topic. If you have any questions regarding these issues or how your financial institution can improve its pandemic protocols, please contact any member of [Baker Donelson's Financial Services Team](#). Also, please visit our [Coronavirus \(COVID-19\): What You Need to Know](#) information page on our website.