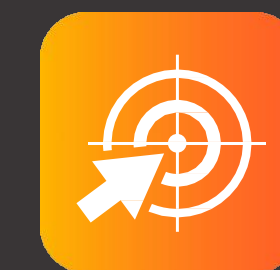


# COVID-19: Resilience and Rebound in the Face of Crisis

Banking, Financial Services and Insurance



PURPOSE-DRIVEN

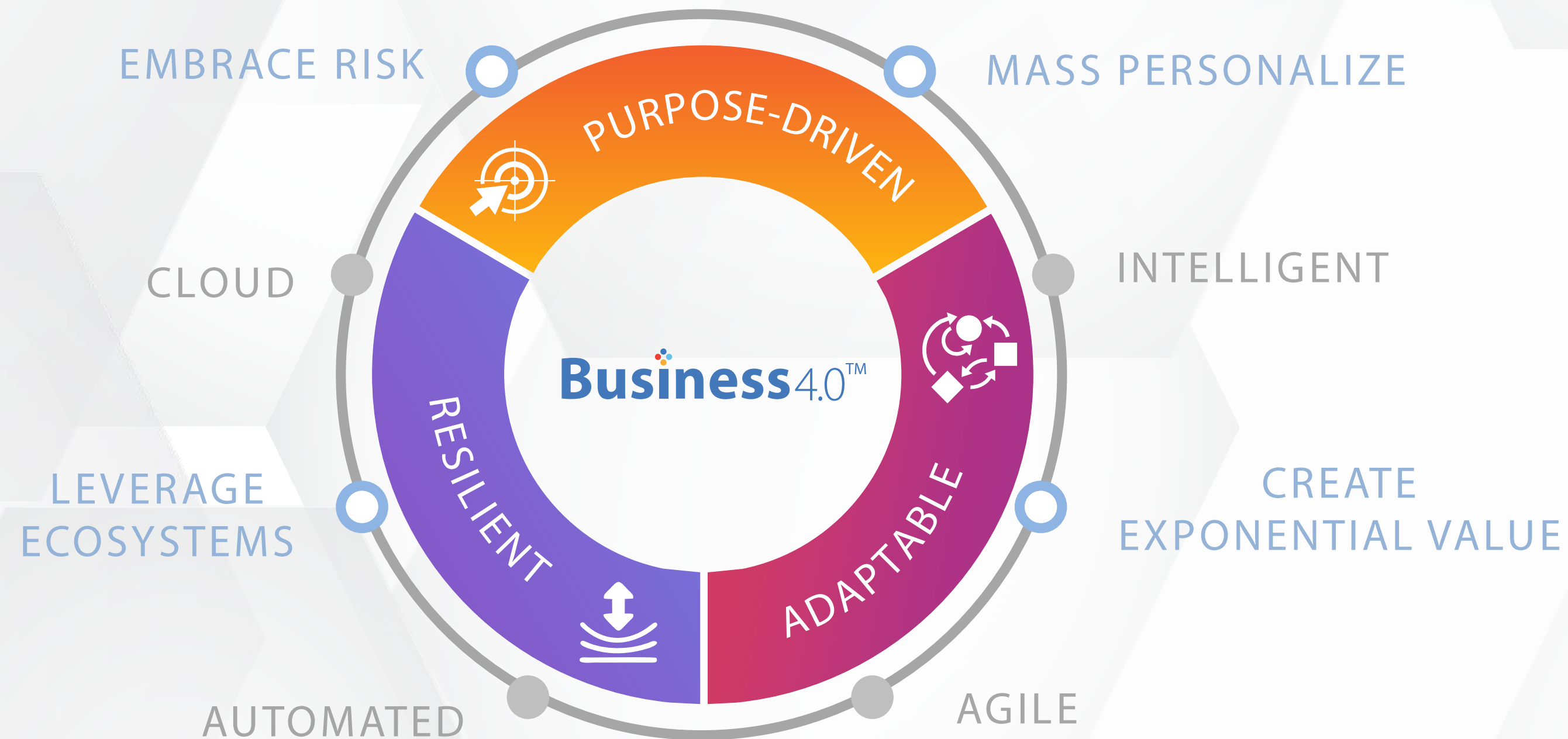


RESILIENT



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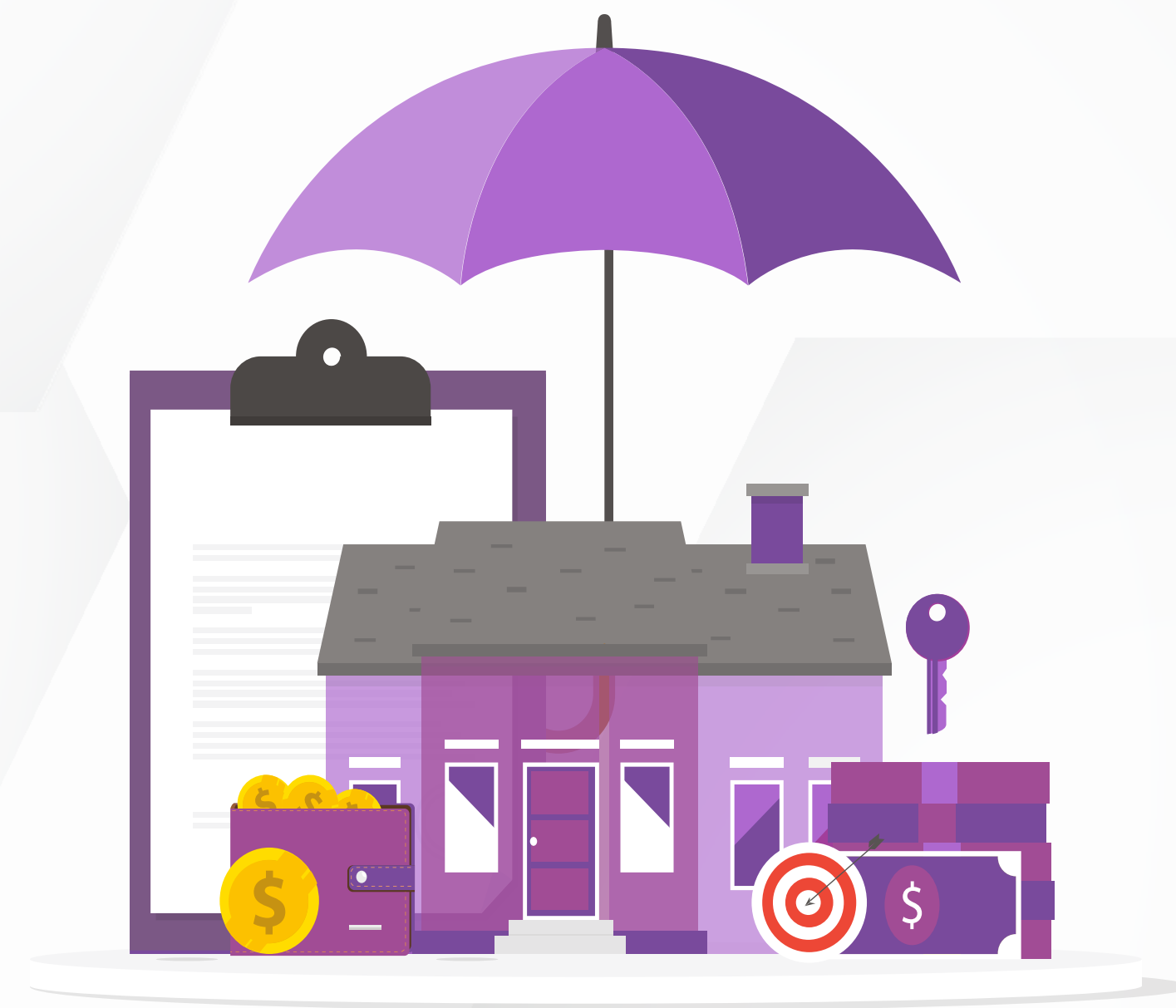
## About the Author

### Joanne De Palma

**Joanne De Palma** is a senior risk advisor with the Chief Risk Officer Initiative of TCS' Banking, Financial Services, and Insurance (BFSI) business unit. She is a seasoned operational risk and security professional with over 20 years of experience in cross-sector leadership and advisory. Joanne has an MBA from Fairleigh Dickinson University, New Jersey, USA, and holds a CISM® certification from ISACA.

## Abstract

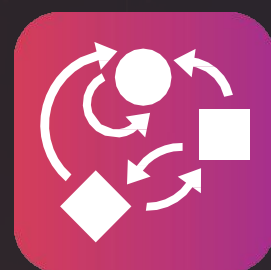
The COVID-19 pandemic has had far-reaching effects on financial institutions threatening the foundations of business, technology, and human resources. Finding novel ways to manage the impact, navigate to higher ground, and prepare for a more resilient future will be both a challenge and opportunity for the financial services sector. This white paper traces the impact on business, people, and technology and suggests ways in which financial institutions can support their customers through the crisis and drive recovery. It also offers direction on how financial institutions can become more resilient to withstand future shocks like the COVID crisis.



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# The Business Impact

The business world is extensively dependent on their workforce. As COVID-19 spread, enterprises invoked business continuity plans to protect employees and ensure business-as-usual (BAU) during the crisis. A new reality emerged – social distancing, government-mandated lockdowns, business closures – underscoring the need for identifying critical processes and employees to ensure uninterrupted operations.

Ensuring employee safety and providing proper direction, information, and equipment became paramount.

Creating a new paradigm with remote arrangements, technology enablers, backup processes, and partner arrangements emerged as key imperatives to staying in business. While balancing these capabilities, financial institutions will have to manage regulatory compliance and reporting requirements through the response, recovery, and resumption cycle.

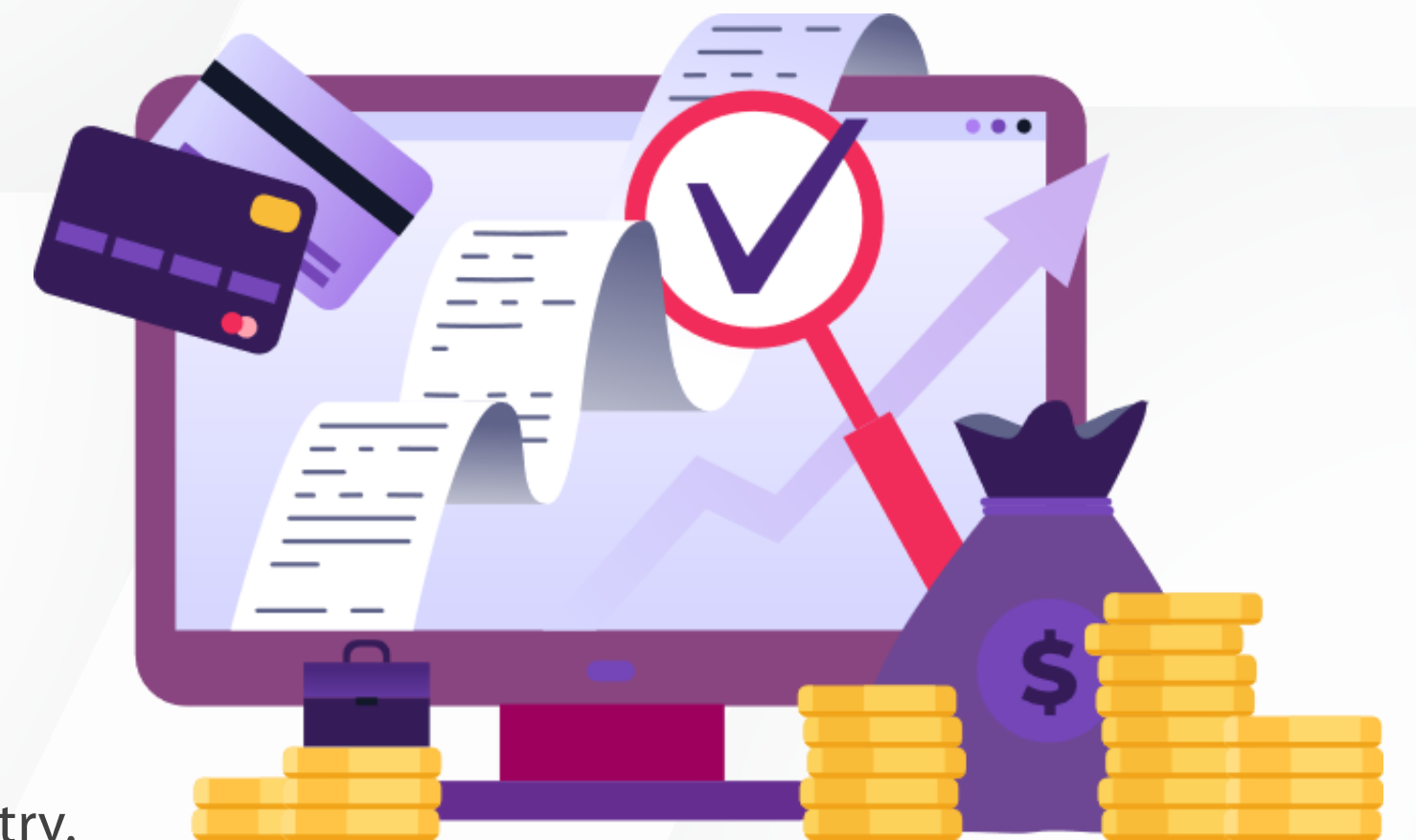
As the economic impacts of limited labor supply and reduced production manifest in an almost obvious inflation, financial institutions will face credit defaults as well as

market and financial volatility which will threaten both short- and long-term survivability. Financial institutions need adaptive flexibility to successfully drive government stimulus programs and a data-driven approach to provide customers with tailored programs and proactive loan support. For financial institutions, understanding how to use their capital and liquidity buffers and avoid safety and soundness concerns once out of the crisis, are top of mind. Enhanced use of artificial intelligence (AI) can help maximize insights into the short- and long-term impacts.

## The People Impact

As financial institutions scramble to remain operational, employees struggle with fear, panic, misinformation, and uncertainty. Special accommodations for bank employees require additional human resource policies to ensure proper support and privacy. Financial institutions need to be particularly aware of the secondary impacts of the crisis – cyber-attacks and financial crime perpetrated through this vector.

While distracted, employees may fall victim to cyber-profiteers, weaponizing fear through phishing and ransomware campaigns causing an increased reaction to emails on COVID-19 information and stimulus packages. Technology breaches of platforms used to collaborate, work, provide news, and enable social contact are also an emerging vector, particularly for employees of the financial services industry.



## The Technology Impact

As social distancing and lockdowns escalate, financial institutions need to continue with remote work arrangements to facilitate uninterrupted delivery of essential banking services. The underlying denominators are the availability, reliability and access to banks' networks, collaboration platforms, digital solutions and data with a critical dependence on telecommunications bandwidth and resilience. Financial institutions will also need to overcome the challenges around ensuring proper use of organizational assets and adherence with information security policies in the new work environments. New attack vectors emerge during times of crisis; attempts to exploit typical areas of weakness – business email, endpoints, websites, weak passwords, unsecured Wi-Fi access points - will likely see an exponential increase. For financial institutions, better profiling of user behavior, AI-backed fraud detection, strong end-point detection, coupled with continuous reinforcement through training is key.



# How to Remain Resilient and Rebound

Building resilience will require financial institutions to take specific actions across human resources, systems, processes, and offerings.



## Ensure strong crisis leadership

In a crisis, employees look for strong, trustworthy, and level-headed leadership to provide calm in chaos. Ensuring regular communication, setting realistic expectations, and making decisions with limited time and information minimizes the ambiguity and calms fears. Financial institutions must build resilience by combining technology enablers with the right teams and the right empowerment through the crisis and beyond.



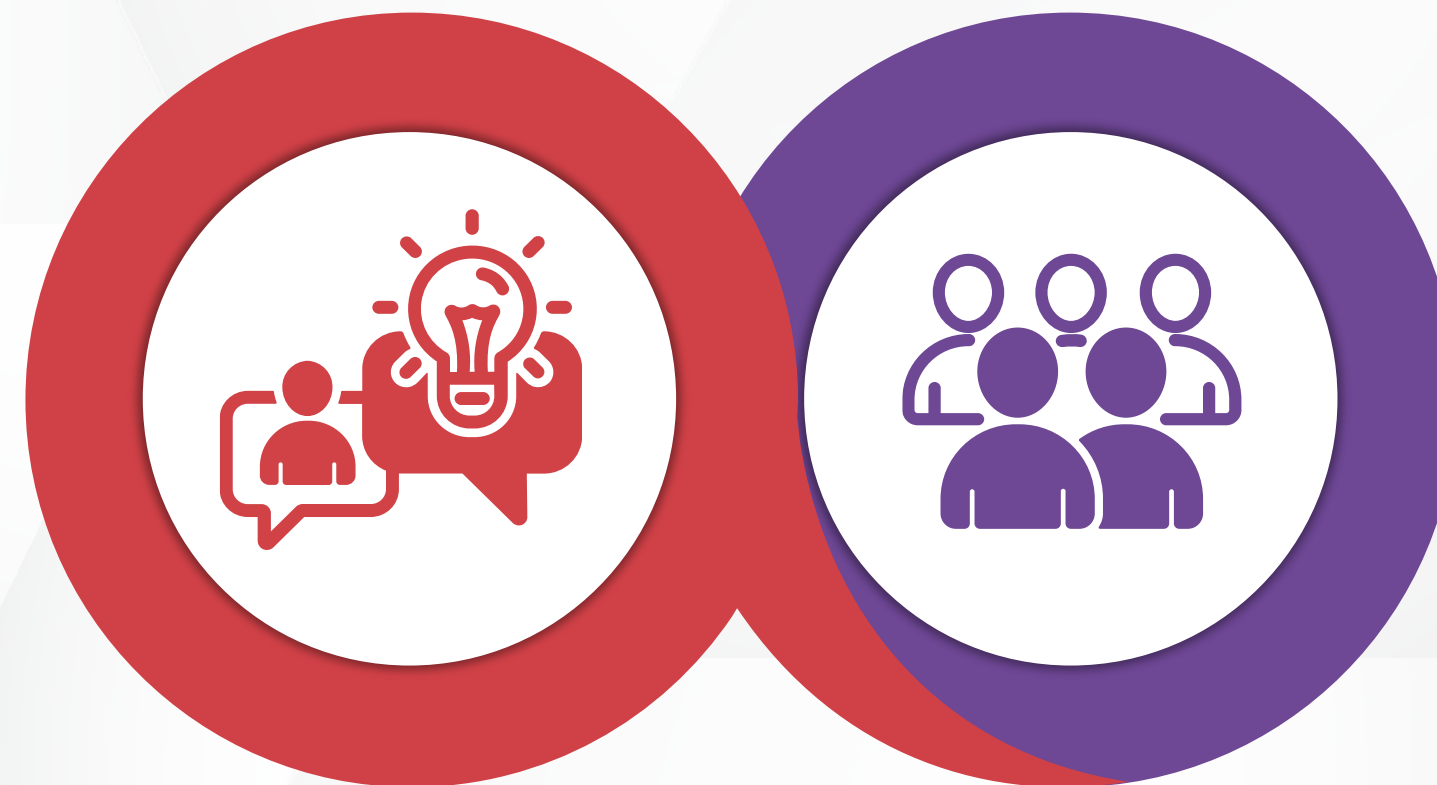
## Establish effective communication and points of authority

Outreach is key during a crisis and providing the right level of communication to guide internal resources and external parties is of paramount importance. It is imperative that employees, partners, customers, and the general public understand the situation, are confident in the content that is provided, and have a means to reach out to designated contacts for additional support.



## Strong crisis leadership and effective communication

- Calm amid chaos
- Timely decisions with limited data
- Trustworthiness
- Transparency
- Regular insights



## Prioritize people

- Employees as the top priority
- HR policies, services and support
- Flexible work solutions
- Privacy and confidentiality
- Refreshed leave and medical policies
- Cross-training
- Succession planning

**Figure 1: Ways to Ensure Strong Leadership and Employee Safety**



## Prioritize people

Protecting employee welfare is the primary priority of every financial institution (see Figure 1). Providing protection through policies and procedures, human resource services, flexible work solutions, hotlines, strong privacy policies, and refreshed leave and medical policies will help provide stability. For financial institutions, flexible work arrangements and shifts, sustained essential workforce levels in information technology and compliance, established criteria for changing business models (limited walk-in hours, drive-through access only, and so on) and succession planning will help them emerge poised for a rebound.



## Prioritize products and services

With limited availability of critical resources, businesses must understand what is critical to remain in business so that appropriate response and recovery efforts can be prioritized. For instance, retailers of consumer products must accommodate consumers' limited purchasing power given the impact of the crisis on livelihoods and incomes. Financial institutions must leverage timely, accurate, and available information, model these needs, and design appropriate offerings to help their customers to get back on their feet, in turn aiding the recovery process. Supporting data management processes and infrastructure is critical to ensuring reliable data can be recovered, restored, and effectively used. (see Figure 2).

## Prioritize products and services

- Critical products and services
- Prioritized response and recovery
- Available data infrastructure



## Capital and liquidity options

- Working capital and cash flow
- Urgent financing solutions
- Credit worthiness

## Nimble business processes

- Diversified revenue sources
- Interdependencies known
- Supply-chain concentration risk
- Optimized processes
- Automation to support productivity

**Figure 2: Targeted Measures to Support Customers and Drive Recovery**



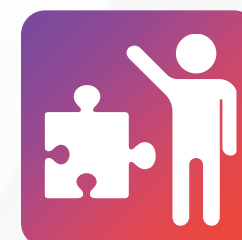
## Adopt nimble business processes

Financial institutions must ensure processes that support critical operations are redundantly designed. Identifying diversified revenue sources from less impacted markets or uncovering alternate means of delivering a product or service through periods of uncertainty will help maintain revenue streams. Understanding interdependencies is crucial for banks to avoid concentration risk. Where automation is used to optimize processes and facilitate productivity, processes can be re-tooled and streamlined to ensure business and operational continuity until banks resume normal operations.



## Ensure working capital and liquidity

Ensuring working capital, liquidity, and creating cash flow are the main priorities for most businesses during crises such as the COVID-19 pandemic. Financing solutions may be urgent during this time and may not be standard offerings. Given regulatory bodies have relaxed certain regulations, banks are empowered to use capital and liquidity reserves to lend to consumers and businesses in need. Taking actions to preserve cash, extending loan terms for otherwise worthy borrowers, and regularly communicating with these borrowers will help with consumer liquidity while ensuring compliance with standards. Federal programs such as the US CARES Act and the Paycheck Protection Program enable lenders to incentivize small businesses to maintain payroll during uncertain times.



## Socialize preparedness strategies

Refreshed, communicated, and thoroughly tested crisis recovery and restoration strategies are imperative. Planning and testing activities in financial institutions need to transcend a regulatory mindset and test normal scenarios as well as severe but plausible crisis situations. Full-functional, parallel, and full-failover testing as well as full-scale emergency response exercises must be incorporated into future strategies to adapt to crises like the COVID-19 pandemic where lack of predictability poses challenges to understanding how banks must operate in the short term (see Figure 3).

## Robust preparedness strategies

- Extreme but plausible Scenario testing
- Simulations, full-functional, failover
- Full-scale emergency response testing



## External relationships

- Build relationships with emergency services
- Capitalize on response planning and execution guidance
- Early warning signals

## Third-party interdependencies and diversification

- Test all interdependencies
- Involve third parties in testing and vice versa
- Discover diversification opportunities

**Figure 3: Building Resilience to Withstand Future Paradigm Shocks**



## Examine third party interdependencies

Relationships with third parties can be severely tested during crisis situations, uncovering weaknesses that go beyond contractual obligations. Identifying a breach of contract will not help a financial institution recover a critical service or deliver a product or service in an emergency. As a bank must test its own ability to recover in severe but plausible incidents, so must it test all interdependencies – including third parties. Involving third parties in operational resilience tests is key to identifying response and recovery weaknesses. A financial institution may also discover that dependencies need to be diversified to protect a critical asset from being a single point of failure.



## Establish external relationships with emergency organizations

Most businesses plan for remote scenarios that may involve the need for relationships at the local, state, and federal agency level. By working with local emergency organizations on a regular basis as part of a formal crisis and preparedness program, financial services organizations gain timely information for quicker and smarter decision making which facilitates better planning and response during a crisis situation. Given a pandemic like COVID-19 impacts critical banking assets and resources, relationships with health and public safety organizations ensure financial institutions are aware of available services and solutions that can keep their employees safe while continuing to operate.

## In a Nutshell

A disaster like the COVID-19 outbreak highlights the many ways financial institutions can think out-of-the-box and offer new products or more streamlined services for greater profitability and stability in the future. Consumers will most likely not give up the personal interaction of branch banking or financial advisory. However, embedding these personal touches within a digital interface will improve the customer journey and sustain adoption. In all cases, lessons should be captured across the business, people, and digital interfaces so that new safety measures, processes, or technologies can be embraced not only as a disaster response but as an adaptable approach to weathering future shocks. How financial institutions navigate the COVID-19 minefield and support their customers and employees through the crisis will affect their operational sustainability, bottom line, and reputation in the court of public opinion both today and in the future.





## Contact

For more information on TCS' Banking & Financial Services, please visit <https://www.tcs.com/banking-financial-services>

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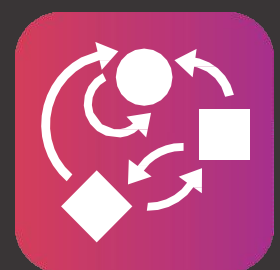
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