



Financial Institution Supervision and Credit  
FEDERAL RESERVE BANK  
OF SAN FRANCISCO

# SUPERVISION IN BRIEF

A REGULATOR'S PERSPECTIVE ON ISSUES FACING 12TH DISTRICT BANKS

March 2020



Dear Colleagues,

This issue of *Supervision in Brief* finds us all in a challenging environment. With many organizations and communities in our District experiencing the impact of the coronavirus disease (COVID-19), I wanted to devote this issue to this topic.

First and foremost, please be advised that the Federal Reserve Bank of San Francisco is focused on carrying out our important responsibilities though continuity of operations, while being mindful of the safety and well-being of our workforce and the communities we serve. We have been in regular contact with our federal and state regulatory partners to discuss how we can best support our constituent financial institutions under these unique circumstances – both from a supervisory and an operational standpoint. With the health and well-being of our employees, communities, and constituents a top priority, we are promoting social distancing through a work-from-home posture for all employees whose roles allow for such an arrangement. And, effective March 11, we are conducting all supervisory work offsite until further notice.

I would also like to take this opportunity to draw your attention to new guidance recently issued by the members of the Federal Financial Institutions Examination Council around pandemic planning. The guidance ([Interagency Statement on Pandemic Planning](#)) identifies actions that financial institutions should take to minimize the potential adverse effects of a pandemic. Specifically, the guidance describes how an institution's business continuity plan(s) (BCP) should address pandemics. The guidance specifies that a BCP should include: 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. The guidance also addresses how 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 be reflective of the institution's size, complexity, and business activities.

Also, please be aware of an interagency [press release](#) issued on March 9. In it, the agencies reaffirm the long-standing posture for emergency situations such as this, whereby financial institutions are encouraged to continue supporting the financial needs of their communities and to work with impacted borrowers and other customers. In light of doing so, examiners will not criticize prudent efforts that are consistent with safe and sound banking practices. The press release also conveys the agencies' intent to minimize disruption and burden associated with the regulatory process as we all deal with this situation. Here, I would draw your attention to [SR 20-4/CA 20-3](#) issued on March 13. The letter urges financial institutions to review [SR letter 13-6 / CA letter 13-3](#), "Supervisory Practices Regarding Banking Organizations and their Borrowers and Other Customers Affected by a Major Disaster or Emergency. This letter describes the supervisory practices that the Federal Reserve System will employ in a major disaster or emergency and includes examples of the types of efforts financial institutions may want to pursue.

As we navigate through these uncharted waters, communication will be paramount. We will strive to get relevant information out to the industry as soon as it becomes available.<sup>1</sup> As always, I encourage you to reach out to your local supervisory agency contacts, including my team here at the San Francisco Fed, if you have any questions. We stand ready to work with you and your team in any way we can.

Best regards,

Tracy

[tracy.basinger@sf.frb.org](mailto:tracy.basinger@sf.frb.org)

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<sup>1</sup> Please also consider subscribing to receive notifications of our Reserve Bank's banking supervision publications and programs [here](#).