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RISK MANAGEMENT FIRMS

Monday, March 9, 2020

## Announcement: Interagency Statement on Pandemic Planning

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FFIEC has issued guidance on pandemic planning, entitled [Interagency Statement on Pandemic Planning \("Guidance"\)](#). This issuance is meant to heighten the response of financial institutions to the coronavirus pandemic. The Guidance identifies actions that financial institutions should take to minimize the potential adverse effects of a pandemic. Specifically, the institution's business continuity plan (BCP) should address pandemics and provide for a preventive program, a documented strategy scaled to the stages of a pandemic outbreak, a comprehensive framework to ensure the continuance of critical operations, a testing program and an oversight program to ensure that the plan is reviewed and updated.

We have been notifying you on how to protect your companies, customers, employees, families, and communities [HERE](#). Please review those articles and act accordingly.

If you want to discuss your specific pandemic preparation requirements, please contact us at [compliance@lenderscompliancegroup.com](mailto:compliance@lenderscompliancegroup.com).

We believe that **Disaster Recovery and Business Continuity** should be combined, but, as the Guidance states "pandemic planning activities should involve senior business management from all

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functional, business and product areas, including administrative, human resources, legal, IT support functions, and key product lines.”

The pandemic segment of the BCP must be "sufficiently flexible to address a wide range of possible effects that could result from a pandemic," and also be reflective of the institution's size, complexity, and business activities.

Our position is that there are two types of BCPs: standard and enhanced.

The **standard version** lacks due diligence and independent risk assessment but does provide a basic outline to follow to ensure business continuity.

The **enhanced version** is preferred by regulators because it contains due diligence and independent risk assessment. The enhanced version is obviously preferable to the standard version, because it provides specific due diligence, auditing done by subject matter experts, and leads to an independent risk assessment. The risk assessment reveals strengths and weaknesses further provides actionable recommendations. The standard version is less expensive to draft than the latter, but can be used as a baseline to ensure that your company is taking some affirmative actions to contain the spread of the coronavirus.

The Guidance is unequivocal in its directives:

The adverse economic effects of a pandemic could be significant, both nationally and internationally. Due to their crucial financial and economic role, **financial institutions should have plans in place that describe how they will manage through a pandemic event.**

Sound planning should minimize the disruptions to the local and national economy and should help the institution maintain the trust and confidence of its customers. [Emphasis in original.]

According to the Guidance, “pandemic planning presents unique challenges to financial institution management. Unlike natural disasters, technical disasters, malicious acts, or terrorist events, the impact of a pandemic is much more difficult to determine because of the anticipated difference in scale and duration.”

The following constitute the actions that management should be undertaking, per the Guidance:

1. A **preventive program** to reduce the likelihood that an institution's operations will be significantly affected by a pandemic event, including the monitoring of potential outbreaks, educating employees, communicating and coordinating with critical service providers and suppliers, in addition to providing appropriate hygiene training and tools to employees.
2. A **documented strategy** that provides for scaling the institution's pandemic efforts so they are consistent with the effects of a particular stage of a pandemic outbreak, such as first cases of humans contracting the disease overseas, first cases within the United States, and first cases within the organization itself. The strategy will also need to outline plans that state how to recover from a pandemic wave and proper preparations for any following wave(s).
3. A **comprehensive framework of facilities, systems, or procedures** that provide the organization the capability to continue its critical operations in the event that large numbers<sup>4</sup> of the institution's staff are unavailable for prolonged periods. Such procedures could include social distancing to minimize staff contact, telecommuting, redirecting customers from branch to electronic banking services, or conducting



operations from alternative sites. The framework should consider the impact of customer reactions and the potential demand for, and increased reliance on, online banking, telephone banking, ATMs, and call support services. In addition, consideration should be given to possible actions by public health and other government authorities that may affect critical business functions of a financial institution.

4. A **testing program** to ensure that the institution's pandemic planning practices and capabilities are effective and will allow critical operations to continue.

5. An **oversight program to ensure ongoing review and updates** to the pandemic plan so that policies, standards, and procedures include up-to-date, relevant information provided by governmental sources or by the institution's monitoring program.

The Guidance provides helpful and important links to information resources, as follows:

1. The [National Strategy for Pandemic Influenza](#) (National Strategy) and the [Implementation Plan for the National Strategy for Pandemic Influenza](#) (National Implementation Plan) issued by the federal government provide a complete guide to pandemic planning.

The documents can be found at <https://www.cdc.gov/flu/pandemic-resources/index.htm>.

2. The Financial Services Sector Coordinating Committee issued a [Statement on Preparations for Avian Flu](#), which provides industry-developed guidance for financial institutions preparing for the potential of a serious influenza epidemic.

The document can be found at [https://www.fsscc.org/influenza/financial\\_planning.jsp](https://www.fsscc.org/influenza/financial_planning.jsp).

3. The Department of Homeland Security (DHS) published [The Pandemic Influenza Preparedness, Response, and Recovery Guide for Critical Infrastructure and Key Resources](#). This document is one of the tools DHS developed to enhance pandemic planning. It provides a source listing of primary government and pandemic influenza-specific background material, references, and contacts. Institutions may find the Continuity of Operations – Essential (COP-E) planning process especially useful.

The document can be found at:

<http://www.pandemicflu.gov/plan/pdf/cikrpandemicinfluenzaguide.pdf>.

4. The Department of Health and Human Services Center for Disease Control published [Interim Pre-pandemic Planning Guidance: Community Strategy for Pandemic Influenza Mitigation in the United States – Early, Targeted, Layered Use of Nonpharmaceutical Interventions](#). This document provides information about community actions that may be taken to limit the impact from pandemic influenza when vaccine and antiviral medications are in short supply or unavailable. Financial institutions may be asked to plan for the use of the identified interventions to help limit the spread of a pandemic, prevent disease and death, lessen the impact on the economy, and keep society functioning.

The document can be found at <http://www.pandemicflu.gov/plan/community/commitigation.html>.

5. The Department of Health and Human Services (DHHS) has published a series of checklists that are intended to aid preparation for a pandemic in a coordinated and consistent manner across all segments of society. Included are checklists for state and local governments, for U.S. businesses with overseas



operations, for the Workplace, for Individuals and Families, for Schools, for Health Care and for Community Organizations.

They can also be found at <http://www.pandemicflu.gov/>.

The Guidance provides an outline of staged preparedness in a section entitled “Phases: Planning, Preparing, Responding and Recovering.” This approach is consistent with identifying a cyclical aspect to process implementation. Each phase identifies specific challenges and the actions that must be implemented in the cycle.

In addition, the Guidance suggests that a Business Impact Analysis (“BIA”) should be incorporated into the BCP which contains the following features:

1. Assess and prioritize essential business functions and processes that may be affected by a pandemic;

Identify the potential impact of a pandemic on the institution's essential business functions and processes, and supporting resources;

2. Identify the potential impact of a pandemic on customers: those that could be most affected and those that could have the greatest impact on the (local) economy;

3. Identify the legal and regulatory requirements for the institution's business functions and processes;

4. Estimate the maximum downtime associated with the institution's business functions and processes that may occur during a pandemic;

5. Assess cross-training conducted for key business positions and processes; and

6. Evaluate the plans of critical service providers for operating during a pandemic. Financial institutions should evaluate the plans and monitor the servicers to ensure critical services are available. Financial institutions may wish to have back-up arrangements to mitigate any risk. Special attention should be directed at the institution's ability to access leased premises and whether sufficient internet access capacity is available if telecommuting is a key risk mitigation strategy.

Due diligence and risk assessment are critical to the overall effectiveness of the BCP. These review requirements provide the basis of dependable risk management. For instance, the Guidance states that important pandemic planning should include:

1. Prioritizing the severity of potential business disruptions resulting from a pandemic, based on the institution's estimate of impact and probability of occurrence on operations;

2. Performing a “gap analysis” that compares existing business processes and procedures with what is needed to mitigate the severity of potential business disruptions resulting from a pandemic;

3. Developing a written pandemic plan to follow during a possible pandemic event;

4. Reviewing and approving the pandemic plan by the board or a committee thereof and senior management at least annually; and

## 5. Communicating and disseminating the plan and the current status of pandemic phases to employees.

The role of management is central to the success of the BCP. As the Guidance states:

Senior management is responsible for developing the pandemic plan and translating the plan into specific policies, processes, and procedures. Senior management is also responsible for communicating the plan throughout the institution to ensure consistent understanding of the key elements of the plan and to ensure that employees understand their role and responsibilities in responding to a pandemic event. Finally, senior management is responsible for ensuring that the plan is regularly tested and remains relevant to the scope and complexity of the institution's operations.

The risk assessment should include not only the factors mentioned above but also must include a review of the institution's coordination with (1) outside parties, (2) identification of triggering events, (3) employee protection strategies, (4) mitigating controls, and (5) remote access.

The Guidance sets forth the essential features of applicable risk monitoring and testing criteria, especially since the information from medical and governmental experts about the causes and effects of a pandemic continues to evolve, an institution's pandemic plan must be sufficiently flexible to incorporate new information and risk mitigation approaches.

Such **risk monitoring** should include:

1. Roles and responsibilities of management, employees, key suppliers, and customers;
2. Key pandemic planning assumptions;
3. Increased reliance on online banking, telephone banking, and call center services; and
4. Remote access and telecommuting capabilities.

With respect to **testing**, the Guidance states that testing for a pandemic may require variations to the scope of traditional disaster recovery and business continuity testing, as potential test scenarios will most likely be different. Test results should be reported to management, with appropriate updates made to the pandemic plan and testing program.

The Guidance provides the following informative resource links:

1. The official Federal web site, <http://www.pandemicflu.gov>, contains the complete text of the National Strategy for Pandemic Influenza and other important, related details.
2. Department of Health and Human Services (DHHS)  
<http://www.dhhs.gov/nvpo/pandemics/index.html>
3. Business Pandemic Influenza Planning Checklist (DHHS)  
<http://www.pandemicflu.gov/plan/pdf/businesschecklist.pdf>
4. Avian Flu Website (DOD)  
<http://fhp.osd.mil/factsheetDetail.jsp?fact=3>

5. Centers for Disease Control (CDC)  
<http://www.cdc.gov/flu/avian/index.htm>
6. World Health Organization (WHO)  
[http://www.who.int/csr/disease/avian\\_influenza/en/](http://www.who.int/csr/disease/avian_influenza/en/)
7. U.S. Department of Veterans Affairs (VA)  
<http://www.publichealth.va.gov/flu/pandemicflu.htm>
8. Department of Agriculture (USDA)  
*Link not currently active.*
9. Department of Labor Occupational Safety and Health Administration (OSHA)  
<http://www.osha.gov/dsg/guidance/avian-flu.html>
10. Department of State  
[http://travel.state.gov/travel/tips/health/health\\_1181.html](http://travel.state.gov/travel/tips/health/health_1181.html)
11. U.S. Agency for International Development (USAID)  
*Link not currently active.*
12. Security and Prosperity Partnership of North America (The North America Plan for Avian & Pandemic Influenza)  
[http://www.spp.gov/pdf/nap\\_flu07.pdf](http://www.spp.gov/pdf/nap_flu07.pdf)

If you want to discuss your specific pandemic preparation requirements, please contact us at [compliance@lenderscompliancegroup.com](mailto:compliance@lenderscompliancegroup.com).



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