



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 07-18

December 12, 2007

TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE
SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE
BANK, AND TO BANKING ORGANIZATIONS SUPERVISED BY THE FEDERAL
RESERVE

SUBJECT: FFIEC Guidance on Pandemic Planning

The Federal Financial Institutions Examination Council (FFIEC) issued guidance today for use by financial institutions in identifying the continuity planning that should be in place to minimize the potential adverse effects of a pandemic. This guidance expands upon the contents of the Interagency Advisory on Influenza Pandemic Preparedness issued in March 2006.¹

Pandemic planning presents unique challenges to financial institutions. Unlike most natural or technical disasters and malicious acts, the impact of a pandemic is much more difficult to determine because of the anticipated difference in scale and duration. As a result of these differences, no individual or organization is safe from the potential adverse effects of a pandemic event. Experts believe the most significant challenge may be the severe staffing shortages that will likely result from a pandemic outbreak.

The Federal Reserve and the other FFIEC agencies believe the potentially significant effects a pandemic could have on an institution justify establishing plans to address how each institution will manage a pandemic event. Accordingly, an institution's business continuity plan should include:

1. A preventive program to reduce the likelihood that the institution's operations will be significantly affected by a pandemic event;
2. A documented strategy that provides for scaling pandemic efforts commensurate with the particular stages of a pandemic outbreak;
3. A comprehensive framework of facilities, systems, or procedures to continue critical operations if large numbers of staff members are unavailable for prolonged periods;

4. A testing program to ensure that the institution's pandemic planning practices and capabilities are effective and will allow critical operations to continue; and
5. An oversight program to ensure ongoing review and updates to the pandemic plan.

Federal Reserve Banks are asked to distribute this letter to banking organizations supervised by the Federal Reserve, as well as to their own supervisory and examination staff. If you have any questions, please contact Brad Beytien, Manager, Operational and IT Risk Section, at (202) 452-3759 or Mary Frances Monroe, Manager, Supervisory Policy and Guidance at (202) 452-5231.

Roger T. Cole
Director

Attachment:

[Interagency Statement on Pandemic Planning \(50 KB PDF\)](#)

Notes:

1. See SR Letter 06-5, Influenza Pandemic Preparedness.

Interagency Statement on Pandemic Planning

PURPOSE

The FFIEC agencies¹ are jointly issuing guidance to remind financial institutions that business continuity plans should address the threat of a pandemic influenza outbreak and its potential impact on the delivery of critical financial services. This guidance supplements both the “Interagency Advisory on Influenza Pandemic Preparedness” issued on March 15, 2006 by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, as well as the “Letter to Credit Union 06-CU-06 - Influenza Pandemic Preparedness” issued by the National Credit Union Administration in March 2006.

This 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. 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.

BACKGROUND

Pandemics are defined as epidemics or outbreaks in humans of infectious diseases that have the ability to spread rapidly over large areas, possibly worldwide. Several pandemics have occurred throughout history and experts predict that we will experience at least one pandemic outbreak in this century.

The current threat originates from an outbreak of avian flu in Asia. It is unknown if an avian virus will result in a human pandemic. The widespread nature of this virus in birds and the possibility that it may mutate over time raise concerns that it will become transmissible among humans, with potentially devastating consequences. The United States Government has issued a National Strategy that discusses the threat and potential impact of a pandemic influenza event. The Implementation Plan for the National

¹ The FFIEC is composed of six voting members: Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision and the State Liaison Committee.

Strategy identifies roles and responsibilities for the federal government, the private sector, and others.

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.

DIFFERENCES BETWEEN TRADITIONAL BUSINESS CONTINUITY PLANNING AND PANDEMIC PLANNING

There are distinct differences between pandemic planning and traditional business continuity planning. When developing business continuity plans, financial institution management typically considers the effect of various natural or man-made disasters that may differ in their severity. These disasters may or may not be predictable, but they are usually short in duration or limited in scope.² In most cases, malicious activity, technical disruptions, and natural/man-made disasters typically will only affect a specific geographic area, facility, or system. These threats can usually be mitigated by focusing on resiliency and recovery considerations.

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 nature of the global economy virtually ensures that the effects of a pandemic event will be widespread and threaten not just a limited geographical region or area, but potentially every continent. In addition, while traditional disasters and disruptions normally have limited time durations, pandemics generally occur in multiple waves, each lasting two to three months. Consequently, no individual or organization is safe from the adverse effects that might result from a pandemic event. Experts predict that perhaps the most significant challenge likely from a severe pandemic event will be staffing shortages due to absenteeism. These differences and challenges highlight the need for all financial institutions, no matter their size, to plan for a pandemic event when developing their BCP.

Pandemic plans should be sufficiently flexible to effectively address a wide range of possible effects that could result from a pandemic. Pandemic plans need to reflect the institution's size, complexity, and business activities. The potential impact of a pandemic on the delivery of a financial institution's critical financial services should be incorporated into the ongoing business impact analysis and risk assessment processes.

² As evidenced by Hurricane Katrina, while the duration of a specific natural disaster may be relatively brief, the social and economic recovery from such events can be prolonged.

The institution's BCP should then be revised, if needed, to reflect the conclusions of its business impact analysis and risk assessment.

To address the unique challenges posed by a pandemic, the financial institution's BCP should provide for:

1. A preventive program to reduce the likelihood that an institution's operations will be significantly affected by a pandemic event, including: 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.³ 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 numbers⁴ 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

³ The World Health Organization (WHO) tracks the status of virus transmission using a six phase scale; the U.S. Government uses a six stage scale that has a geographic focus. Financial institutions should be familiar with and monitor both sources.

⁴ A planning assumption from The Implementation Plan for the National Strategy for Pandemic Influenza is that rates of absenteeism will depend on the severity of the pandemic. In a severe pandemic, absenteeism attributable to illness, the need to care for ill family members, and fear of infection may reach 40 percent during the peak weeks of a community outbreak, with lower rates of absenteeism during the weeks before and after the peak. Certain public health measures (closing schools, quarantining household contacts of infected individuals, "snow days") are likely to increase rates of absenteeism.

information provided by governmental sources⁵ or by the institution's monitoring program.

The traditional BCP methodologies detailed in the FFIEC's Business Continuity Planning booklet⁶ provide a sound framework for institutions developing and/or updating their pandemic plan, as well as a means to integrate these five key activities into the final pandemic plan.

The U.S. Government and industry associations have issued extensive and comprehensive guidance to assist institutions of all types in developing plans for pandemic events. Institutions should review the following:

- 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:
<http://www.pandemicflu.gov/>
- 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
- 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>
- 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

⁵ See References at the end of this Appendix for specific U.S. Government and industry association guides covering pandemic planning.

⁶ This guidance will be included in the upcoming revision to the FFIEC's Business Continuity Planning booklet. The booklet can be accessed at: http://www.ffiec.gov/ffiecinfbase/booklets/bcp/bcp/bus_continuity_plan.pdf.

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>.

- 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/>.

PHASES: PLANNING, PREPARING, RESPONDING, AND RECOVERING

Traditional business continuity planning and pandemic planning require management to follow a cyclical process of planning, preparing, responding, and recovering. However, pandemic planning requires additional actions to identify and prioritize essential functions, employees, and resources within the institution and across other business sectors. The issues discussed below highlight the specific challenges faced by management and the mitigating controls that should be considered when developing a pandemic plan.

BOARD AND SENIOR MANAGEMENT RESPONSIBILITIES

As with other BCP activities, pandemic planning should not be viewed as solely an Information Technology (IT) issue, but rather as a significant risk to the entire business. As such, an institution's pandemic planning activities should involve senior business management from all functional, business and product areas, including administrative, human resources, legal, IT support functions, and key product lines.

An institution's board of directors is responsible for overseeing the development of the pandemic plan. The board or a committee thereof should also approve the institution's written plan and ensure that senior management is investing sufficient resources into planning, monitoring, and testing the final plan.

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.

INCORPORATING PANDEMIC RISK INTO THE BUSINESS IMPACT ANALYSIS (BIA)

The potential effects of a pandemic should be a part of the financial institution's overall BCP business impact analysis (BIA). The BIA should:

- 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 functions⁷ and processes, and supporting resources;
- 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;
- Identify the legal and regulatory requirements for the institution's business functions and processes;
- Estimate the maximum downtime associated with the institution's business functions and processes that may occur during a pandemic;
- Assess cross training conducted for key business positions and processes; and
- 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.

Incorporating the impact of pandemic risk into the institution's BCP involves additional complexity since typical disaster or emergency response mechanisms and methods may not be feasible. For example, moving employees to an alternate facility that is typically used during a natural disaster or other emergency, may not be an appropriate or feasible way to continue operations in a pandemic. There may be a shortage of available staff to relocate and it is possible that the alternate site might be affected by the pandemic. DHS provides a list of twelve planning assumptions that institutions should consider when developing the impact analysis.⁸

The pandemic issues considered in the impact analysis also should involve forecasting employee absenteeism and considering family care issues that may affect business operations.⁹ DHS believes rates of absenteeism will depend on the severity of the pandemic. In a severe pandemic, absenteeism attributable to illness, the need to care for ill family members and fear of infection may reach 40 percent during the peak weeks of a community outbreak, with lower rates of absenteeism during the weeks before and after the peak. Certain public health measures (e.g. closing schools, quarantining household

⁷ The Department of Homeland Security (DHS) Continuity of Operations – Essential (COP-E) planning process may be useful here. It is contained in the Pandemic Influenza Preparedness, Response, and Recovery Guide and is available at: <http://www.pandemicflu.gov>.

⁸ See [The National Implementation Plan](http://www.pandemicflu.gov/plan/community/commitigation.html) at <http://www.pandemicflu.gov/plan/community/commitigation.html>.

⁹ Ibid.

contacts of infected individuals, or altering or ceasing public transportation schedules) are likely to increase the rate of absenteeism.

A key part of an institution's BIA that addresses pandemics is to examine external factors. For example, assessing the impact of critical interdependencies will involve making planning assumptions regarding the availability of external services and prioritizing the effect of possible disruptions. In addition, potential travel restrictions imposed by health and emergency management officials may limit access to those services, even if they are still operating.

RISK ASSESSMENT/RISK MANAGEMENT

As noted in the main body of this booklet, the institution's risk assessment process is critical and has a significant bearing on whether BCP efforts will be successful. Important risk assessment and risk management steps that are important for pandemic planning include:

- 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;
- 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;
- Developing a written pandemic plan to follow during a possible pandemic event;
- Reviewing and approving the pandemic plan by the board or a committee thereof and senior management at least annually; and
- Communicating and disseminating the plan and the current status of pandemic phases to employees.

Specific risk assessment and risk management actions arising from a pandemic include the following:

Coordination with Outside Parties

Open communication and coordination with outside groups, including critical service providers, is an important aspect of pandemic planning. Financial institutions should coordinate information sharing efforts through participation in business and community working groups and develop coalitions with outside parties to provide support and maintenance for vital services during a pandemic. Efforts could include consideration of cooperative arrangements with other financial institutions within the institution's geographical trade area. In addition, management should coordinate its pandemic planning efforts with local public health and emergency management teams, identify authorities that can take specific actions (e.g., who has the ability to close a building or alter transportation), and plan to alert local and state agencies regarding significant employee absenteeism that may be caused by a sudden

pandemic outbreak. Communication with customers and the media is also critical to ensure that accurate information is disseminated about business operations.

Critical interdependency challenges require management to ensure an adequate reserve of essential supplies and to proactively manage maintenance of equipment to ensure sustainability during service disruptions. Management should also monitor its service providers, identify potential weaknesses in the service and supply chains, and develop potential alternatives for obtaining critical services and supplies.

Identification of Triggering Events

A triggering event occurs when an environmental change takes place that requires management to implement its response plans based on the pandemic alert status. Alerts may be issued by various organizations that have developed surveillance systems to monitor the progression of viral outbreaks. Depending on the severity of the alert, management may need to act quickly to implement elements of its pandemic response plans. Therefore, it is important for management to monitor national and international pandemic news sources in order to be aware of potential outbreaks. Management should monitor websites devoted to national health care issues, identify key points of contact for emergency and health care organizations, and assess potential implications for the financial institution if a pandemic occurs. Management also should communicate to employees and key service providers the actions it plans to take at specific triggering points.

Employee Protection Strategies

Employee protection strategies are crucial to sustain an adequate workforce during a pandemic. Institutions should promote employee awareness by communicating the risks of a pandemic outbreak and discussing the steps employees can take to reduce the likelihood of contracting a pandemic virus. The following risk management strategies should be considered:

- Publicize the Centers for Disease Control and Prevention “Cover Your Cough” and “Clean Your Hands” programs or other general hygiene programs;
- Encourage employees to avoid crowded places and public transportation systems;
- Implement “social distancing” techniques to minimize typical face-to-face contact through the use of teleconference calls, video conferencing, flexible work hours, telecommuting, encouraging customers to use online or telephone banking services, ATMs and drive-up windows; and
- Review and consider the use of other non-pharmaceutical interventions developed by the Centers for Disease Control and Prevention (more information is available at: <http://www.pandemicflu.gov/plan/community/commitigation.html>).

Mitigating Controls

Despite the unique challenges posed by a pandemic, there are control processes that management can implement to mitigate risk and the effects of a pandemic. For example, to overcome some of the personnel challenges, management should ensure

that employees are cross-trained and that succession plans have been developed. The institution may be able to leverage plans already established as part of traditional business continuity planning.

Remote Access

During a pandemic there may be a high-reliance on employee telecommuting, which could put a strain on remote access capabilities such as capacity, bandwidth, and authentication mechanisms. Moreover, employees who typically work onsite may not have remote access authority or the necessary technology infrastructure to work at home. Analysis of remote access capabilities, mapping of related technology infrastructure to employee needs during a pandemic, assessing the infrastructure at the neighborhood level, and considering internal and external capacity are necessary to help ensure telecommuting strategies will work during a pandemic.

RISK MONITORING AND TESTING

As 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. As a result, risk monitoring and testing of the pandemic plan is important to the overall planning process. A key challenge for management is developing a testing program that provides a high degree of assurance that critical business processes, including supporting infrastructure, systems, and applications, will function even during a severe pandemic.

A robust program should incorporate testing:

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

Test results should be reported to management, with appropriate updates made to the pandemic plan and testing program.

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. Alternatives for pandemic testing can include: well orchestrated "work at home" days for critical and essential employees to test remote access capabilities and infrastructure; crisis management team communication exercises; table top exercises that test various scenarios related to escalated absenteeism rates; additional or modified call-tree exercises; and community, regional or industry-wide exercises with members of the financial services sector to test the financial sector's ability to respond to a pandemic-like crisis.

REFERENCES

In addition to references included above, institutions may find these web sites helpful in their pandemic planning activities:

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.

Department of Health and Human Services (DHHS)

<http://www.dhhs.gov/nvpo/pandemics/index.html>

Business Pandemic Influenza Planning Checklist (DHHS)

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

Avian Flu Website (DOD)

<http://fhp.osd.mil/factsheetDetail.jsp?fact=3>

Centers for Disease Control (CDC)

<http://www.cdc.gov/flu/avian/index.htm>

World Health Organization (WHO)

http://www.who.int/csr/disease/avian_influenza/en/

U.S. Department of Veterans Affairs (VA)

<http://www.publichealth.va.gov/flu/pandemicflu.htm>

Department of Agriculture (USDA)

http://www.usda.gov/wps/portal/!ut/p/_s.7_0_A/7_0_1OB/.cmd/ad/.ar/sa.retrievecontent/.c/6_2_1UH/.ce/7_2_5JM/.p/5_2_4TQ/.d/0/_th/J_2_9D/_s.7_0_A/7_0_1OB?PC_7_2_5JM_contentid=AI05.xml#7_2_5JM

Department of Labor Occupational Safety and Health Administration (OSHA)

<http://www.osha.gov/dsg/guidance/avian-flu.html>

Department of State

http://travel.state.gov/travel/tips/health/health_1181.html

U.S. Agency for International Development (USAID)

http://www.usaid.gov/our_work/global_health/home/News/news_items/avian_influenza.html

Security and Prosperity Partnership of North America (The North America Plan for Avian & Pandemic Influenza)

http://www.spp.gov/pdf/nap_flu07.pdf



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DIVISION OF BANKING
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March 15, 2006

TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE
SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE
BANK, AND TO BANKING ORGANIZATIONS SUPERVISED BY THE FEDERAL
RESERVE

SUBJECT: Influenza Pandemic Preparedness

The Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision are jointly issuing the attached advisory on Influenza Pandemic Preparedness.

The attached advisory is intended to raise awareness regarding the threats of a pandemic influenza outbreak and its potential impacts on the delivery of critical financial services and to provide references to information that may help financial institutions prepare for such an event. The attached advisory discusses aspects of the National Strategy for Pandemic Influenza (National Strategy). The National Strategy states that the "private sector should play an integral role in preparedness before a pandemic begins, and should be part of the national response." Financial institutions provide essential financial services and, as such, should consider what actions, if any, are appropriate for preparing and responding to a pandemic.

The purpose of this supervisory letter is to alert financial institutions of the need to consider and address this potential pandemic (and similar threats) in their event response and contingency strategies. Reserve Banks are asked to distribute this letter to the appropriate management personnel at financial institutions supervised by the Federal Reserve. If you have questions about this letter or the attached advisory, please contact Stacy Coleman, Assistant Director, Operational and IT Risk Section, at (202) 452-2934 or John Gibbons, Supervisory Financial Analyst, at (202) 452-6409.

Richard Spillenkothen
Director

Attachment:

Interagency Advisory on Influenza Pandemic Preparedness (24 KB PDF)

Board of Governors of the Federal Reserve System

Federal Deposit Insurance Corporation

Office of the Comptroller of the Currency

Office of Thrift Supervision