

Crisis Preparedness: Reconnecting the Financial Lifeline

January 8, 2008

Announcer: Welcome to the Federal Reserve Bank of Atlanta's Financial Update Focus podcast. Today, we'll be hearing excerpts from the Atlanta Fed's new video, "Crisis Preparedness: Reconnecting the Financial Lifeline." At the end of the podcast you'll hear information about how to order the video at no cost.

First, let's hear from Atlanta Fed First Vice President Pat Barron as he sets the stage for what happened to the financial system on the Gulf Coast after Hurricane Katrina.

Pat Barron (first vice president and chief operating officer, Federal Reserve Bank of Atlanta): When I think of banks, and I think, whether it's the Federal Reserve or commercial banks or any ongoing enterprise, we all need to ensure that we've got very effective emergency preparedness plans in place. We had far greater devastation than anyone had ever anticipated, and it was going to be unlikely that we were going to have operations restored anytime in the next few days in the New Orleans location.

Announcer: Next we'll hear from several bankers about the plans that they had in place before the crisis and the plans that they realized were needed during the crisis. Each speaker will be identified before they speak.

Announcer: Alden McDonald, President and CEO of Liberty Bank in New Orleans

Alden McDonald (chief executive officer, Liberty Bank): The initial effect for Katrina and Liberty Bank was quite devastating. Just think in terms of where the heart of your operations are. All of a sudden, the next day—or the next hour—it's gone. What do you do?

Announcer: A police first responder from Biloxi, Mississippi

Officer Bell (Biloxi Police Department): The community can't run without some source of cash. So it's important for bank managers to have a contingency plan to get ATMs up and running, somewhere people can come cash a check and continue operating as normal, because that's the time where you really need to have some access to money.

Announcer: Charles Montelero, senior vice president, Iberia Bank

Charles Montelero (senior vice president, Iberia Bank): We want to build plans that address the immediate impact of a major event. A fire. A bomb threat. A building implosion. A 9/11. Things that are brought on suddenly, that require quick response from the financial institution or any business. So plans should be developed around risk assessments that identify what is truly going to impact your business and how to recover quickly.

Announcer: Pat Barron of the Atlanta Fed

Barron: The first thing you focus on is the welfare of your staff and the welfare of the individuals who've been in the impacted area.

Announcer: Landy Dutton, senior vice president, Regions Bank

Landy Dutton (senior vice president, Regions Bank): Our business is service oriented, and you must have trained associates in order to provide that service. So our contingency plan for hurricanes involves taking care of those associates first.

Announcer: Chevis Swetman, president and CEO, The Peoples Bank, Biloxi, Mississippi

Chevis Swetman (president and chief executive officer, Peoples Bank): We made shelter available to them. In our particular case, we had about 20 or 30 people living in the main office building. My home was in the conference room behind my office on the lower level. So immediately after the storm we said it's very important to make sure our people are housed and their families were taken care of.

Announcer: Liberty Bank's Alden McDonald

McDonald: All of the backup plans that we did have, all of the disaster plans that we did have, we did follow them. However, there were a few things that we didn't think of for a disaster. All of this technology...we even had a back-up generator, but when you can't get fuel for the backup generator, and you can't get electricity, and you can't get communication lines, none of this will work.

Announcer: Shane Loper, chief operations officer, Hancock Bank, Gulfport, Mississippi

Shane Loper (chief operations officer, Hancock Bank): We had an info link system which we push out messages telling people what to do, where to call, where to go based on where you're located and different facilities that are up and operating. That worked fairly well, but what it didn't allow us to do was to determine where is that person, and are they OK or not.

Announcer: Iberia Bank's Charles Montelero

Montelero: Security was a huge issue post-Katrina. It was very difficult to get employees to go back to work when they felt that they were working in an environment that was not safe. To do that we had to contract with local law enforcement, or even law enforcement out of Lafayette that would go in and stand guard at our branches while we were open.

Announcer: *Landy Dutton*

Dutton: Whenever areas go through situations where there is no electricity, you find yourself in a cash-based society.

Announcer: *Peoples Bank's Chevis Swetman*

Swetman: None of the communication lines were up, none of them were available, so cash became king. So what we tried to do was, we tried to put as much cash as we could back out in the economy.

Announcer: *Shane Loper of Hancock Bank*

Loper: Some of our branches that were destroyed, we went there and got some of the cash. We had to wash that cash. We had to put it in dryers and dry it. We had to iron it to get it back in a condition that you can re-strap it and then get it back into circulation for the public.

Announcer: *The Atlanta Fed's Pat Barron*

Barron: Some financial institutions, be it banks, credit unions, and others, had really never utilized Federal Reserve services before the particular hurricane had devastated their prior arrangements.

Announcer: *Alden McDonald from Liberty Bank*

McDonald: We ran out of cash very fast, and we needed to really set up in advance a system with the Federal Reserve to receive additional cash.

Announcer: *Regions Bank's Landy Dutton*

Dutton: Our plan calls for placing cash in some predetermined vault locations, as well as asking the Fed to pre-stage cash at their locations. We also partner with the Fed through the discount window, which allows us to borrow money to fund our operations and maintain the economy of the United States. So whenever we're impacted in some way, a close relationship with the Federal Reserve is a must.

Announcer: *Thank you for joining us today for this Financial Update Focus podcast. If you would like to download or order this crisis preparedness video, please visit our Web site at frbatlanta.org. Thanks for listening, and please return for more podcasts. If you have a question, send us an e-mail to podcast@frbatlanta.org.*