## COVID-19

### Tactical and strategic planning considerations for financial institutions in Asia Pacific

Some Asian markets, including Hong Kong and China, are several weeks ahead of other global financial centers in responding to the rapidly developing impact of the Covid-19 virus. While Hong Kong's financial sector now prepares for an extended period of business disruption, there are critical lessons learned in adaptation and resilience which will be valuable for the rest of the world.

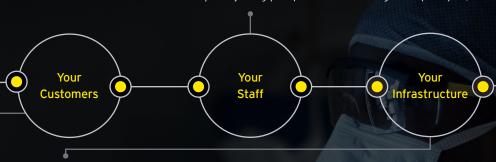


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Firms should evaluate lessons learned and what steps can be taken now to improve operational resilience in an extended period of disruption. Key questions for effective crisis management and resilience planning:

- Do you have clear accountability and delegations of authority to make rapid and sufficiently flexible decisions?
- Which managers are accountable for the key decisions under the crisis management framework? Are these accountable executives equipped for decision making in a period of extended disruption?
- Are your KRIs/metrics sufficiently timely and agile to add value to decision making in a crisis?
- Is your planning and forecasting framework sufficiently flexible to consider the financial impact of multi-dimensional stress scenarios? Does management have a clear view of financial risk tolerance thresholds and triggers for mitigating actions?
- How prepared is the organization for a likely longer-term economic impact from this crisis?

- What mitigating plans and support measures do you have in case of staff illness?
- How has productivity been impacted based on flexible work arrangements? Are your managers trained to manage and motivate dispersed staff?
- How can greater flexibility be built in your workforce planning model? How long can you sustain this?
- ► How is the conduct of key risk-taking employees being effectively monitored?
- What will be the impact on your staff's mental well-being due to prolonged working from home?
- Are staff licensing and/or tax issues appropriately considered if cross-border working arrangements change due to travel bans?
- How are you adjusting your Employee Value Proposition (EVP) to improve your brand?
- What tangible actions are you taking to ensure a safe working environment for customer facing employees?
- Are your employees aware of changes to your policies and procedures in light of the new working environment?
- Are you adjusting your performance management principles/metrics?



- Who are your vulnerable customers and clients and how will you provide them necessary ongoing support?
- Do you know how your clients' expectations are evolving as the situation develops?
- Are your service levels being maintained in line with client expectations?
- Are you equipped to accommodate changing customer behavior – especially shift from offline channels to online ones?
- How do you maintain (or even enhance) your brand value among clients?
- Has the impact of economic relief measures and customer forbearance been assessed?

Is your infrastructure sufficient for extended remote working by all staff?

Governance and

Management

- Do you have adequate protocols to prioritize and recover remote systems when needed? Are your controls, particularly for cybersecurity risk and information security, effective while your staff is working remotely?
- Are you able to effectively monitor the changing risk profile and resilience capabilities of key external service providers including a cloud service or other third party data centers – and also your own shared service centers?
- Do you need to review your scenario analysis, location impact analysis or contingency plan based on an assessment of recent weeks?
- Are you continuing to comply with your regulatory reporting obligations?

- How are you adapting customer communications to feedback and changes in events?
- Are senior management messages consistently driven down through all levels of the organization?
- Is the frequency of communication commensurate with the evolving circumstances?
- Are the key messages to clients, regulators, investors, employees and other stakeholders consistent with each other?





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## Planning and response for an extended crisis and into the 'new normal'

# Governance and Management

#### Rapid Response (1-2 months)

- Review effectiveness and composition of crisis management bodies
- Continually evaluate crisis management protocols and communications
- Regularly update the board, supervisors, employees, clients andother stakeholders on specific actions, assumptions and plans
- Initiate enterprise-wide risk assessment of changes in risk profile due to contingency arrangements, and plan mitigation
- Evaluate credit and liquidity risk impacts by conducting stress testing and cash flow forecasts using different models and scenarios

### Extended Crisis Management (3-6 months)

- Review regularly the governance structure and its effectiveness and competency
- Maintain regular dialogue with the board and key stakeholders
- Update strategic planning and forecasting in light of business disruption events and integrate into the resilience capabilities
- Perform ongoing assessments and scenario analyses to evaluate emerging credit and liquidity risks

### Adapting to a "New Normal" (>6 months)

- Produce and interpret data analysis to make long-term sustainability MI a more meaningful management tool
- Key decisions on long-term infrastructure investment
- Develop metrics to keep abreast of concurrent changes in risks
- Monitor employee conduct and compliance risks focused on key risk takers; Consider enhanced electronic surveillance and monitoring of remote employee activity



- Review protocols and decision making authorities for issuing client communications
- Establish formal processes to secure accurate and timely responses to client service issues and disruptions
- Identify at risk and vulnerable clients for targeted communications and outreach and assess impact of their continued needs
- Review remote client channels and address priority risks and service development and investment needs
- Review customer product demand and evaluate necessary changes to product features and delivery channels where needed
- Evolve on-going communication channels with customers (e.g. social media, customer call centers, public relations releases etc.)
  reflecting any changes to communication channel usage



- Review workforce location plans and remote vs office requirements
- Review control and supervision arrangements with respect to material risk takers
- Provide additional training and communications on developing practices
- Review ongoing communications and feedback processes
- Review of supervision and coaching practices
- Develop a dynamic performance management mechanism to optimize short and medium term performance of employees
- Develop, deploy and integrate next wave digital collaboration tools to support remote work practices



- Source additional IT infrastructure as needed to enable full working from home/split working
- Develop plans to transfer offshore shared services to local delivery capabilities if needed
- Execute rapid testing of capabilities to respond to different adverse scenarios (e.g. outbreak in specific areas requiring rapid transition to 100% remote working)
- Mitigate data breach, lost assets or unintentional disclosure of information due to dispersed work arrangements

- Review cyber risk vulnerabilities and monitor for advanced persistent threat attack vectors
- Develop plan for increased technology troubleshooting and helpdesk support in circumstances of increased remote work
- Undertake controls assessments to measure the extent to which emerging risks are currently addressed and which risks need to be mitigated back into risk appetite
- Diversify critical third party suppliers to minimize concentration risk
- Perform data security management maturity assessment to minimize data leakage and compliance risks