

Industry Letter

March 10, 2020

Re: [Guidance to New York State Regulated Institutions and Request for Assurance Relating to Potential Financial Risk Arising from the Outbreak of the Novel Coronavirus](#)

To: The Chief Executive Officers or the Equivalents of New York State Regulated Institutions

The New York State Department of Financial Services (DFS) is issuing this guidance and request for assurance to ensure that your institutions are identifying, monitoring, and managing the potential financial risk arising from the spread of a novel coronavirus known as “COVID-19”.

The effects of this outbreak are uncertain at this time. However, the virus has already had adverse economic effects domestically and globally and the effects are likely to continue.

Your institutions may be impacted in a variety of ways in an interconnected global economy. For example, your institutions may be exposed as a result of the virus impact on your customers, counterparties, and service providers, declining revenues, potential stock market declines and interest rate changes in response to the outbreak, increased credit risks and defaults, supply chain and service disruptions, and decreases in the value of assets and investments.

To that end, DFS requires that each regulated institution submit a response to DFS describing the institution’s plan regarding managing the potential financial risk arising from COVID-19. Responses are to be provided to DFS as soon as possible and in no event later than thirty (30) days from the date of this letter. Please submit your responses to the following designated email address: banking.covid19@dfs.ny.gov

Accordingly, it is critical that your risk management programs include a plan to assess and monitor the potential financial risk that may arise from the outbreak of COVID-19. Such a plan, at a minimum, should include the following assessments:

1. Assessment of the credit risk ratings of the customers, counterparties [and business sectors impacted by COVID-19](#);
2. Assessment of the credit exposure to customers, counterparties and business sectors impacted by [COVID-19](#), arising from lending, trading, investing, hedging and other financial transactions, including any credit modifications, extensions and restructurings (including capitalizations of interest);
3. Assessment of the scope and the size of credits adversely impacted by COVID-19 that currently are in, or potentially may move to, non-performing/delinquent status, including consideration of stress testing and/or sensitivity analysis of loan portfolios and the adequacy of loan loss reserves;
4. Assessment of the valuation of assets and investments that may be, or have been, impacted by COVID-19;
5. Assessment of the over-all impact of COVID-19 on earnings, profits, capital, and liquidity (including impact on loan-to-deposit ratio) of your institutions; and
6. Assessment of reasonable and prudent steps to assist those adversely impacted by COVID-19. [See DFS Guidance to New York State Regulated Banks, Credit Unions and Licensed Lenders Regarding Support for Businesses Impacted by the Novel Coronavirus.](#)

The boards of directors or the equivalents of your institutions are responsible for ensuring that appropriate plans are in place and that sufficient resources are allocated to implement such plans. The senior management of institutions is responsible for ensuring effective policies, processes and procedures are in place to execute the plan and for communicating the plan throughout the institution to ensure consistency in approach so that employees understand their roles and responsibilities.

Please note that DFS has also issued a guidance and request for assurance relating to operational risk arising from COVID-19. [See DFS Guidance to New York State Regulated Institutions and Request for Assurance of Operational Preparedness Relating to the Outbreak of the Novel Coronavirus.](#)

If you have any questions, please contact your regular point of contact at DFS.

Sincerely,

Shirin Emami

Executive Deputy Superintendent- Banking