

# COMMUNITY BANKING CONNECTIONS®

A SUPERVISION AND REGULATION PUBLICATION

## A Message from Governor Bowman

by Governor Michelle W. Bowman

Fourth Issue 2020



Governor Michelle W. Bowman

As 2020 draws to a close, I wish you all a happy, healthy, and safe holiday season. The end of the year is a time to reflect, take stock of the year past, and plan for the year ahead. I would first like to recognize the tremendous efforts of community bankers serving their communities. While 2020 will be remembered

for the pandemic, natural disasters also affected many areas of the country. In the face of all this adversity, community bankers responded to meet the needs of their customers and communities, and as a nation, we have been successful in adapting to and evolving through the significant changes in our lives.

### Conversations with Community Bankers

Conversations with bankers and industry outreach have been a critical aspect of my approach to remain in touch with industry trends over the past 10 months. These conversations ensure I am informed of bankers' operating challenges and shape my priorities as the Chair of the Subcommittee on Smaller Regional and Community Banking.

My goal is to meet with the CEOs of each community bank supervised by the Federal Reserve. While the pandemic curtailed in-person meeting plans, I have spoken with Fed member bankers from each of our Reserve Bank

Districts and met with many more bankers through virtual meetings involving national and state bankers associations. As of December, I have individually met with nearly 150 CEOs of community banks supervised by the Fed. If we haven't yet had the opportunity to meet, I look forward to our conversation.

Economic and banking conditions related to the pandemic response have been the focus of these conversations with bankers, specifically the pandemic's effect on community banks and their customers, and banks' participation in recovery programs. The effects of the pandemic have varied regionally, with some bankers reporting little negative impact to their communities, while others experienced more severe impact to their local economies. Bankers recounted stories about how they are working with customers and borrowers affected by the pandemic, offering loan modifications and payment deferrals. Bankers also mentioned that they are keeping a careful eye on customers with business operations that have been adversely affected by pandemic service limitations or closures, such as hospitality and travel, restaurants, entertainment and recreational venues, and universities and colleges. In

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turn, I reaffirmed the Board’s public statement that Federal Reserve examiners will not criticize a bank for working with borrowers in a safe and sound manner.<sup>1</sup>

Community bankers also shared concerns about regulatory compliance burden being among the greatest threats to the community banking industry. Specifically, bankers noted concerns about the addition of further regulations, as well as mortgage lending process complexity, and the implementation of the new accounting standard for credit losses (current expected credit losses [CECL] methodology).

Competition from credit unions and nonbanks was another area of concern for some community bankers. Finally, larger community banks with bigger staffs and therefore a greater capacity to manage regulatory compliance may drive further consolidation in the banking industry.

### **Community Banks Faced the Challenge and Kept Serving Their Communities**

Although the pandemic has dominated the headlines, there is “good news” to highlight. In particular, community banks were early movers, demonstrating their banking responsibility and resilience. Many communities benefited from their ongoing relationships and close ties with their community bankers. For example, I heard from a few bankers that early in the pandemic, they contacted every single one of their business and consumer customers, taking the time to individually check in with their customers to see how they were doing and what they needed.

The significant role of community bankers in supporting the Small Business Administration’s Paycheck Protection Program (PPP) was critical to getting funds directly to small businesses. Community banks with \$10 billion or less in assets made approximately 40 percent of the overall number and value of PPP loans. While providing credit to existing customers, I heard from bankers that they gained many new customers who were unable to obtain a PPP loan from a larger institution. These

<sup>1</sup> Refer to the Board’s April 7, 2020, press release at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200407a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200407a.htm).

PPP statistics and anecdotes reinforce my view on the importance of community banks, the value of the relationship banking model, and the role that community banks serve in providing credit to small businesses in communities across the country.

### **Federal Reserve’s Supervisory and Regulatory Actions in Response to COVID-19**

The Federal Reserve took swift and bold actions to address the crisis early in the pandemic. We created emergency facilities, used our monetary policy tools, and adjusted regulatory and supervisory frameworks where possible. Of particular note for community banks, the Federal Reserve provided temporary relief on the community bank leverage ratio (CBLR) and deferral of certain appraisal regulatory requirements.<sup>2</sup>

As the Federal Reserve resumes examinations, I have emphasized to our examiners that their current role is to promote the resilience of financial institutions while not impeding the flow of credit that is vital for economic recovery. The focus for supervisory activities is on evaluating a bank’s capital and liquidity resiliency, as well as the effectiveness of a bank’s risk management and responsiveness to changing economic and market conditions.

Besides these crisis-related measures, the Federal Reserve has worked to develop initiatives in support of community banks and their efforts to integrate new technologies. In remarks delivered at a conference in February, I spoke about the value of integration of financial technology into the community bank business model, which enables community banks to enhance the effectiveness and timeliness of their services.<sup>3</sup> A technology strategy can help community banks achieve

<sup>2</sup> For the CBLR, refer to the Board’s August 26, 2020, press release at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200826a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200826a.htm). For the appraisal regulation deferral, refer to the Board’s September 29, 2020, press release at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200929a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200929a.htm).

<sup>3</sup> See Governor Michelle W. Bowman’s speech, “Empowering Community Banks,” Conference for Community Bankers sponsored by the American Bankers Association, Orlando, FL, February 10, 2020, available at [www.federalreserve.gov/newsevents/speech/bowman20200210a.htm](http://www.federalreserve.gov/newsevents/speech/bowman20200210a.htm).

market reach and operational efficiencies, as well as improve organizational agility.

The Federal Reserve has undertaken several initiatives to support community banks in developing a technology strategy. First, we are holding Innovation Office Hours that serve as a valuable resource for banks to learn more about bank and fintech partnerships.<sup>4</sup> Federal Reserve staff is also developing a white paper on community bank and fintech partnerships. And finally, recognizing the importance of third-party risk management in engaging a technology service provider, I have encouraged Federal Reserve staff to work with their interagency colleagues to develop a vendor due diligence handbook for community banks. This handbook could assist bankers in performing their due diligence of a fintech company or a service provider while being mindful of a bank's operational capacity.

## A Look Toward 2021

Both policymakers and bankers are continuing to adjust and evolve in the face of the pandemic. The banking sector is well positioned to overcome the challenges and navigate the uncertainty. I am confident that

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<sup>4</sup> For additional information, refer to the Federal Reserve's "Innovation" web page at [www.federalreserve.gov/innovate](http://www.federalreserve.gov/innovate).

community banks will continue to perform a vital role in our economic recovery.

Although responding to evolving crisis conditions will remain our top supervisory priority, we are considering a number of initiatives that will provide greater transparency and simplicity in our regulatory and supervisory regimes. This includes the interagency effort to further clarify the role of guidance in the supervisory process.<sup>5</sup> I also hope that the banking agencies can simplify risk management requirements for third-party service providers and that such guidance appropriately reflects the present-day business realities of a community bank. My Board colleagues and I are also looking forward to hearing from the industry on our proposal for Community Reinvestment Act (CRA) reform. I will be especially interested in understanding the implications of a potential rulemaking on smaller banks.

In closing, I would like to extend my best wishes for a happy and healthy 2021. Please take care and stay safe as you celebrate the holidays with family and friends. ■

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<sup>5</sup> Refer to the Board's October 29, 2020, press release at [www.federalreserve.gov/newsevents/pressreleases/bcreg20201029a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20201029a.htm).

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# View from the District

A Sixth District Perspective — Atlanta



## View from the District: Driving Change Through Strategy

by Mike Johnson, Executive Vice President, Supervision, Regulation, and Credit, Federal Reserve Bank of Atlanta



Mike Johnson

The COVID-19 pandemic, which continues to affect the world's economy and our nation's financial system, poses unprecedented levels of uncertainty. Adapting to today's new normal has been further challenged by a financial industry already experiencing rapid

technological changes. All of this is happening in a world of business closures, social distancing, and supply chain disruptions, amid an uneven recovery. At the Federal Reserve, we are adapting to these changes, including playing our part as supervisors to reduce financial uncertainty to the furthest extent possible. Adapting to change is core to fulfilling our supervisory mission, which is to promote a safe, sound, and efficient banking and financial system and a fair and transparent consumer financial services market that supports the growth and stability of the U.S. economy.

The steps that the Federal Reserve takes to do this are key and are continuing to evolve. Vice Chair for Supervision Randal Quarles and Governor Michelle Bowman, along with the other Governors, are working with staff members at the Federal Reserve Board (Board) and across the Reserve Banks to ensure transparency, efficiency, and simplicity in our regulations and supervisory processes — most particularly to meet today's challenges and tomorrow's unknowns.

In 2019, the Federal Reserve's Supervision function adopted four strategic themes that are critical to driving change in support of our mission and objectives. These

themes — transparent, agile, innovative, and optimal — guide our work. The Federal Reserve established these themes well in advance of the pandemic and adopted them, as they are applicable and timely in any environment.

Transparency and agility are front and center this year. As it has many of you, the pandemic has caused us to move to a remote working environment, which requires all of us to be agile, and has amplified the importance of clear, transparent communications. Consistently communicating and applying supervisory expectations lead to greater certainty of outcomes, resulting in fewer supervisory issues and less burden for the financial system in general. In short, greater transparency about the Federal Reserve's supervisory processes leads to more effective supervision and a more resilient banking industry.

### Enhancing Transparency and Optimizing the Supervision Function

How is the Federal Reserve enhancing transparency? One way is that we regularly communicate to bankers what we are seeing and discovering through the supervisory process. Throughout the pandemic, we enhanced monitoring to identify and share industry challenges. We also used this time to answer bankers' questions and share our perspective on overall market conditions. The enhanced monitoring helped target policy and shape our supervisory posture. As our supervisory posture changed from initially pausing examinations to minimize operational burden on banks to now resuming exams, we enhanced our monitoring activities and increased monitoring frequency accordingly. Ultimately, our optimal strategic theme is to contribute to simple,

efficient supervisory functions while we reduce the operating burden on institutions and adjust our supervisory activities in response to changes in the economy and the banking industry.

Across the Federal Reserve System, in addition to maintaining traditional communication channels during this pandemic, such as *Community Banking Connections* and the *Supervision and Regulation Report*,<sup>1</sup> the Federal Reserve also held numerous Ask the Fed and Ask the Regulators sessions to provide even more in-depth details and answer industry questions. In the Sixth District, we led calls with our state member banks, banking associations, and state regulatory partners to clarify our supervisory posture and answer questions. On the Atlanta Reserve Bank's website, we published articles and information under the ViewPoint banner.<sup>2</sup> The Sixth District also conducts ViewPoint Live webinars to cover pressing topics of interest to bankers. I know many of the other Reserve Banks engage in similar outreach activities.

Unprecedented times call for swift action and agility on all fronts as discussed in the November 2020 and May 2020 *Supervision and Regulation Reports*.<sup>3</sup> These reports provide an excellent overview of the actions taken by the Federal Reserve to support the flow of credit and liquidity and ease operational burden going into the current crisis. Some examples include encouraging the use of capital and liquidity buffers, delaying the impact of the current expected credit losses accounting standard in capital rules, temporarily adjusting supplementary leverage ratio requirements for holding companies and reducing the community bank leverage

ratio requirement, encouraging firms to participate in Federal Reserve liquidity facilities, and removing transfer limits on savings deposits.

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“ The Federal Reserve System, through its regional Reserve Bank structure, strives to ensure that the voices of local communities are heard when policies are developed and implemented. ”

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Also, the Board issued Supervision and Regulation (SR) letter 20-15, “Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions,” to lay the framework that examiners from the Federal Reserve and other agencies will follow in resuming examinations.<sup>4</sup>

Being more open about supervisory expectations, particularly in today's dynamic environment, is a key element in our transparency efforts. We're seeking to simplify messaging and clarify expectations for supervised institutions. Although the various issues can be complex, we've worked hard to be more explicit in terms of whom guidance applies to and how an issue relates to a bank's overall financial condition and safety and soundness.

### Creating Conversation Around Innovation

We are continuously striving to engage in conversation with bankers, seeking their input on how innovation is affecting their operations and services. For example, just prior to the onset of the pandemic, the Federal Reserve launched Innovation Office Hours, which

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<sup>1</sup> Although the content of each *Supervision and Regulation Report* varies, some topics covered include information about banking conditions, details about each of the Federal Reserve's supervisory programs (community, regional, and large financial institutions, as well as firms under the Large Institution Supervision Coordinating Committee [referred to as the “LISCC firms”]), and summaries of supervisory ratings and findings. The consistent feedback received, especially from community bankers, indicates that sharing this type of information is helpful.

<sup>2</sup> See [www.frbatlanta.org/economy-matters/banking-and-finance.aspx](http://www.frbatlanta.org/economy-matters/banking-and-finance.aspx).

<sup>3</sup> The *Supervision and Regulation Reports* are available at [www.federalreserve.gov/publications/supervision-and-regulation-report.htm](http://www.federalreserve.gov/publications/supervision-and-regulation-report.htm). The Federal Reserve Board also has a COVID-19 Resources web page at [www.federalreserve.gov/covid-19.htm](http://www.federalreserve.gov/covid-19.htm).

<sup>4</sup> SR letter 20-15 is available at [www.federalreserve.gov/supervisionreg/srletters/sr2015.htm](http://www.federalreserve.gov/supervisionreg/srletters/sr2015.htm).

provide state member banks and fintech companies with an opportunity to engage in direct conversation with the Federal Reserve.<sup>5</sup> The Sixth District hosted the first of these sessions in February and received an overwhelming, positive response from participants.

The relationships created at Innovation Office Hours among bankers, fintech firms, and regulators are a key example of our effort to execute our innovative strategic theme and have been beneficial throughout this year, as technology has been vital to our remote work environment.

Because of COVID-19, consumers are making more purchases online or through contactless payments. As consumers become more comfortable with these contactless forms of payment, usage will continue to surge. Therefore, we need to understand the role fintech companies are playing in providing banking services and the ways that these companies are working with banks to support the economy. There are important considerations when implementing these banking services so that payment infrastructures remain safe, accessible, and inclusive for all.<sup>6</sup> To stay abreast of services outsourced by banks to fintech companies, we meet with significant service providers on a routine basis, as well as participate on panels with new and existing fintech companies.

Board members often reach out to local bankers and other constituencies for feedback. In turn, Board members establish supervisory priorities and communicate supervisory policies and priorities through their speeches, public statements, and congressional testimony. Governor Bowman is the Board's first designated governor with experience in community banking and is focused on the community bank perspective in the establishment of policy. One of her speeches covered the impact of payment system

innovation on community banks and the direction of supervision.<sup>7</sup> More recently, she began her commitment to reach out directly to all state member community banks in the country to further conversations at the grassroots level.

This direct engagement and dialogue with Governor Bowman, the Reserve Bank and Board staff, and bankers are vital to understanding both the local and national issues. The Federal Reserve System, through its regional Reserve Bank structure, strives to ensure that the voices of local communities are heard when policies are developed and implemented. Our community bank supervisory approach in particular allows almost all supervisory decisions and determinations to be made locally by the Reserve Bank, which makes it more effective and more responsive to the unique challenges and needs of each bank. Local Reserve Bank relationships are key to supporting the ongoing dialogue that is necessary for clear two-way communication. Effective communication is also key to reduce the potential for surprises — for both bankers and examiners — during the course of an examination.

To recap, our strategic themes — transparent, agile, innovative, and optimal — are core to achieving a safe, sound, and efficient banking and financial system. However, there is always room for us to improve the efficiency and effectiveness of the supervisory process, and we need your help to identify ways to improve the process. Ask us questions, give us frank feedback, and let us know where there are gaps. If there are banking topics that concern you, reach out to us at [editor@communitybankingconnections.org](mailto:editor@communitybankingconnections.org). We are in this together. ■

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<sup>5</sup> See [www.federalreserve.gov/newsevents/pressreleases/other20191217a.htm](http://www.federalreserve.gov/newsevents/pressreleases/other20191217a.htm).

<sup>6</sup> See [www.frbatlanta.org/promoting-safer-payments-innovation/publications/2020/09/30/shifting-the-focus-digital-payments-and-the-path-to-financial-inclusion](http://www.frbatlanta.org/promoting-safer-payments-innovation/publications/2020/09/30/shifting-the-focus-digital-payments-and-the-path-to-financial-inclusion).

<sup>7</sup> See Governor Michelle W. Bowman's speech, "Direction of Supervision: Impact of Payment System Innovation on Community Banks," which was given at the "Age of Advancement: The Intricacies of a Digital World" 2020 Banking Outlook Conference sponsored by the Federal Reserve Bank of Atlanta in Atlanta on February 27, 2020; the speech is available at [www.federalreserve.gov/newsevents/speech/bowman20200227a.htm](http://www.federalreserve.gov/newsevents/speech/bowman20200227a.htm).

# Helping to Ensure Capital Resiliency Through Effective Capital Planning

by Alexander Shelton, Senior Examiner/Portfolio Central Point of Contact, Federal Reserve Bank of Richmond

One of the most important lessons learned from the 2008 recession was championed by the *Community Banking Connections* article “Capital Planning: Not Just for Troubled Times,” which promoted the importance of holding capital commensurate with risk through effective capital planning.<sup>1</sup> That article covered various aspects of capital planning as part of an effective risk management framework. Now as banking organizations contemplate the current and future COVID-19 environment, it is an appropriate time to revisit the topic.

In the July 9, 2020, Ask the Fed session discussing the resumption of examination work, Governor Michelle Bowman stated, “The Federal Reserve’s goals are to promote capital and liquidity resiliency in the industry, while not impeding the flow of credit.”<sup>2</sup> Institutions have been encouraged to employ capital buffers to promote lending activity in a safe and sound manner. With increased lending and related inflows from both deposits and government programs, banks may experience significant but temporary balance sheet growth. As a result, capital ratios may decline. With this potential decrease, banks need to remain diligent in monitoring risk levels so that capital adequacy can be maintained.

## Capital Levels and Bank Examinations

At upcoming examinations, examiners will evaluate capital levels in relation to the nature and extent of an institution’s risk profile. As a part of these evaluations,

examiners will consider an institution’s capital planning efforts. The examiners will review whether institutions are measuring the effect of COVID-19 on a bank’s risk profile and whether a bank is appropriately assessing the need to bolster reserves and capital. Examiners will evaluate the effectiveness of a bank’s capital planning process in connection with the bank’s assessment of its risks and the adequacy of its capital.

In June, the Board issued Supervision and Regulation (SR) letter 20-15, “Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions.”<sup>3</sup> This guidance instructs examiners to consider a variety of factors when assessing capital adequacy, including an institution’s regulatory capital ratios, capital planning and capital distribution plans, and risk management practices, as well as whether the institution is in generally sound condition. While capital planning is not the sole determinant of capital adequacy, it is an important aspect of maintaining capital adequacy. The details of effective plans can vary based on a bank’s size and risk profile; however, the basic building blocks are consistent for all institutions.

## Capital Planning Revisited

Capital planning in its basic form contains five essential components: an assessment of a bank’s risks, a targeted capital level that supports a bank’s risk profile, meaningful metrics that alert management when risk is increasing, a defined process to follow when these metrics exceed established risk tolerances, and predetermined actions that may be taken when capital levels are no longer commensurate with the bank’s risk profile. To address

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<sup>1</sup> See Jennifer Burns, “Capital Planning: Not Just for Troubled Times,” *Community Banking Connections*, Third Quarter 2013, available at [www.cbcrfs.org/articles/2013/Q3/Capital-Planning-Not-Just-for-Troubled-Times](http://www.cbcrfs.org/articles/2013/Q3/Capital-Planning-Not-Just-for-Troubled-Times).

<sup>2</sup> See the Ask the Fed session, “Governor Bowman and SVP Bill Spaniel Provide an Update on the Federal Reserve’s Supervisory Posture for Small Banks as Examinations Resume,” July 9, 2020, available at <https://bsr.stlouisfed.org/askthefed/Home/ArchiveCall/273>.

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<sup>3</sup> SR letter 20-15, “Interagency Examiner Guidance for Assessing Safety and Soundness Considering the Effect of the COVID-19 Pandemic on Institutions,” is available at [www.federalreserve.gov/supervisionreg/srletters/SR2015a1.pdf](http://www.federalreserve.gov/supervisionreg/srletters/SR2015a1.pdf).

each of these components, bankers should work with their boards to establish the organizational risk appetite and the tools and processes necessary to promote capital resiliency. Institutions can easily leverage existing management information systems (MIS) reports, risk assessments, or other current processes to monitor, measure, and mitigate threats to an institution's capital.

The first step to effective capital planning is to determine whether current capital levels are consistent with the institution's risk profile and the risk appetite of the bank's board. In order to determine current risk levels, banks should perform a risk assessment that identifies potential issues that may have implications for the bank's capital. These issues can be macro in nature, such as liquidity levels or credit risk exposures, or more granular, such as concentration risk to particular industries. This assessment could leverage other risk assessments performed for the institution, such as the audit risk assessment. Whatever approach an institution selects to assess risks, the results should allow the institution to quantify or grade the current level of exposure (e.g., high, moderate, or low). The goal is to establish a baseline of the institution's risk profile against which increases or decreases in risk can be evaluated and which can be updated periodically as the risk profile changes.

From there, the board should establish targeted capital levels that can adequately support the bank's current risk profile. These targets could be stated as ranges to accommodate the changing inherent risk at an institution, with the institution holding more capital within those ranges as risks increase. The chosen level of capital should also be realistic in terms of the board's overall risk appetite and not just set at minimum regulatory requirements. A bank with a relatively lower risk profile coupled with a slow growth strategy may find it appropriate to set a lower targeted capital level. However, for other institutions with a more significant risk profile or a fast growth strategy, the targeted level of capital should be higher.

Once the risk profile is determined and the appropriate target capital level is set, an institution should establish meaningful metrics or triggers to alert management to

increasing risk levels. These metrics should consider the various risks to which an institution is subject. Using credit risk as an example, some familiar metrics include the level of deferrals or loan modifications and trends in industry concentrations. Other examples of meaningful credit metrics could include loan rating migration patterns, trends in past due or noncurrent loans, or increases in underwriting exceptions, technical exceptions, or covenant breaches. The goal is to identify metrics that can signal an increasing level of risk early enough to afford management a range of mitigation options.

Metrics that rely solely on backward-looking data are not as effective in providing an early warning that affords an institution sufficient time to take corrective action. For instance, using loan classification ratios would not be considered a strong warning of increasing risk, as these loans have already been identified as problems. Overall, the idea is to leverage MIS reports in risk areas to find the appropriate early-warning metrics to track and set the associated triggering thresholds at levels that give management enough time to take action before capital adequacy is affected. Waiting for capital to fall below the established targets before commencing remediation efforts is not a prudent form of capital management.

The final two parts of effective capital planning are intertwined: management's actions when triggers are breached and the related set of mitigation tools approved by an institution's board. There are a range of options for management to consider when early-warning metrics signal that risk is increasing. Depending on which metric or combination of metrics is breached and the degree of any such breach relative to established tolerance levels, management should carefully evaluate whether the increasing risk is temporary in nature or something more systemic. The goal, of course, is to assess the situation and take appropriate action to help ensure continuing capital adequacy.

While raising capital is always an option when more permanent risk trends are evident, there are other risk mitigation techniques that an institution's management and board should consider as part of capital planning.

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# Disaster Recovery Planning: Key Strategies in Navigating the Unknown

by Jennifer R. Grier, Senior Examiner, Supervision, Regulation, and Credit, Federal Reserve Bank of Atlanta

Hurricanes. Cyberattacks. Pandemics. Wildfires. Whether resulting from natural causes or human intervention, all these events pose the potential risk of significantly disrupting a community bank's normal operations. Unfortunately, there is no fail-proof predictor of when or if a disaster event will occur at any given time. Therefore, it is important that bank management be proactive in developing a comprehensive disaster recovery and business continuity plan (BCP) to mitigate the uncertainty of these risks.

The occurrence and severity of natural disasters have increased significantly over the past decade. Between 2010 and 2019, the United States experienced almost twice the number of billion-dollar natural disasters than in the 2000s, at 119 and 62, respectively.<sup>1</sup> During 2020, the United States was impacted by 16 separate billion-dollar disasters (see Figure 1): one drought event, 11 severe storms, three tropical cyclone<sup>2</sup> events, and one wildfire<sup>3</sup> event. As of October 7, 2020, the 16 weather/climate disaster events resulted in losses exceeding \$1 billion in the United States.<sup>4</sup>

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<sup>1</sup> These figures are from the National Oceanic and Atmospheric Administration's (NOAA) National Centers for Environmental Information; they have been adjusted for inflation.

<sup>2</sup> The NOAA defines a tropical cyclone as a "rotating low-pressure weather system that has organized thunderstorms but no fronts (a boundary separating two air masses of different densities). Tropical cyclones with maximum sustained winds of 39 mph or higher are called tropical storms. When a tropical storm's maximum sustained winds reach 74 mph, it is called a hurricane."

<sup>3</sup> According to the *National Weather Service Instruction 10-1605*, wildfire is defined as "any significant forest fire, grassland fire, rangeland fire, or wildland-urban interface fire that consumes the natural fuels and spreads in response to its environment." Significant is defined as "a wildfire that causes one or more fatalities, one or more significant injuries, and/or property damage." See [www.nws.noaa.gov/wsom/](http://www.nws.noaa.gov/wsom/).

<sup>4</sup> See NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters, 2020, available at [www.ncdc.noaa.gov/billions/](http://www.ncdc.noaa.gov/billions/); DOI: 10.25921/stkw-7w73.

In addition to natural disasters, banks are also the frequent target of cybersecurity threats, such as malware and distributed denial-of-service attacks. Reportedly, banks and financial services organizations represented 25.7 percent of all malware attacks in 2018.<sup>5</sup>

Whether or not a bank can quickly resume operations after a disaster can have a lasting effect on its brand. From a macro perspective, a bank's quick recovery can also serve as a positive sign of resilience for the local community. Not surprisingly, preparation is the key distinguishing characteristic of those banks that have been able to demonstrate agility and resilience during a crisis. These banks developed a disaster recovery plan with the intention of minimizing disruptions to both the bank and its customers.

## Business Continuity Plan

A thoroughly tested BCP provides bank management with the appropriate framework for decision-making in the midst of a crisis. Lessons learned from previous disasters, such as Hurricane Katrina in 2005 and Superstorm Sandy in 2012, have highlighted why banks should develop a BCP that defines how to respond to and recover from business disruptions. The goal is to review all of the possible disruptions that could occur and then identify the appropriate mitigant for each risk.<sup>6</sup>

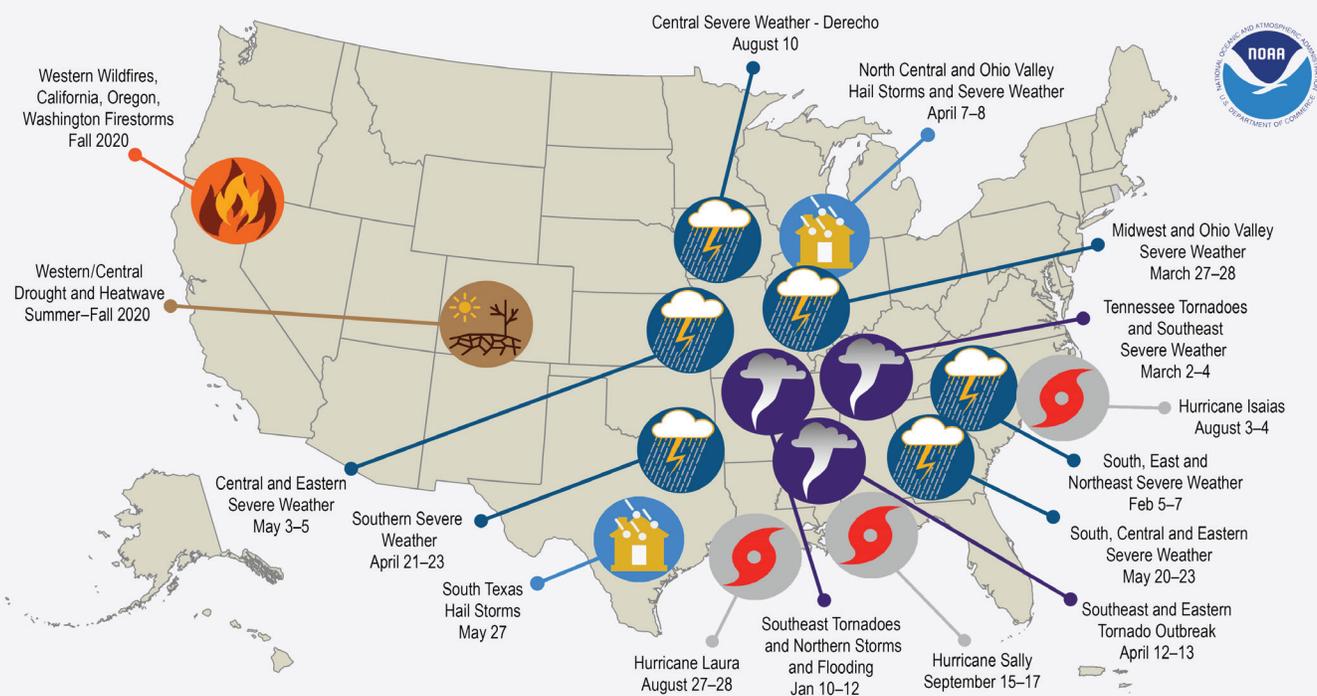
For most banks, the planning process to develop an effective BCP will require multiple iterations. As outlined in the 2015 *Community Banking Connections* article

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<sup>5</sup> "Banking and Financial Services Threat Landscape Report," Banking & Financial Services, *INTSIGHTS*, April 2019, p. 3, available at <https://tinyurl.com/y4po3484>.

<sup>6</sup> Aaron Cohen and Anthony Toins, "Business Resumption Planning for Banks," *Community Banking Connections*, Third Quarter 2015, available at [www.cbcbfrs.org/articles/2015/q3/business-resumption](http://www.cbcbfrs.org/articles/2015/q3/business-resumption).

**Figure 1: U.S. 2020 Billion-Dollar Weather and Climate Disasters**



**This map denotes the approximate location for each of the 16 separate billion-dollar weather and climate disasters that impacted the United States from January–September 2020.**

Source: NOAA; [www.ncdc.noaa.gov/billions](http://www.ncdc.noaa.gov/billions)

“Business Resumption Planning for Banks,”<sup>7</sup> an effective business continuity program has four key components: (1) business impact analysis, (2) risk assessment, (3) risk management, and (4) monitoring and testing.<sup>8</sup> Additionally, if the bank uses outside vendors for key bank functions, there should be a discussion of the potential third-party risk.<sup>9</sup>

### Pandemic Planning

Until recently, most banks developed BCPs that primarily focused on recovery strategies for cyberattacks and natural disasters most prevalent in their respective

markets. However, the COVID-19<sup>10</sup> global pandemic has heightened the awareness and need for all banks, regardless of asset size and complexity, to incorporate pandemics in their BCPs.

On March 10, 2020, the Federal Financial Institutions Examination Council (FFIEC)<sup>11</sup> issued updated guidance identifying actions that financial institutions should take to minimize the potential adverse effects of a pandemic. Supervision and Regulation (SR) letter 20-3/Community Affairs (CA) letter 20-2, “Interagency Statement on Pandemic

<sup>7</sup> See Cohen and Toins.

<sup>8</sup> See the discussion of the Business Continuity Planning Process (page 3) in the *FFIEC Business Continuity Planning IT Examination Handbook*, available at <http://ow.ly/STGbe>.

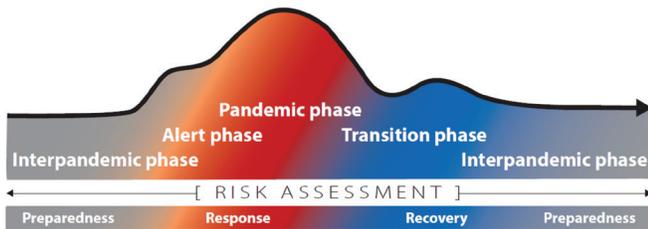
<sup>9</sup> See Cohen and Toins.

<sup>10</sup> According to the World Health Organization, COVID-19 is an infectious disease caused by the most recently discovered coronavirus. The first reported outbreak was in Wuhan, China, in December 2019. COVID-19 is now a global pandemic.

<sup>11</sup> The FFIEC comprises principals of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Consumer Financial Protection Bureau, and the State Liaison Committee.

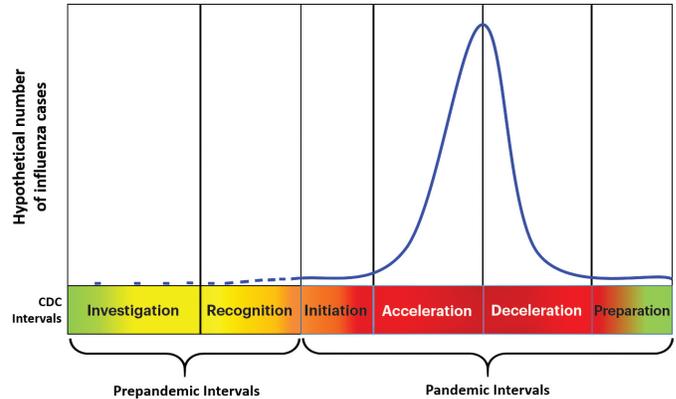
**Figure 2: The Continuum of Pandemic Phases**

This continuum is according to a “global average” of cases, over time, based on continued risk assessment and consistent with the broader emergency risk management continuum.



Source: Reproduced from *Pandemic Influenza Risk Management: A WHO Guide to Inform & Harmonize National & International Pandemic Preparedness and Response*, WHO/WHE/IHM/GIP/2017.1, Chapter 2: WHO Global Leadership, p. 13, May 2017, ©WHO 2017; <https://apps.who.int/iris/bitstream/handle/10665/259893/WHO-WHE-IHM-GIP-2017.1-eng.pdf;jsessionid=FF0E44DE342CCEF9FOA31E1EFB14C8E8?sequence=1>; used with permission, accessed November 2, 2020

**Figure 3: Preparedness and Response Framework for Novel Influenza A Virus Pandemics: CDC Intervals**



Source: CDC; [www.cdc.gov/flu/pandemic-resources/national-strategy/intervals-framework.html](http://www.cdc.gov/flu/pandemic-resources/national-strategy/intervals-framework.html)

Planning,”<sup>12</sup> encourages financial institutions to periodically review related risk management plans, including BCPs, and ensure that an institution is able to continually deliver products and services in a wide range of scenarios with minimal disruption (see the box on page 12).<sup>13</sup>

### Unique Characteristics of Pandemic Planning

Pandemic planning presents a unique challenge for financial institutions because there are more unknown factors to consider than in plans for recovery from a natural disaster or a business disruption. For example, the planning process should consider the difference in anticipated scale and duration of the bank’s operational disruption, as the disaster event may be more widespread, limiting public and commercial services in the bank’s community. Furthermore, unlike traditional disasters that have limited time durations, previous pandemics

have been characterized by waves of activity spread over several months (see Figures 2 and 3).<sup>14</sup>

The ramifications of a pandemic are far-reaching and encompass many disparate issues, including health and economic concerns. A severe pandemic could lead to extensive illness, loss of business productivity, and disruption or closure of school systems. For example, during the 2006 avian flu outbreak in Southeast Asia, the U.S. pandemic plan recommended that the public and private sectors assume that up to 40 percent of their staff might have been unable to report to work for two weeks because of personal or family sickness.<sup>15</sup> The potential lack of vital staff to deliver an institution’s critical financial services (i.e., operational resiliency) and to maintain its infrastructure (i.e., technology and cybersecurity risks) should be incorporated into the ongoing business

<sup>12</sup> SR letter 20-3/CA letter 20-2 is available at [www.federalreserve.gov/supervisionreg/srletters/SR2003a1.pdf](http://www.federalreserve.gov/supervisionreg/srletters/SR2003a1.pdf).

<sup>13</sup> Additional information is available in the *FFIEC Business Continuity Management Examination Handbook*, available at <https://ithandbook.ffiec.gov/it-booklets.aspx>.

<sup>14</sup> See *Pandemic Influenza Preparedness and Response: A WHO Guidance Document*, Geneva: World Health Organization, 2009, available at [www.ncbi.nlm.nih.gov/books/NBK143061/](http://www.ncbi.nlm.nih.gov/books/NBK143061/).

<sup>15</sup> United States Homeland Security Council, *Implementation Plan for the National Strategy for Pandemic Influenza*, May 2006, p. 20, available at <https://georgewbush-whitehouse.archives.gov/homeland/pandemic-influenza-implementation.html>.

# Addressing the Unique Challenges of Pandemics

SR letter 20-3/CA letter 20-2 suggests that a financial institution's BCP address five elements:

1. A preventive program
2. A documented strategy that provides for scaling the institution's pandemic efforts
3. A comprehensive framework of facilities, systems, or procedures
4. A testing program
5. An oversight program to ensure ongoing review and updates to the pandemic plan

See the full text at [www.federalreserve.gov/supervisionreg/srletters/SR2003a1.pdf](http://www.federalreserve.gov/supervisionreg/srletters/SR2003a1.pdf).

impact analysis and risk assessment processes. Thus far in the COVID-19 pandemic, financial institutions have generally demonstrated operational resilience related to cybersecurity and technology risks. However, institutions need to remain vigilant by considering the probability of additional service disruptions and update their BCPs accordingly.

## Conclusion

The increasing occurrence and severity of natural disasters and other business disruptions have heightened the potential risk to community banks. Based on lessons learned from previous disasters, a bank should consider using an organization-wide approach in developing a BCP to ensure that the institution's board of directors and senior management are aware of their respective roles in limiting disruptions to the bank's operations and services to its customers. In addition, the bank's BCP should address a pandemic event and provide for an appropriate operational response, a documented strategy scaled to the stages of a pandemic outbreak, a comprehensive framework to ensure the continuance of critical operations, and a testing program to ensure that the BCP is effective in recovering critical operations. To confirm the adequacy of the planning process and the execution of the plan, the BCP should identify roles and responsibilities for overseeing business continuity during a disaster, including periodic review and updating of the plan to reflect actual experience in recovering from a disaster. ■

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## Helping to Ensure Capital Resiliency Through Effective Capital Planning

*Continued from page 8*

These risk mitigation tools can be noncomplex balance sheet changes, such as slowing the growth in certain products to reduce concentration levels, selling loans, or tightening underwriting standards. Various capital actions, such as whether to repurchase shares or to declare a dividend, should also be considered. For each mitigation strategy, management should understand the timeline and effort needed to achieve the desired outcome. While a temporary suspension of stock buybacks or a reduction of dividends can be enacted quickly, raising equity capital is a much longer process. An institution's management and board need to consider the time to enact any mitigation

strategy and match the mitigation tool with the pace of increasing risk.

## Final Thoughts

The banking industry entered the COVID-19 pandemic well prepared from a capital perspective because lessons learned from the 2008 recession led to higher capital levels in 2020. Using these same principles now can help banks in assessing the risks arising from the pandemic and in making sound choices to mitigate these new risks through meaningful capital planning. ■



# 2020 Writers' Cohort

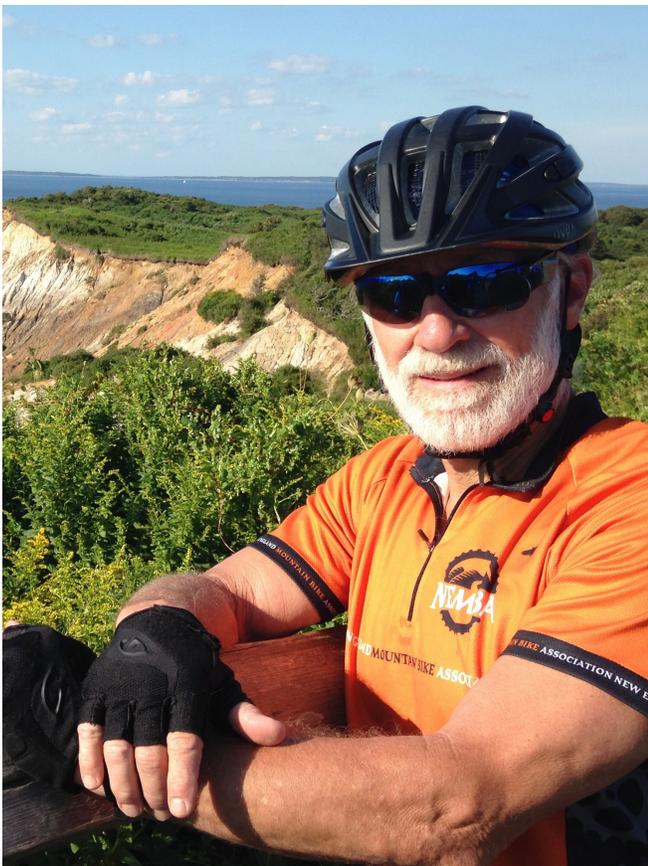
## Meet the Cohort Members

When *Community Banking Connections* formed the Writers' Cohort in 2019, Robert Crepinsek and Scott Zurborg were among the supervisory staff members from around the System who offered to test their writing skills and join the publication. To get to know them better, we asked them several questions about their interests, backgrounds, and driving forces. Their responses reveal the extremely different paths they took to get to the Fed, their passions and values outside of work, and why during these unsettling times they would both like to have dinner with none other than our 16th President — Abraham Lincoln.

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## Robert Crepinsek

Examiner, Supervision, Regulation, and Credit, FRB Boston



### How long have you been with the Fed and what brought you here?

In 2019, I marked my 25th year at the Fed. The Quarter Century Club dinner for Boston Fed employees with 25 years or more of service was canceled this year due to the COVID-19 pandemic; otherwise, it would have been my second.

Prior to coming to the Fed, I worked at a credit union as the assistant controller. I responded to an ad in the paper for what I believed at the time was a financial analyst position. My thought was that the Fed would provide more growth opportunity. Plus, I was attracted by the Fed's prominent image and its location in downtown Boston. My first position was in a unit called Supervisory Follow-up, which was created to assist the examination function. Analysts in this unit were responsible for responding to correspondence related to outstanding supervisory actions or matters requiring attention. If you remember, at that time we were just coming out of the recession of the early 90s and examiners were getting bogged down with examination follow-up. When that

work dried up, I transferred to the applications unit, where I was responsible for processing bank and bank holding company applications primarily centered in mergers and acquisitions. When Regional and Community Banking decided to create an off-site monitoring unit to, again, support the examination function, another applications analyst and I agreed to create it from the ground up. After years of analyzing bank financial information and conversing with bankers on an off-site basis, I decided it would be more rewarding to have face-to-face interactions with bankers. So about eight or nine years ago, I completed the commissioning process and became an examiner.

**Are there any unique experiences that you would like to share with us?**

While still working at the credit union in 1992, I took a three-month leave of absence in order to take a solo motorcycle trip around the United States with the aim of visiting as many national parks as possible. Although there were several stops to visit friends and relatives, mostly I camped with the tent and sleeping bag that were serving as my backrest. That summer I stopped at the

Grand Canyon, Zion, Yosemite, Olympic, North Cascades, Glacier, and Yellowstone National Parks, just to name a few. I put over 10,000 miles on the used 1980 Honda 750 that I purchased for the trip.

**What do you like to do in your downtime?**

I'm most content during and after a good mountain bike ride. Although I also enjoy golfing, I rarely come home from a bad ride, which can't be said (by me) for a round of golf. My road bikes get a fair amount of use, too. I was bike commuting the 10 miles into the city a couple of days a week before the pandemic hit.

**If you could have dinner with anyone (living or dead), who would it be?**

The first person who comes to mind is Abe Lincoln. I've been fascinated by his character and contributions to humanity since doing an essay on him in grade school. Being at the Lincoln Memorial in Washington, D.C., was a moving experience, so being in his presence, hearing his voice, seeing the pain of his deliberations in the lines of his face would be an unsurpassable experience.

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## Scott Zurborg

Senior Large Bank Examiner, Supervision and Regulation, FRB Chicago



**How long have you been with the Fed?**

I joined the Fed in 2011 as an intern. My internship is really what made me seek full-time employment with the Fed. I was so interested in the work that we complete as regulators and the relationships we develop with our community bank stakeholders. On top of the intriguing work, I was also enamored with the culture we have in the Seventh District and throughout the Federal Reserve System. I knew after that summer that we are an institution of lifelong learners who thrive on diversity and inclusion in all aspects of our work.

**Who is your role model and why?**

My role models are my grandparents. Growing up in the midst of the worst economic conditions in U.S.

history, they stood on their own and truly built a life for themselves and those around them. They worked very hard, for little money, to put my grandfather through school, and they raised six children while also building a dairy cooperative into a major regional employer and supporter of Midwest dairy farmers. As though the drive and work ethic they have demonstrated to pave their own way weren't enough, they also celebrated their 75th wedding anniversary this year.

**Tell us something we don't know about you but that you would like us to know.**

Those who have joined me for virtual meetings during the pandemic have often asked what my office background is. I have nine framed posters, most of which are directly behind my chair. I will take this opportunity to clear this up for everyone. They are original show posters from each of the Dave Matthews Band concerts my wife and I have attended. Insider knowledge: The one over my right shoulder is from the day after we got married!

**What one word would you use to describe yourself?**

Unconventional. I think one look at my résumé or a simple five-minute discussion would tell you that I have not taken a conventional path to bank supervision. In my early years of college, I struggled to find a major that

would lead to a job I was passionate about. I accepted this uncertainty and decided to detour onto a road of life experience and moved to California for four years to see what life was like in other parts of our country. The Great Recession provided significant interest for a major in finance and ultimately led to my career with the Fed. Overall, the experience has allowed me to think outside of the box on complex issues and has really contributed to my role as a regulator.

**What one person (living or dead) would you like to have dinner with and why?**

If I could choose anyone, I would have dinner with Abraham Lincoln. I can't begin to imagine the insights and life lessons one could pull from Honest Abe over pizza and wings. He was a man who stood for something positive and saw it through despite controversy, which is one of the most admirable characteristics a person could demonstrate. If Abe is previously engaged, I will take any one of the Peloton cycle instructors just to keep my intake in check! ■

## Cohort Chairs:

**Ben Clem**, Senior Examiner, Supervision, Regulation, and Credit, FRB Richmond

**Jennifer Grier**, Senior Examiner, Supervision, Regulation, and Credit, FRB Atlanta

## Cohort Members:

**Kerri Allen**, Examiner, Examinations & Inspections, FRB Kansas City, **Robert Crepinsek**, Examiner, Supervision, Regulation, and Credit, FRB Boston, **Anthony Gonitzke**, Senior Examiner, Financial Institution Supervision and Credit, FRB San Francisco, **Jordan Jhamb**, Financial Analysis Associate, RCFI, FRB New York, **William Mark**, Lead Examiner, Supervision and Regulation, FRB Chicago, **Kalyn Neal**, Examiner/Supervisory Specialist, Examinations & Inspections, FRB Kansas City, **Alex Shelton**, Portfolio Central Point of Contact/Senior Examiner, Supervision, Regulation, and Credit, FRB Richmond, **Scott Zurborg**, Senior Large Bank Examiner, Supervision and Regulation, FRB Chicago

In response to the COVID-19 crisis, the Federal Reserve and its federal and state regulatory counterparts continue to take steps to ease regulatory burden and support the flow of credit and liquidity. For a comprehensive list of Federal Reserve or interagency rulemakings and statements related to the pandemic, visit the Federal Reserve's COVID-19 Resources page, available at [www.federalreserve.gov/covid-19.htm](http://www.federalreserve.gov/covid-19.htm). Below are highlights of the regulatory and policy actions taken by the Federal Reserve in recent months.

### Actions Related to Safety and Soundness Policy

- Proposed Regulation on the Use of Supervisory Guidance:** The Federal Reserve, the other federal banking agencies, the National Credit Union Administration, and the Consumer Financial Protection Bureau invited public comment on a proposed regulation that outlines and confirms the use of supervisory guidance in the agencies' supervision of financial institutions. The proposed regulation is based on the agencies' 2018 statement on the role of guidance in their supervisory activities that clarified the differences between regulations and guidance. The October 29, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/bcreg20201029a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20201029a.htm).
- Issuance of Final Rules:** Federal bank regulatory agencies finalized various rules that are either identical or substantially similar to interim final rules currently in effect that were issued earlier this year. These rules include appraisal deferrals, Federal Reserve liquidity facilities, modifications for capital, and current expected credit losses adoption. The September 29, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200929a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200929a.htm); the August 26, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200826a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200826a.htm).
- Supervisory Practices — Financial Institutions Affected by Hurricane Laura and California Wildfires:** Federal banking regulatory agencies recognized the serious impact of Hurricane Laura and the California wildfires on the customers and operations of many financial institutions and provided appropriate regulatory assistance to affected institutions subject to their supervision. The agencies encouraged institutions operating in the affected areas to meet the financial services needs of their communities. The September 1, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200901b.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200901b.htm).
- Bank Secrecy Act Due Diligence Requirements:** Federal banking agencies, the Financial Crimes Enforcement Network, and the National Credit Union Administration issued a joint statement clarifying that Bank Secrecy Act due diligence requirements for customers who may be considered “politically exposed persons” (PEPs) should be commensurate with the risks posed by the PEP relationship. The August 21, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200821a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200821a.htm).
- Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Obligations:** The federal banking agencies issued a joint statement updating their existing enforcement guidance to enhance transparency regarding how they evaluate enforcement actions that are required by statute when financial institutions fail to meet BSA/AML obligations. The August 13, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200813a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200813a.htm).
- “Interagency Order Granting an Exemption from Customer Identification Program (CIP) Requirements for Loans Extended by Banks and Their Subsidiaries to All Customers to Facilitate Purchases of Property and Casualty Insurance Policies”:** The interagency order provides that a bank can use this CIP exemption for loans to customers to facilitate the purchase of property and casualty insurance policies.

Therefore, banks should update their CIP policies and procedures accordingly. Supervision and Regulation (SR) letter 20-23, issued October 9, 2020, is available at [www.federalreserve.gov/supervisionreg/srletters/SR2023.htm](http://www.federalreserve.gov/supervisionreg/srletters/SR2023.htm).

- **“ISDA IBOR Fallback Protocol and IBOR Fallback Supplement”:** This letter discusses the recent announcement by the International Swaps and Derivatives Association (ISDA) on an Interbank Offered Rate (IBOR) Fallback Protocol and IBOR Fallback Supplement. The Protocol facilitates the transition away from the London Interbank Offered Rate by providing derivatives market participants with new fallbacks for legacy and new derivative contracts. SR letter 20-22, issued October 9, 2020, is available at [www.federalreserve.gov/supervisionreg/srletters/SR2022.htm](http://www.federalreserve.gov/supervisionreg/srletters/SR2022.htm).
- **“Joint Statement on Additional Loan Accommodations Related to COVID-19”:** This statement discusses risk management principles relevant to institutions that work with their borrowers as loans near the end of initial loan accommodation periods related to COVID-19. SR letter 20-18/Community Affairs letter 20-13, issued August 3, 2020, is available at [www.federalreserve.gov/supervisionreg/srletters/SR2018.htm](http://www.federalreserve.gov/supervisionreg/srletters/SR2018.htm).

### Actions Related to Consumer Policy

- **Community Reinvestment Act Modernization:** The Federal Reserve Board issued an Advance Notice of Proposed Rulemaking inviting public comment on an approach to modernize the regulations that implement the Community Reinvestment Act (CRA) by strengthening, clarifying, and tailoring them to reflect the current banking landscape and better meet the core purpose of the CRA. The September 21, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/bcreg20200921a.htm](http://www.federalreserve.gov/newsevents/pressreleases/bcreg20200921a.htm).

### Other Board Actions

- **Increasing Availability of Intraday Credit:** The Federal Reserve Board extended to March 31, 2021, temporary actions aimed at increasing the availability of intraday credit extended by Federal Reserve Banks

on both a collateralized and uncollateralized basis. The October 1, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/other20201001a.htm](http://www.federalreserve.gov/newsevents/pressreleases/other20201001a.htm).

- **Main Street Lending Program Frequently Asked Questions (FAQs):** The Federal Reserve Board updated its FAQs to clarify the Board and Department of Treasury’s expectations regarding lender underwriting for the Main Street Lending Program. The September 18, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/monetary20200918a.htm](http://www.federalreserve.gov/newsevents/pressreleases/monetary20200918a.htm).
- **Economic Well-Being Surveys:** The Federal Reserve Board issued a report on the economic well-being of U.S. households. The September 18, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/other20200918a.htm](http://www.federalreserve.gov/newsevents/pressreleases/other20200918a.htm).
- **Central Bank Digital Currencies:** The Federal Reserve highlighted the research and experimentation undertaken to enhance its understanding of the opportunities and risks associated with central bank digital currencies. The initiatives complement a broad set of payments-related innovation projects currently underway within the Federal Reserve System. The August 13, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/other20200813a.htm](http://www.federalreserve.gov/newsevents/pressreleases/other20200813a.htm).
- **Municipal Liquidity Facility Pricing Revised:** The Federal Reserve Board announced revised pricing for its Municipal Liquidity Facility. The August 11, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/monetary20200811a.htm](http://www.federalreserve.gov/newsevents/pressreleases/monetary20200811a.htm).
- **FedNow Service:** The Federal Reserve Board announced details of the FedNow Service, a new 24x7x365 interbank settlement service with clearing functionality to support instant payments in the United States. The August 6, 2020, press release is available at [www.federalreserve.gov/newsevents/pressreleases/other20200806a.htm](http://www.federalreserve.gov/newsevents/pressreleases/other20200806a.htm).

## SPEECHES

**Governor Lael Brainard gave a speech at the Post-COVID – Policy Challenges for the Global Economy Society of Professional Economists Annual Online Conference (via webcast) on October 21, 2020.** Her speech, titled “Achieving a Broad-Based and Inclusive Recovery,” is available at [www.federalreserve.gov/newsevents/speech/brainard20201021a.htm](http://www.federalreserve.gov/newsevents/speech/brainard20201021a.htm).

**Governor Lael Brainard gave a speech at the National Housing Conference National Advisory Council Meeting on October 20, 2020.** Her speech, titled “Modernizing and Strengthening CRA Regulations: A Conversation with the Housing Community,” is available at [www.federalreserve.gov/newsevents/speech/brainard20201020a.htm](http://www.federalreserve.gov/newsevents/speech/brainard20201020a.htm).

**Vice Chair Richard H. Clarida gave a speech on the U.S. Economic Outlook, Monetary Policy, and Initiatives to Sustain the Flow of Credit to Households and Firms at the Unconventional Convention of the American Bankers Association, Washington, D.C., (via webcast) on October 19, 2020.** His speech is available at [www.federalreserve.gov/newsevents/speech/clarida20201019a.htm](http://www.federalreserve.gov/newsevents/speech/clarida20201019a.htm).

**Governor Lael Brainard gave a speech to the National Bankers Association (via webcast) on October 15, 2020.** Her speech, titled “Modernizing and Strengthening CRA Regulations: A Conversation with Minority Depository Institutions,” is available at [www.federalreserve.gov/newsevents/speech/brainard20201015a.htm](http://www.federalreserve.gov/newsevents/speech/brainard20201015a.htm).

**Vice Chair for Supervision Randal K. Quarles gave a speech at the Institute of International Finance, Washington, D.C., (via webcast) on October 15, 2020.** His speech, titled “What Happened? What Have We Learned from It? Lessons from COVID-19 Stress on the Financial System,” is available at [www.federalreserve.gov/newsevents/speech/quarles20201015a.htm](http://www.federalreserve.gov/newsevents/speech/quarles20201015a.htm).

**Vice Chair for Supervision Randal K. Quarles gave remarks on the Current Economic Situation and Monetary Policy and Federal Reserve Actions Taken During 2020 at the Hoover Institution, Stanford, CA, (via webcast) on October 14, 2020.** His remarks are available at [www.federalreserve.gov/newsevents/speech/quarles20201014a.htm](http://www.federalreserve.gov/newsevents/speech/quarles20201014a.htm).

**Vice Chair Richard H. Clarida gave a speech on the U.S. Economic Outlook and Monetary Policy at the 2020 Annual Membership Meeting of the Institute of International Finance, Washington, D.C., (via webcast) on October 14, 2020.** His speech is available at [www.federalreserve.gov/newsevents/speech/clarida20201014a.htm](http://www.federalreserve.gov/newsevents/speech/clarida20201014a.htm).

**Governor Michelle Bowman gave a speech at the Community Banking in the 21st Century Research Conference, the Federal Reserve Bank of St. Louis, St. Louis, (via webcast) on September 30, 2020.** Her speech, titled “Community Banks Rise to the Challenge,” is available at [www.federalreserve.gov/newsevents/speech/bowman20200930a.htm](http://www.federalreserve.gov/newsevents/speech/bowman20200930a.htm).

**Chair Jerome H. Powell gave a speech on Recent Economic Developments and the Challenges Ahead at the National Association for Business Economics Virtual Annual Meeting on October 6, 2020.** His speech is available at [www.federalreserve.gov/newsevents/speech/powell20201006a.htm](http://www.federalreserve.gov/newsevents/speech/powell20201006a.htm).

**Governor Michelle Bowman gave a speech on Mortgage Market Regulation and Access to Credit at an event sponsored by Montana State University, Bozeman, MT, (via webcast) on October 1, 2020.** Her speech is available at [www.federalreserve.gov/newsevents/speech/bowman20201001a.htm](http://www.federalreserve.gov/newsevents/speech/bowman20201001a.htm).

## TESTIMONIES

**Vice Chair for Supervision Randal K. Quarles gave a speech at the 2020 Virtual D.C. Summit, Institute of International Bankers, Washington, D.C., (via webcast) on September 23, 2020.** His speech, titled “Optimism in the Time of COVID,” is available at [www.federalreserve.gov/newsevents/speech/quarles20200923a.htm](http://www.federalreserve.gov/newsevents/speech/quarles20200923a.htm).

**Governor Lael Brainard gave a speech on Longer-Run Monetary Policy Strategy and the Economy at an event hosted by the Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution, Washington, D.C., (via webcast) on September 1, 2020.** Her speech is available at [www.federalreserve.gov/newsevents/speech/brainard20200901a.htm](http://www.federalreserve.gov/newsevents/speech/brainard20200901a.htm).

**Governor Michelle Bowman gave a speech on the Pandemic’s Effect on the Economy and Banking at the Kansas Bankers Association CEO and Senior Management Forum/Annual Meeting, Topeka, KS, (via webcast) on August 26, 2020.** Her speech is available at [www.federalreserve.gov/newsevents/speech/bowman20200826a.htm](http://www.federalreserve.gov/newsevents/speech/bowman20200826a.htm).

**Governor Lael Brainard gave a speech at the Federal Reserve Board and Federal Reserve Bank of San Francisco’s Innovation Office Hours, San Francisco, CA, (via webcast) on August 13, 2020.** Her speech, titled “An Update on Digital Currencies,” is available at [www.federalreserve.gov/newsevents/speech/brainard20200813a.htm](http://www.federalreserve.gov/newsevents/speech/brainard20200813a.htm).

**Vice Chair Randal K. Quarles testified on the Federal Reserve *Supervision and Regulation Report* before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C., on November 10, 2020.** Vice Chair Quarles submitted identical remarks to the Committee on Financial Services, U.S. House of Representatives, Washington, D.C., on November 12, 2020. The report summarizes banking conditions and the Federal Reserve’s supervisory and regulatory activities, in conjunction with the semiannual congressional testimony. The testimony is available at [www.federalreserve.gov/newsevents/testimony/quarles20201110a.htm](http://www.federalreserve.gov/newsevents/testimony/quarles20201110a.htm), and the November *Supervision and Regulation Report* is available at [www.federalreserve.gov/publications/2020-november-supervision-and-regulation-report.htm](http://www.federalreserve.gov/publications/2020-november-supervision-and-regulation-report.htm).

**Chair Jerome H. Powell testified on the Coronavirus Aid, Relief, and Economic Security Act before the Committee on Financial Services, U.S. House of Representatives, Washington, D.C., on September 22, 2020.** The testimony is available at [www.federalreserve.gov/newsevents/testimony/powell20200922a.htm](http://www.federalreserve.gov/newsevents/testimony/powell20200922a.htm). Chair Powell submitted identical remarks to the Select Subcommittee on the Coronavirus Crisis, U.S. House of Representatives, Washington, D.C., on September 23, 2020, and to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C., on September 24, 2020.

**Deputy Associate Director Kent Hiteshew, Division of Financial Stability, testified on the Municipal Liquidity Facility before the Congressional Oversight Commission, Washington, D.C., on September 17, 2020.** The testimony is available at [www.federalreserve.gov/newsevents/testimony/hiteshew20200917a.htm](http://www.federalreserve.gov/newsevents/testimony/hiteshew20200917a.htm).



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