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Lessons from Asian banks on their coronavirus response

Financial institutions in countries initially affected by the pandemic moved quickly to safeguard their employees, transform their operations, and serve customers in new ways.

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As the COVID-19 outbreak continues to spread around the world, the humanitarian crisis has been accompanied by immense social and economic disruption. Almost overnight, whole countries have had to accept a new reality: everything has changed, and daily life may never be the same.

Asian banks have already had to grapple with all of these factors, taking actions to maintain operations, protect their workforce, and keep customers informed. Their actions could offer a valuable template for banks around the world that are still amid the crisis and experimenting with initiatives. By focusing on three imperatives—ensuring business survival, fulfilling social responsibilities, and adapting to the new normal—banks can minimize disruption and continue to provide vital services to their customers.

Ensure business survival

In response to the pandemic, Asian banks moved quickly to shore up their operations and implement new approaches to mitigate operational disruptions. They prioritized several areas to identify issues or obstacles to business continuity and then experimented with new solutions and ways of working.

Confirm resilience of internal operations

To guide the pandemic response, many financial institutions formed a response-management unit composed of executive-level, cross-functional teams. These teams were empowered to make key decisions as well as communicate COVID-19 responses quickly and effectively across the organization.[1]

Asian banks also had to shift to remote working for most employees, a move that required IT to ensure the organization's infrastructure and systems could support such a shift. In defining remote and work-from-home setups, bank executives considered both the level of human interaction required for certain tasks and the degree to which work can be segmented and individualized (exhibit). For example, contact-center staff don't require a high level of interaction with coworkers, but banks often lack the level of technology needed to make working from home feasible. On the other side of the spectrum, digitally enabled product-development teams are better equipped to work from home compared with traditional teams (see sidebar, "Suitability of working from home by bank department").

Solutions had to balance the elements of people, processes, structure, and technology. At one Southeast Asian bank, for example, a 125-member product development team moved its work setup completely off-site over the course of two weeks. The team first implemented no-regrets moves, such as reinforcing best practices in handling data, and then defined a clear set of actions across key operating models to enable fully remote work. The actions were shaped by various business-continuity planning scenarios, ensuring operational continuity while supporting similar levels of productivity.

De-risk traditional distribution channels

In the weeks after the outbreak, Asian banks quickly took action to ensure that normal bank operations didn't contribute to the spread of the virus among customers and employees. As the primary setting for face-to-face interaction, branches were a top priority.

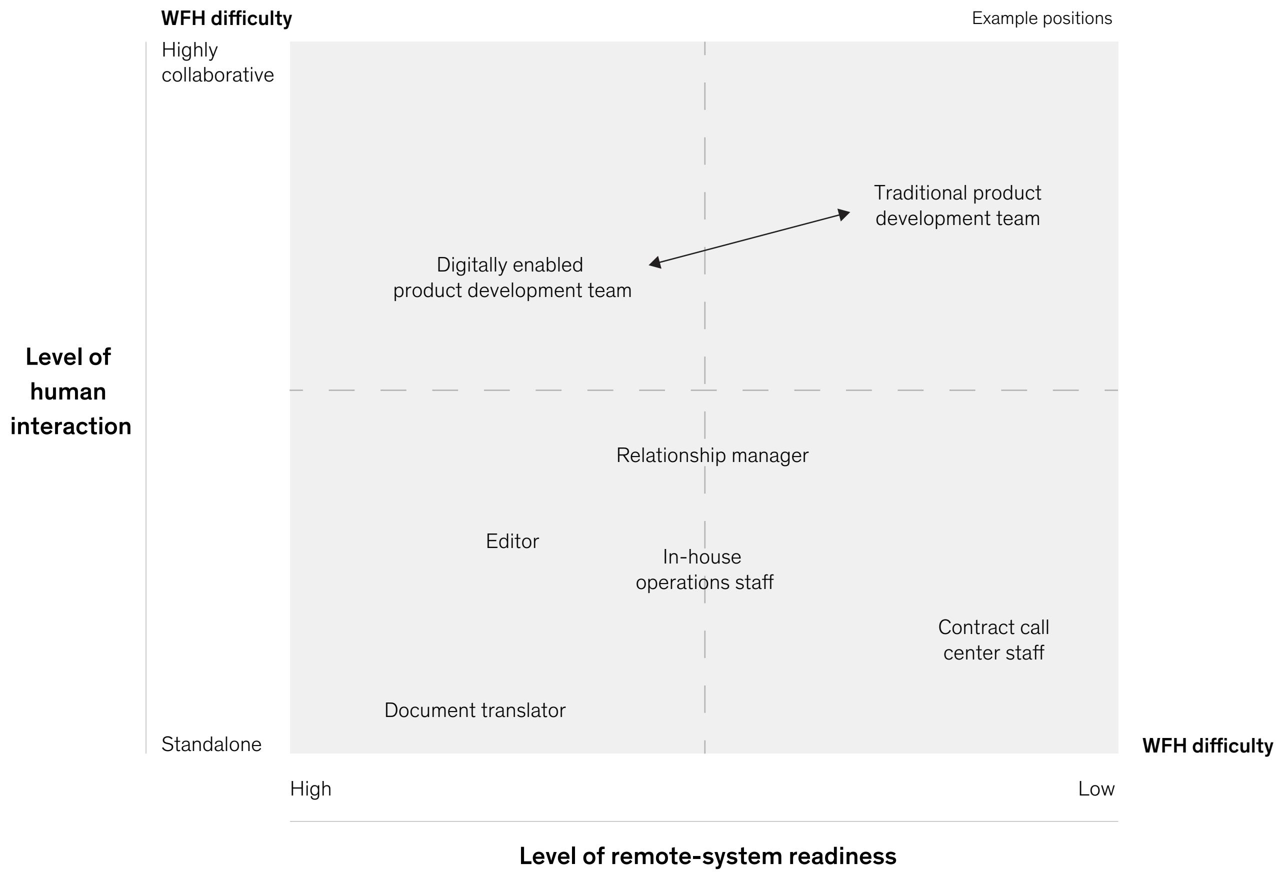
Within branches, hygienic and cleaning protocols in commercial and ATM areas were stepped up, and bank notes were regularly disinfected and quarantined for two weeks to reduce risk of transmission through cash. Temperature screening was implemented for all customers, staff, and visitors entering bank premises and branches. In addition, institutions began providing aid kits (for example, thermometers, hand sanitizer, masks, and general medicines). Tellers were instructed to wear masks and wash their hands frequently.

The way that branches were operated and staffed also changed. For example, bank hours were shortened, the number of staff was reduced where

[1] Mihir Mysore and Ophelia Usher, "Responding to coronavirus: The minimum viable nerve center," March 2020, McKinsey.com.

Exhibit

Bank executives defined a work-from-home (WFH) framework dependent on staff needs and requirements.



possible, and a portion of the workforce was relocated to other offices. Other steps included proactively limiting the number of customers inside a branch at a given time and encouraging physical distancing. Some banks also halted high-risk activities—for instance, limiting transmission through foreign notes by closing currency-exchange booths nationwide and discontinuing all in-branch transactions that involved foreign currencies.

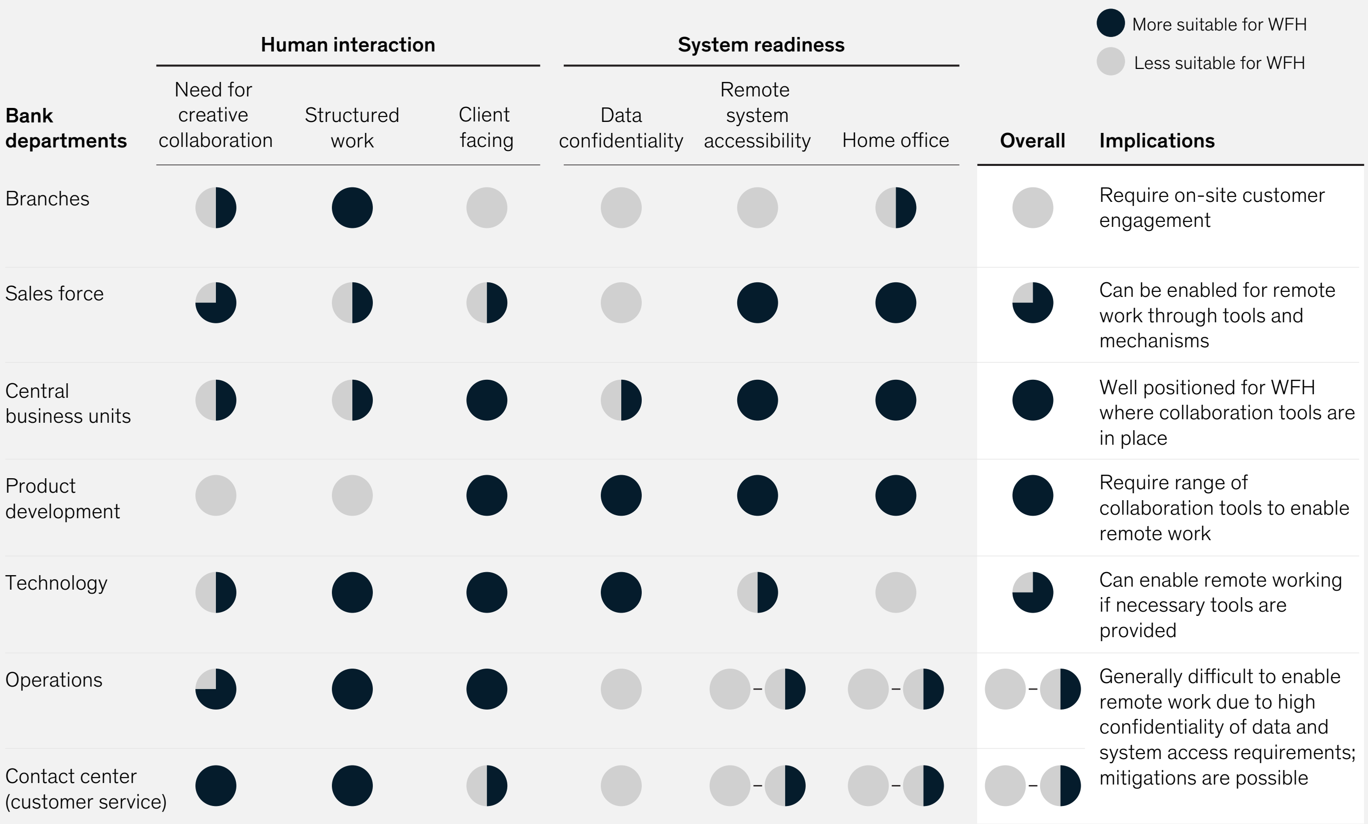
These measures extended to parts of the operational areas with high concentrations of workers at a given location, such as call centers. One South Korean bank instituted a platoon system for its nearly 450 call-center employees, allowing 150 staff members to work from home at a time. Voice over internet protocols and laptops equipped with company software were installed in these employees' homes. Employees working from home handled only new customer inquiries and generic queries to avoid compromising sensitive customer information. Calls that required access to customer information were forwarded to on-premise call centers, where workspaces were altered and partition walls were heightened to increase space between employees.

Suitability of working from home by bank department

To gauge which positions might be the best candidates for remote working, banks should assess roles on several criteria (exhibit). Positions that handle sensitive customer information or depend on engagement with other teams, for example, typically require specific remote-working tools to facilitate collaboration and mitigate risks from data security and system access.

Exhibit

A work-from-home (WFH) model is possible if remote-working tools are provided to facilitate collaboration and mitigate risks from data security and system access.



Shift to digital

To some degree, the pandemic forced banks to significantly accelerate their shift to digital channels. Asian banks not only leaned more heavily on existing digital channels to enable contactless customer engagement but also accelerated the path to digitized core-banking processes such as electronic know your customer (eKYC), digital signature collection, and online document submission.

Many institutions offered customers an expanded range of online services to reduce the need for in-person banking. Ping An Bank, as part of its anti-coronavirus initiative, introduced the Do It At Home campaign to offer contactless and smart services. Customers could complete a variety of financial services on the Ping An Pocket Bank app, relating to basic banking transactions, wealth management, insurance, foreign exchange, private bank or family trust, investor education, and more. Artificial intelligence–powered customer service was rolled out to offer around-the-clock consultation when call centers were closed and face-to-face communication wasn't possible. In just two weeks, more than three million customers had made 11.67 million transactions, and 475,000 customers had viewed online lectures on mutual funds, PE investment, and financial laws and taxation.[2]

In response to the spread of COVID-19, DBS Singapore introduced several support measures on February 17. It offered financial assistance to affected customers in the form of complimentary insurance coverage and home-loan-payment relief for employees in affected industries. Small and medium-size enterprises were provided a package of support measures; these included a six-month property-loan principal deferment, temporary loan bridging for affected businesses, extension of import facilities up to 60 days, digital account opening, and next-day, collateral-free business loans. The bank also launched health- and education-related tools, such as online doctor consultation, online video-based lessons for kids, and taxi street-hail contact tracing. These services were tremendously popular: DBS Singapore's free COVID-19 hospital cash insurance policy, for example, recorded more than 52,000 sign-ups a day at its peak.[3]

Strengthen liquidity position

Asian banks also had to prepare for potential changing customer borrowing needs and withdrawals. Executives assessed their institution's position to ensure sufficient liquidity. This process involved identifying key risks to liquidity from both supply and demand perspectives, such as additional drawdowns in commercial and retail businesses and large withdrawals. Some fast-acting banks developed a short-term liquidity plan and updated contingency plan, created full transparency on liquidity positions (such as through an intra-day dashboard), identified major accounts by materiality, and started negotiations with customers early. Depending on the severity of the situation, some other actions may have included canceling transactions, settling early, and trade compression if required; mobilizing trading and nontrading assets to be used as collateral; and utilizing support from government programs. Over the medium term, banks should review their liquidity models to incorporate a variety of financial scenarios.

Fulfill social responsibilities

Banks and other large institutions have a social obligation to customers and the economy at large. Asian banks took this obligation seriously with concrete actions to support their customers and government efforts to cushion the economic impact of the pandemic.

Protect customers

Banks are in a unique position to enhance customer confidence, ease concerns about financial commitments at a time of disruption, and take proactive measures to help the most vulnerable customers. Retailers, small and medium-size enterprises, and corporate customers are all developing strategies to weather the economic disruption and maintain the viability of their businesses.

Asian banks have assisted vulnerable customers with immediate financial relief. Measures included interest rate discounts on new and existing loans for customers in affected economic sectors, payment moratoriums and late-payment fee waivers, extensions of working capital facilities and loans, and collateral-free emergency funding. Some institutions have offered additional products and value-added services, such as COVID-19 insurance and an epidemic and medical information portal.

China Merchants Bank, for example, enhanced its app to become a one-stop shop for life and financial services. Users could access various daily services for stay-at-home employees (such as food delivery, recipes, and online courses) and those returning to work (ridesharing services). These services were located in the same window as traditional financial

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2 Public information drawn from press search.
3 "DBS extends enrollment deadline for COVID-19 relief insurance," *Singapore Business Review*, March 17, 2020, sbr.com.sg.

services such as lending, wealth management, credit-card repayment, and fund transfer. A special zone on the app provided real-time pandemic data, online counseling, and a designated hospital search through partnerships with various third-party suppliers. In just one month, the special zone had more than 100 million visits, with 1.6 million visitors receiving counseling from around 50,000 doctors.[4]

Engage regulators, governments, and society
Banks have a wealth of resources, from financial models to data analysis, that can inform public policy and shape the economic response to the pandemic. In the first months of the outbreak, Asian banks lead the dialogue among regulators and government officials aimed at supporting customers and mitigating risk.

State Bank of India research has been working to analyze COVID-19's economic impact and propose a set of interventions to stabilize the economy. In monetary policy, SBI recommended a rate cut to accommodate the expected surge in liquidity demand and shock-related price increases. Stakeholders also considered a degree of prudential forbearance for most-affected sectors such as hotels, aviation, transport, metal, auto components, and textiles. The effort also recommended using the excise duty saving from lower crude-oil prices to provide relief to people who are lower on the socioeconomic ladder.

Adapt to the new normal

The scale and duration of economic disruption remain uncertain, but the immediate effects have increased risk and rendered many existing strategies obsolete. Once banks have taken action to ride out the initial waves of the pandemic, they must turn their attention to functioning in a post-COVID-19 world.

Mitigate financial impact
The pandemic's immediate aftermath reduced margins and volumes as well as disrupted physical channels and operations. In response, Asian banks need to model possible scenarios on the impact to profits and capital and refresh their business plans accordingly. Where necessary, additional contingency measures should be added. Banks can also create a structured approach to review their loan book and take action to mitigate risk.

Asian financial institutions also designed specific interventions to manage end-to-end credit risk. Updated credit underwriting strategies may include, for example, a request for a COVID-19 contingency plan from corporate clients at origination. Similarly, sharper risk identification, monitoring, and measurement approaches can identify clients with higher vulnerability to primary and secondary effects of the COVID-19 outbreak and anticipate deteriorating creditworthiness. In client engagement, banks have adjusted potential credit risk mitigation actions and approaches to safeguard relationships and future business opportunities.

To manage scenarios that include a prolonged spread of the coronavirus, Asian banks have explored options to quickly reorient resources from underwriting to monitoring and collection, including dedicated training sessions and outsourcing. Data-and-analytics methodologies have helped banks neutralize the impact of COVID-19 on capital (as much as possible), provisioning (such as through IFRS 9), and stress-testing models.

Revisit strategy
Banks must develop new strategies that consider a range of external and internal factors. Emerging consumer trends include greater receptiveness to digital channels—particularly among digital-averse segments such as elderly or rural populations. After the crisis, employees may be more inclined toward remote-working arrangements, which will have repercussions on everything from real-estate costs and planning to IT spending. Meanwhile, banks could face a prolonged period of lower profits and tighter balance sheets, reduced interest rates due to regulatory pressure, and increased operational costs due to new safety measures.

[4] Public information drawn from press search.

These combined factors can reshuffle priorities and point the way toward new ways of serving customers. In the wake of COVID-19, Asian banks sped up the launch of digital platforms and services while expanding digital banking services to emerging ecosystems. To effectively manage the future downside risk on revenue, banks should target becoming lower-cost franchisees by considering strategic cost programs that draw on multiple cost-saving strategies, including remote working. Institutions with healthy balance sheets could consider M&A possibilities. Last, an increase in IT spending could enhance internal resiliency to future disruptions and provide more flexibility in maintaining operations.

Asian banks had no choice but to respond to the coronavirus outbreak quickly and decisively. Their rapid action lessened the impact on their organizations and customers. Following in their footsteps could help financial institutions in countries facing the next wave of the pandemic increase their own resilience.

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