

## CONTINGENCY PLANNING

by [Steve Brown](#)

When it comes to motor coordination, humans are not all that quick. Poke a sharp pencil in your CCO's back and it will take almost 2 milliseconds for them to react. Dogs, cats, insects and wildebeests happen to be a whole lot faster (by 60%), despite having smaller brain sizes. With this lack of quickness, it is amazing humans can catch a ball, shoot a clay pigeon out of the air or flip the channel the microsecond Suze Orman comes on. The answer lies in the way the brain processes information. Humans create internal templates of the physical world and then look for inputs such as the speed of a ball or distance. What humans lack in process speed, they make up for by having a pre-planned mental model.

Developing a pre-planned model with your bank contingency plan is important. Today, we highlight several tips that most banks miss in their bank contingency plans (BCP). All these tips come down to thinking about these issues (and testing) first before you actually need to use them. In addition, most emergency planners use the acronym of PACE - Always have 4 plans - a primary, alternative, contingency and emergency plan.

#1) Have cell phone numbers for all employees (and possibly customers - in a disaster, a text message is much more likely to get through to update your employees than a phone call. Make texting part of the plan.

#2) Have personal e-mail addresses for all employees - the company server, even with backups, is a critical system for resuming business. If that doesn't come up, personal e-mails can be the next best thing for communication.

#3) Include social media - the interaction and one-to-many communication channel is invaluable as a back up system to communicate with employees and the public. In addition, someone should be monitoring for information related to the disaster. While most cities and counties hold press conferences every 90 minutes in a disaster, many Twitter and post on Facebook more often.

#4) Pre assign roles - Roles should be preassigned that just deal with emergency operations. State of the art plans, pre-establish 5 divisions to handle the following functions: Logistics (getting supplies, equipment, hotel rooms, meeting space, etc.), Operations (in charge of resuming operations), Intelligence (collecting and disseminating data, such as status and weather), Planning (working with Intelligence and Operations to think forward and set direction), Finance and Command.

#5) Finance - Most banks overlook the importance of a finance function in disaster planning. Having the ability to keep track of emergency expenditures is critical after the immediate threat subsides. Giving some thought to having a preestablished emergency budget and a process for approving expenditures and collecting invoices/receipts will pay off down the road when you have to make insurance claims.

#6) Remove your CEO from the emergency command structure - The CEO probably shouldn't be in charge of running the contingency operation. His or her time will be needed for community interaction or employee support. In a disaster, critical decisions have to be made fast and you don't want to wait for the CEO to get off the phone with the regulators to make a decision. Put your COO at

the head of an emergency command structure, while the CEO continues to head some semblance of daily operations for the bank.

#7) Include the City and County - Local gov't is critical to any plan. In a disaster, local gov't usually have set protocols. In San Francisco for example, an earthquake will shut all bridges and subways down, as the City needs to close these for inspection. This severely limits transportation corridors and has a huge impact to how employees should be instructed to react.

#8) Vendors - Don't overlook the importance of vendors. Include contact info, pre-assign who is responsible for contacting them and include them on your next test. Insurance, water supply people, trash, IT, phone providers, etc. play a critical role in an emergency.

#9) Full Test - Coordinate with customers, the community, vendors and other banks to conduct a full scale test. Use the opportunity as an event to highlight emergency preparedness and disaster planning for business customers. Banks are experts in this area and the knowledge should be shared with customers to further establish trust and thought leadership. Use the test as a marketing opportunity.

## **BANK NEWS**

### **Rate Hike?**

Rumors abound this morning from an unidentified Fed source that says the FOMC will consider modifying the "extended period" language at the next meeting.

### **Debt Accounting**

According to WSJ over the last 3Y, BofA and Citi masked billions by categorizing repos as sales rather than borrowings, much like Lehman did with "Repo 105."

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