NAVIGATING THE STORM: A GUIDE TO BANKING CRISIS PREPAREDNESS AND RESPONSE

The CFO Leadership Council
a Chief Executive Group community

PREPARATION

1. Stress testing and scenario analysis
2. Enhanced risk management
3. Liquidity planning and management
4. Capital adequacy
5. Crisis communication and stakeholder engagement



RESPONSE

1. Activate crisis management plan
2. Liquidity preservation
3. Risk assessment and mitigation
4. Regulatory compliance and reporting
5. Stakeholder engagement and reputation management

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PREPARATION

STRESS TESTING AND SCENARIO ANALYSIS
Conduct regular stress tests and scenario analyses to assess the potential impact of adverse economic conditions on the financial institution. Identify vulnerabilities and develop contingency plans based on different crisis scenarios.

ENHANCED RISK MANAGEMENT
Strengthen risk management frameworks and practices to proactively identify, assess, and mitigate potential risks. Implement robust risk monitoring and reporting mechanisms to ensure early detection of emerging risks.

LIQUIDITY PLANNING AND MANAGEMENT
Maintain adequate liquidity buffers and develop contingency funding plans to address potential liquidity disruptions during a crisis.

CAPITAL ADEQUACY
Maintain sufficient capital levels to withstand potential losses and market volatility during a crisis. Conduct capital stress testing to assess capital adequacy under adverse scenarios and take necessary measures to reinforce capital positions if needed.

CRISIS COMMUNICATION AND STAKEHOLDER ENGAGEMENT
Develop a comprehensive crisis communication strategy to ensure transparent and timely communication with stakeholders, including regulators, investors, and customers. Establish robust communication channels and protocols to effectively manage public perception and maintain confidence during a crisis.

RESPONSE

ACTIVATE CRISIS MANAGEMENT PLAN
Implement the predefined crisis management plan, including clear roles, responsibilities, and escalation protocols. Activate crisis management teams to coordinate response efforts and make timely decisions.

LIQUIDITY PRESERVATION
Focus on liquidity preservation by actively managing cash flows, optimizing asset liquidation strategies, and accessing emergency funding sources if available.

RISK ASSESSMENT AND MITIGATION
Continuously assess evolving risks and exposures during the crisis. Take decisive actions to mitigate risks, such as adjusting risk position, strengthening collateral requirements, or implementing hedging strategies.

REGULATORY COMPLIANCE AND REPORTING
Ensure compliance with regulatory requirements and reporting obligations throughout the crisis. Maintain open communication with regulatory authorities, providing timely updates and required information.

STAKEHOLDER ENGAGEMENT AND REPUTATION MANAGEMENT
Communicate proactively with stakeholders, including customers, investors, employees, and regulators. Demonstrate strong leadership, transparency, and commitment to resolving the crisis while safeguarding the institution's reputation.

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