



Special Series on COVID-19

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Pandemic Preparedness for Financial Institutions

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Financial institutions provide critical services to an array of customers, and these services are even more critical during the current pandemic as households and business need access to their funds on deposit, and in some countries, banks are being used as conduits for extending fiscal stimulus programs. Banks themselves are not immune to the effects of the pandemic and must prepare for operating under crisis conditions. In many countries, these institutions are required to develop business continuity plans (BCP) for disruptions due to, for example, natural disasters or terrorist attacks. These represent a key component of well-developed operational risk frameworks for financial institutions and are subject to supervisory review and approval. However, there are differences between traditional business continuity planning and pandemic planning—notably due to the scale and duration of the shocks². These differences call for institutions to review their BCPs and consider what actions can be taken to enhance preparedness and minimize the potential adverse effects of the spread of COVID-19.³

I. CHALLENGES IN PLANNING FOR A PANDEMIC

Pandemic planning presents unique challenges. Unlike natural disasters, technical disasters, malicious acts, or terrorist events, the impact of a pandemic is much more difficult to determine because of the difference in scale and duration. The nature of the global economy virtually ensures that the effects of a pandemic event will be widespread and threaten not just a limited geographical region or area, but potentially every continent. In addition, while traditional disasters and disruptions normally have limited time durations, pandemics generally

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² This note seeks to build on previous work, such as the BCBS Joint Forum's *High-level principles for business continuity* (August 2006) and FSI's *COVID-19 and Operational Resilience: Addressing Financial Institutions' Operational Challenges in a Pandemic* (April 2020).

³ This note should be viewed alongside its companion note, [Central Bank Operational Risk Considerations for COVID-19](#).

occur in multiple waves, each lasting several weeks or months. Consequently, no individual or organization is safe from the adverse effects that might result from a pandemic event. These may include:

- Significant absenteeism over significant periods, which may arise from the illness itself, from official action to limit its spread, or from individual concerns.
- Risk assessment and management plans may have to be expanded to cover the possibility of widespread economic disruptions and their impact on (i) loan and other asset performance; (ii) asset prices and credit spreads; and (iii) demand for liquidity.
- The development of such plans becomes especially challenging in those countries or regions that are already under strict virus containment measures, including stay-at-home orders. Putting in place alternate work practices, such as telework arrangements, and accommodating increased electronic banking will stress information technology (IT) systems that have not previously been tested for such levels of use. BCPs will need to prioritize and sequence steps in order to ensure that vital functions can be carried out with little or no interruption.

Against this backdrop, financial institutions will need to adopt a planning approach for ensuring that critical operations and services can be maintained. They should consider a variety of issues, including:

- strategic planning
- business continuity planning
- facilities management
- health and safety planning
- communication and education.

II. STRATEGIC PLANNING

Financial institutions will have to provide adequate resources in monitoring, planning, responding to, and recovering from a pandemic, generally guided by national directives.

- An institution's board of directors (or similar body for official institutions) should be responsible for overseeing the development of the pandemic plan. The board (or a sub-committee thereof) should approve the plan and ensure that senior management invests sufficient resources into developing and testing the plan.
- Senior management should be responsible for developing, communicating, and testing the pandemic plan; as well as translating it into specific policies, processes, and procedures.
- A crisis management team should be established, supervised by senior management, as well as separate task forces to address specific areas, such as continuity of business, legal issues, human resource, communications (internal and external), and health and safety.
- Succession plans should also be developed, establishing how and when authority will be delegated if key management staff is absent. Procedures for temporary or permanent transfer of authority should be clear and be communicated to staff, so that staff knows who has the authority to act if management is incapacitated.

- BCPs should be prepared also at the financial group or holding company level as well as for all branches and subsidiaries in other countries, though the latter should follow the guidelines put out by national authorities in the countries in which they reside.

Escalating levels of responses should be identified for different phases of the outbreak, indicating steps to take at each stage of the crisis. The pandemic plan should clarify how each phase is triggered, and who will have which responsibilities during each phase. As an example,

- Phase 1: No human-to-human outbreak reported. Low cost activities initiated, including some stockpiling of critical supplies and establishing task forces in key areas for detailed planning, coordination and testing.
- Phase 2: An outbreak is identified in a region. More costly measures implemented. Activities in that region isolated, activities shifted to alternate sites where possible in order to maintain the provision of essential banking services, and staff removed from the area.
- Phase 3: Activities initiated when outbreak is affecting key production areas or crucial facilities. The full range of the institution's plans is implemented.

III. BUSINESS CONTINUITY PLANNING

BCPs aim at ensuring the continuity of critical service provision. For financial institutions, these may include providing continued deposit and lending services, keeping ATMs functioning, managing financial market and counterparty exposures, and maintaining the payment and settlement system. BCPs typically include some or all of the following items:

- Identification of core activities or basic minimum services. Institutions may identify non-critical activities they will cease providing at each phase of the response plan, recognizing that demand for certain services may change.
- Identification of key employees and supplies needed to provide those critical services. Scenario analysis can be useful to obtain a range of possible effects and actions (e.g., maintaining core functions with, 2 percent, 20 percent, and 50 percent absences).
- Creation of redundant teams for all critical staff functions in order to ensure that operations continue in the event that key staff become unable to work due to illness or other factors.
- Development of staffing plans identifying work that must be done in the office and work that can be done from home, with scenarios identifying procedures if absenteeism lasts a week, a month, or several months.
- Establish alternate sites for activities that must be done from centralized locations (including, for example, dealing rooms and treasury functions) which require significant advance preparation. For this option to be effective, a number of further steps are needed, including establishment of the physical locations, equipping the sites with IT and office equipment, and securing the locations.
- Determine how and when staff will be transported to alternate sites and policies concerning family members e.g., for childcare.
- Undertake regular tests of the equipment and procedures for alternate sites that are not staffed or operational in normal times.

- Assess and test whether large-scale remote working or other flexible working arrangements for critical staff can be activated and maintained to ensure business continuity and to counter widespread absenteeism as staff are unable to report for work due to health concerns, childcare responsibilities, and so on. Assess and test the capacity of existing IT infrastructure, also considering the potential higher reliance on remote banking services.
- Identify critical suppliers of outsourced services and enter into a dialogue to understand whether, and ascertain how, services continuity would be provided. Contingency plans for shifting to alternate suppliers should be considered in case they become necessary.
- Consider the impact of customer reactions and the potential demand for, and increased reliance on, online banking, telephone banking, ATMs, and call support services. If demand for cash is expected to increase, financial institutions may have to stockpile cash and identify how cash will be transported to branches and ATMs.
- Financial institutions with a presence over a wide geographical area should develop protocols to shift business from highly affected areas to safer ones. Issues to consider include how to notify customers and how to provide services to customers from alternate sites. This may prove challenging in certain areas within Low Income Developing Countries due to the lack of supporting infrastructure.

IV. FACILITIES MANAGEMENT

Adequate facilities management can assist in the reduction in the spread of infection. Such measures would be particularly important in the early stages. Planning for facilities management should also consider supply shortages, lack of maintenance of key facilities, and the need for some quarantining practices. Possible practices include:

- Purchasing a minimum quantity of critical cleaning, and more frequent cleaning, focusing especially on desks, phones, keyboards, faxes, sinks, railings, door handles, and counters.
- Visitor procedures and whether restrictions should be implemented for visitors accessing the facilities. This could include providing hand washing/sanitizing facilities as well as establishing social distancing guidelines for customers (e.g., limiting the number of customers permitted in a bank building at one time, two-meter distancing between customers).
- It may become necessary, based on guidance from the supervisor or decisions of the Board, to undertake processes for sanitizing banknotes or temporarily removing them for circulation (e.g., for 14 days) in order to prevent spreading of the virus.⁴

V. HEALTH AND SAFETY PLANNING

Protection of the health of an institution's staff is a key concern. Up-to-date information on the health of the staff will be critical for managers. Clearly established policies can reduce the spread of the virus, ease staff

⁴ For more detailed discussion of the issues related to banknotes, please refer to the companion note, [Central Bank Operational Risk Considerations for COVID-19](#)

concerns, and allow time for the institution to address disruptions. Issues include both monitoring the treatment of sick staff and limiting the spread of the infection. Examples of actions that can be taken include:

- Establishing mechanisms to centralize information and track sickness among staff.
- Purchasing and distributing to offices health supplies such as hand sanitizers or enhancing hand washing facilities.
- Purchasing appropriate personal protection equipment for facilities personnel involved in cleaning/decontaminating physical space (respiratory masks, gloves, etc.)
- Procedures for staff that become ill during the workday (e.g., mandatory quarantine or isolation).
- Plans for reducing staff interaction, e.g. by extending working hours and adopting shifts to reduce crowding in the building, closing the business to visitors where feasible to provide banking services via other means such as internet or mobile banking, and staggering lunch hours.
- Identifying specially trained and equipped staff to assist with medical emergencies.

Almost every response plan incorporates travel restrictions. Issues to consider include (i) triggers and procedures for activating travel limitations; and (ii) personnel policies concerning staff returning from infected areas (e.g., medical check-ups and/or isolation).

VI. COMMUNICATION AND EDUCATION

Effective communication is critical for mitigating panic, strengthening morale, and providing essential information to ensure critical functions continue. Communication efforts should begin immediately so a track record is established of the provision of balanced and accurate information. Examples of communication issues to consider include:

- Determining how to ensure adequate communication with staff—including cellphone and land line telephone numbers, and personal e-mail addresses. Policies for contacting staff in an emergency should be developed.
- Informing staff about the institution's BCP, how the plan would be triggered and where to monitor the institution's on-going preparation.

VII. RESUMPTION OF NORMAL BUSINESS ACTIVITIES

A key component of pandemic planning is the incorporation of policies for the resumption of normal business activities once virus containment measures have been eased. It should be determined whether a full return to business as usual is achievable or if a phased return is more likely. Consideration should be given to the following:

- Guidance issued by national or local authorities as instances of the virus reach more manageable levels.
- Comfort level of employees to return to work. There may be a need to continue certain functions remotely for a period of time until all employees are comfortable that the containment measures have proven effective in removing the threat of transmission of the virus.

- The need for branches or physical facilities that were closed to undergo sanitization before reopening.
- The increased reliance on internet, telephone, or mobile banking may continue until customers regain a comfort level and return to branches, though it is possible that migration to those other platforms may prove permanent, which could entail efficiency gains.