

## The Current Reality

Given the complexities associated with the business-as-usual close for BCM organizations coupled with the challenges of conducting a virtual close, there is **limited precedent** into how a global pandemic such as COVID-19 will impact BCM organizations as they prepare to complete their first virtual close. Not unlike other global crisis, it will be critically important to be prepared for COVID-19 related volatility and the likely impacts it will have on successfully preparing and executing the financial close process.

## Prepare For Your Virtual Close



### Prepare

#### Be Proactive

- Assess your team's ability to execute core close activities virtually (e.g., remote access to key systems, network capacity, bandwidth)
- Evaluate the necessity of non-close related meetings and reprioritize close calendar, risk ranking activities most likely to encounter delays due to a remote workforce
- Consider temporarily lifting enterprise restrictions to enhance communication and facilitation of the close process

#### Control

#### Be Protective

- Understand implications on control environment and ability to execute controls efficiently and appropriately throughout the close cycle
- Review and implement additional checklists and procedures to standardize and expedite reviews virtually. Inventory key artifacts required for control compliance and provide clear guidelines for artifact retention (e.g., via online file sharing sites)



### Message

#### Get Creative

- Communicate virtual close plan early with the core close team and with partners in risk, operations, IT and Lines of Business
- Work directly with personnel involved in the close to clearly articulate and explain expectations and desired outcomes of completing the virtual close
- Over communicate with executive leadership team as well as representatives on the board and audit committee

### Govern

#### Be Diligent

- Increase frequency of connection points throughout the close cycle (e.g., to twice daily)
- Focus resources on monitoring close status to early identify and escalate issues for resolution
- Stay connected and hold teams accountable in the unusual environment of a virtual close; manage timely handoffs and responsiveness



## Preparation, Planning, and Execution



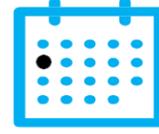
### Today

- Get a handle on how teams are choosing to collaborate virtually
  - Confirm systems are scaled
  - Ensure threat / risk assessments are completed before technologies are adopted
- Identify global remote workforce, including data & delivery centers and associated impact of working remotely
- Verify offshore locations still function effectively
- Close calendar assessment
  - Risk rank the existing close calendar focused on activities most likely to encounter delays due to the remote workforce
  - Reprioritize close activities accordingly and assess ability to shorten select activities
  - Evaluate necessity of non-close related meetings to allow core team to focus



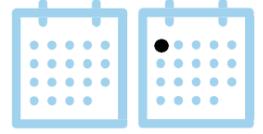
### Tomorrow

- Secure remote access
  - Review VPN governance security protocols (e.g., patching status and scalability), deployment of multi-factor authentication, and scope of services to be accessed remotely
  - Evaluate need for scalable video calling/conferencing, e-signature tools, additional monitors, multiple phone/voice options, backup internet, etc.
  - Deploy remote workspace capabilities for employees and ensure secure configuration
- Distribute close calendar
  - Share revised close calendar with all departments so all are aware of new timelines and anticipated delivery
- Set tone for close
  - Be transparent with employees about the changes and expectations for remote close cycle



### Next Week

- Establish daily/twice-daily close meetings
  - Given the unique situation associated with a remote workforce, daily close meetings can promote fruitful dialogue and confirm all departments are on the same page
- Review and enhance standardized review procedures
  - With nearly all management and senior leadership reviews occurring remote, it is important to institute a standard procedure/template to gain alignment and efficiency
- Initiate pre-close activities
  - Begin sourcing various financial data which will be leveraged throughout the close cycle
- Consider where accruals and estimates can be booked leveraging prior month actuals or results to date; prepare and book entries in advance of close

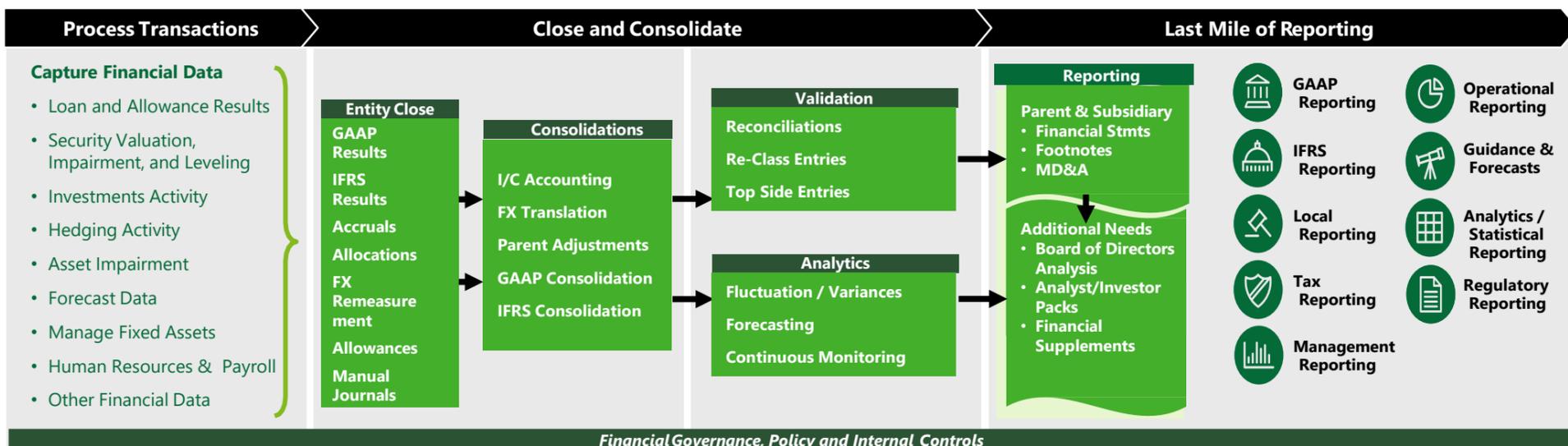


### Next Month

- Monitor and assess close progress
  - Leveraging the close calendar monitor progress against daily milestones
  - Assess impact of delays and institute troubleshooting procedures to correct delays and make up for lost time (i.e., adjust activities and/or reprioritize)
- Review regulatory guidance
  - Stay up to date with changes to the regulatory guidance and any associated modifications with filing deadlines and requirements
- Open channels of communication
  - Conduct twice weekly, if not more frequent, discussion with CEO, CFO, AC Chair and members of Board to discuss status of close and potential delays

Elevated threats of today will likely persist and pose sustained risk in your close environment

## Typical Banking and Capital Markets Close Process and Associated Challenges



### Close

- Ability to access required systems and data in a timely manner
- Potential for knowledge gaps and issues associated with data hand-off
- Network capacity constraints resulting in delays

### Consolidate

- Third-party feeds and information may be delayed or unreliable
- Availability to technical resources could be hindered causing delays in consolidation
- Upstream delays could significantly impact the ability to reconcile and forecast

### Report

- Reduced timeline for review and subsequently reporting
- Increased likelihood of reduced real-time performance measures and business insights
- Impact of COVID-19 on regulatory reporting deadlines and requirements



Simulating a Virtual Close for a BCM Entity

Process Transactions

Close and Consolidate

Last Mile of Reporting

Key Close Activity	Virtual Close Consideration	Virtual Close Risks			
		A	B	C	D
<input type="checkbox"/> Gather necessary admin systems data via extraction and feeds <input type="checkbox"/> Run CECL models and preliminary allowance results <input type="checkbox"/> Obtain and review credit data and performance <input type="checkbox"/> Confirm payroll information and other HR data	Ability to access required systems and data in a timely manner Network capacity and constraints due to the need for employees to access admin systems and other pertinent financial data remotely which may require blackout periods for non-essential employees Data acquisition changes (i.e., the need to adjust the interaction frequency and plan between multiple business groups) Potential delays with the start of the close cycle due to data hand-offs and knowledge gaps	✓	✓	✓	
<input type="checkbox"/> Pre-close meeting <input type="checkbox"/> Conduct initial analytics and meet with Business Unit Finance and Other teams <input type="checkbox"/> Reconcile and close-subledgers <input type="checkbox"/> Confirm Business Unit sign-off on balances in ledger <input type="checkbox"/> Book recurring journal entries <input type="checkbox"/> Calculate and book Inter / Intra-Company allocations <input type="checkbox"/> Post adjusting and eliminating entries <input type="checkbox"/> Post top-side entries <input type="checkbox"/> Close general ledger <input type="checkbox"/> Perform consolidation	Meeting focus on hyper communication, use of new collaboration tools (Video conferencing, online file sharing sites, etc.) Delays due to system latency, upstream data availability, and shared service centers coupled with inefficient communication and potential blackout periods for non-essential employees Simplifying assumptions and / or modified reconciliations and review may be needed to facilitate timely close Modified sign-off may be needed with additionally documented assumptions and simplifications Confirm entry system accessibility while remote and plan entries may take longer to book remotely due to indirect access Aggregation of supporting materials from varying entities may pose additional challenges and delays New and modified adjusting entries may be needed as a result of macroeconomic conditions and regulatory body reaction, including impairment of assets and goodwill impairment and adjustments to CECL allowance estimate Additional top-side entries may be needed as a result of macroeconomic conditions and regulatory body reaction General Ledger analytics and final review may be revised to target key risk areas in financials due to time and resource availability Significant delay due to upstream activity completion, modified final review to incorporate additional simplifications and assumptions and focused risk review	✓	✓	✓	✓
<input type="checkbox"/> Prepare account filing (inclusive of footnotes) <input type="checkbox"/> Prepare financial supplements <input type="checkbox"/> Finalize the analyst and investor packages (i.e., earnings release) <input type="checkbox"/> Update necessary operational and management reporting metrics <input type="checkbox"/> Finalize Regulatory, Local, IFRS and Tax reporting, as applicable <input type="checkbox"/> Conduct executive team meetings, audit committee and board of directors reviews	The impact of COVID-19 on business operations and its effect on the organization's disclosures Ability to access required systems and employees with relevant information to the financial supplements Reporting delays associated with the remote workforce and need to inventory industry trends which analysts may ask during investor calls Based on network constraints, increased likelihood of reduced real-time performance measures and business insights for investor discussions Given the fluid nature of COVID-19 responses, potential modifications to regulatory reporting timelines and requirements may occur Reduced timeline for conducting executive team meetings, audit committee and board reviews	✓	✓		✓

**Virtual Close Risks Legend**

- A** Access / Availability to Data
- B** Increased Activity Time to Completion
- C** Third Party / Offshore Operations Disruption
- D** Modified / Interim / Circumvented controls

Internal Control Considerations

**COVID-19 may cause entities to implement new internal controls or modify existing ones.** Entities will need to consider the operating effectiveness of controls, including assessing any breakdown in review-type controls or the inability of individuals to perform control duties because of absences (e.g., due to employee illness or the closure of affected offices).

Entities should also consider how a lack of information may affect management's ability to effectively operate controls (e.g., personnel may not be available in offices in affected areas to provide information that is essential to the effective operation of an internal control). If an existing control cannot be performed, **management may need to identify alternative appropriately designed controls to compensate for the lack of information.**

Entities should also consider management's ability to complete its financial reporting process and prepare its financial statements on a timely basis. Entities will need to ensure that they have properly designed and implemented controls related to the selection and application of GAAP for the accounting and disclosure issues arising from COVID-19.

Deloitte Support

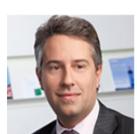
As your organization responds to the impacts stemming from COVID-19, Deloitte stands ready to help you tackle your most complex strategic, financial and operational issues. A sample of areas we stand ready to assist include:

 <p><b>Accounting, Finance &amp; Reporting BAU Support</b></p> <ul style="list-style-type: none"> <li>• General accounting (Lux GAAP, IFRS, US GAAP)</li> <li>• External financial reporting</li> <li>• Management reporting</li> <li>• Regulatory reporting</li> <li>• Control support and guidance</li> </ul>	 <p><b>Virtual Close Risk Management</b></p> <ul style="list-style-type: none"> <li>• Virtual close risk assessment</li> <li>• Real-time monitoring</li> <li>• Close support</li> <li>• Issue identification, triage and resolution</li> <li>• Regulatory affairs monitoring and response</li> <li>• Data security and infrastructure</li> </ul>	 <p><b>Hedging, Volatility, and Risk Management Assessments</b></p> <ul style="list-style-type: none"> <li>• Risk management strategy development</li> <li>• Scenario building and assessing impact of changing counterparty behavior</li> <li>• Hedge accounting and effectiveness assessment frameworks</li> <li>• Analytics and analysis</li> <li>• FX exposure identification and mitigation</li> </ul>
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Deloitte Insight

 <p><i>Accounting, Disclosure, and Internal Control Considerations Related to Coronavirus Disease 2019</i></p>	 <p><i>COVID-19 potential implications for the banking and capital markets sector</i></p>	 <p><i>The heart of resilient leadership: Responding to COVID-19</i> A guide for senior executives</p>
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