



# Six considerations in dealing with the impact of COVID-19

## A view on the impact for financial institutions.

**Jim Liddy | Global Leadership**

With the spread of COVID-19 dominating news outlets – and conversations – I’d like to share some perspectives based on discussions that I and the Global Financial Services Leadership Team are having with colleagues and clients of KPMG member firms.

The main consensus is that we will be dealing with the effects of the COVID-19 pandemic for the foreseeable future. Financial Services business leaders across the globe are consistently focused on six principle challenges in dealing with the impact of this pandemic, and in dealing with the increasingly stringent containment measures that governments are putting in place:

### **1. Employees**

How you treat your employees now will have a massive effect on their wellbeing, and consequently on their loyalty and productivity. Be very vocal with your support for any changes they need to make to work arrangements and performance targets in order to fulfil their responsibilities to their families and communities. Be a champion of good citizenship, and support containment and home-working where it is possible.

Financial Services institutions all over the world are making significant changes to

working arrangements – in some cases speaking with regulators to ensure that these meet compliance expectations – and this is helping them continue to deliver services to their customers.

### **2. Customers**

Customers still have needs, and this includes regular reassurance from their Financial Services providers on continuity of service delivery. They also need to know how their providers are dealing with issues directly related to COVID-19 – health and travel insurance, investment portfolio performance, online payment facilities. For companies, effective digital delivery of services is essential while organisations deal with staff shortages, office closures and other public health protection measures (e.g. businesses refusing to handle cash).

### **3. Liquidity**

Financial Services companies need to thoroughly understand their available capital and liquidity resources and to assess the resilience of these. Central banks are under pressure to deliver stimulus packages in order to offset a larger, systemic liquidity crunch. This will bring down borrowing costs, but there is a risk that some companies will hoard cash

and open credit lines to keep their businesses going through the crisis.

#### **4. Supplier relationships and third-party dependency**

FS companies (and their customers) have substantial third-party networks – vendors (including in-person agent networks), outsourcing partners, technology provider, etc. They need to regularly assess and monitor these third parties on information security, business continuity and other risk domains. The COVID-19 crisis forces companies to review these suppliers, assess which are most likely to be impacted, which are critical to ongoing business operations, and where they need to urgently mitigate risks posed by these relationships.

#### **5. Communications and transparency**

As the business and the economic impacts of the crisis begin to bite, FS companies will need to ensure that they are communicating effectively with multiple stakeholders: employees, customers, shareholders and regulators. The crisis is a breeding ground for disinformation and rumour, so FS companies need to ensure that they are clear about the steps they are taking to manage the impact of the pandemic. Regulators expect FS companies to focus on and ensure continuity of

their core operations, including support for their customers. And FS companies need to regularly assess their digital communication capabilities, and how to leverage such capabilities to communicate with customers and the broader marketplace.

#### **6. Scenario planning**

Financial Services companies are in the business of imagining the future – understanding the significant immediate challenges to society and economies posed by this pandemic, and how this will impact the interconnected financial system. They are using their scenario modelling and contingency planning expertise to help themselves and their customers to make good decisions in the face of a highly volatile operating environment. They will also need to incorporate new indicators, prioritized by the COVID-19 outbreak, into their decision making activities.

At a time of crisis, it is important that we share our insights and experience as much as possible, helping each other to contain and mitigate the impact of COVID-19 on the financial system and the broader economy. KPMG professionals are speaking every day with Financial Services business leaders, and will continue to share our insights into how the industry is responding to the crisis.

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