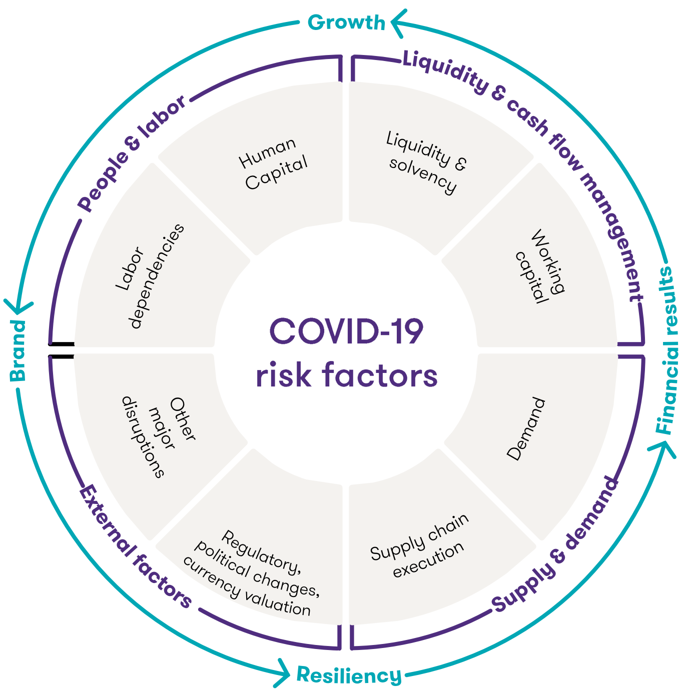
Grant Thornton

RESPOND
AND RESTORE.
TOGETHER.

Instilling pandemic resiliency and response for banks

COVID-19 necessitating a 360 view of the banking operational model

While many resiliency plans include a pandemic scenario, COVID-19 has caused the U.S. banking industry to pivot even larger parts of its operating model to protect employees, enable agile work changes and support concerned customers in this time of uncertainty and disruption. Banks need to review their business across all dimensions shown to the right so they can establish process coverage, maximize liquidity (including taking advantage of CARES Act lending opportunities), anticipate and mitigate customer disruptions, review controls for changed processes, rationalize branch operations and capitalize on tax strategies that can increase liquidity.



Resiliency starts with a commitment to identify and mitigate risk factors that can further disrupt your business

Top immediate impacts and actions

People, labor and business operations

- Segment people by process affiliation to maximize and ensure employee safety across functions as well as servicing integrity and infrastructure control.

Liquidity and cash flow management

- Analyze deposit and withdrawal flow to enable cash sufficiency in ATM and branch networks.
- Monitor liability balances and look for material trends that can impact liquidity and non-financial risk (NFR) models.
- Review investment portfolio valuations and debt/deposit funding ratios.
- Rationalize current expenditure plans and identify unplanned expenditures.

Supply and customer demand

- Assist key vendors facing 'going concern' challenges as they deal with significant loss of revenue from key client accounts.
- Improve communication to address customer panic.
- Address the technology resources strained by the sudden and massive shift of traditional retail customers to digital platforms.
- Position for customer demand capture on the CARES Act stimulus lending.

Regulatory factors

- Analyze all existing regulatory commitments and scheduled deliverables.
- Review all regulatory commitments based on findings or observations, and evaluate the impact.

Portfolio management

- Perform a review of the existing investment portfolio valuation and asset positioning against funding needs.
- Review existing pipeline and deal status to consider the future portfolio makeup.
- Perform a model review to consider the documentation, limitations and original model purpose, usage, and boundaries.

Tax strategies that can create liquidity

- Defer federal, state, and non-US filings and payments based on federal and state announcements.
- Model the impacts of the Stimulus Legislation with net operating losses, and alternative minimum tax (AMT) credits.
- Make adjustments for the 'new normal' - working from home and new regulations.

Anticipating change

Additional considerations in the near term

- Ensure continuity of core controls across all critical business. Functions, as bank employees shift to working in new ways, where highly critical systems that are neither fully automated or have proper controls in place for remote management can pose a risk.
- Manage the unintended consequences of CARES Act guidance that puts a strain on liquidity, especially for non-banked financial services segments.
- Maximize fee revenue and demand generation from government sponsored programs, such as the CARES Act., while ensuring proper controls and policy adherence to ensure intended outcomes (e.g. full loan forgiveness)
- Provide real-time response to inquiries, such as the CARES Act terms, CECL, interpreting guidance, and other related matters.
- Assess impact of the Cares ACT on your credit risk models, including validity of baseline inputs and assumptions.
- Model tax planning items for tax filings and accounting method changes for tax returns.

Long-term questions banking executives should consider

As we continue to gauge the full impact COVID-19

- What lessons have we learned and what corrective actions can we take to avoid similar scenarios in the future?
- Have we really considered an extended period of time where government has stepped in and limited the mass gathering of people, and what the effects would be?
- How do we handle the prioritization of areas, processes and systems that may be impacted beyond the immediate future?
- Moving forward, how can we mitigate risks associated to budget shortfalls, unrecoverable investments, loss of business and other items?
- What types of adaptations will we need to consider to our existing ERM framework?
- How do we maintain the internal business continuity plans, while taking a stronger consideration of the environmental, social and governance aspects of the environments and communities in which we operate?

Looking at the future impact

Once current operations are stabilized, banks will shift focus to monitoring, measuring and planning based on a rapidly evolving data set. This will be a critical step to safeguard the financial health and viability of banks and their employees.

Take our online **Pandemic Risk Assessment** for banking institutions to help identify appropriate actions now as well as future risk factors.

At the ready to help you

Grant Thornton's dedicated banking professionals are on standby to provide you with additional insights and assistance as needed. Our specialists can help you:

- Perform a COVID-19 disruption business risk assessment
- Refresh your emergency operations and resiliency plan
- Identify strategies needed to keep you moving forward
- Address changes that should be made in monitoring existing risks and quantifying emerging risks
- Expand ERM programs

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