

New York: Regulators, Warning of Cyber-Fraud Risks, Require Financial Services Firms to File Pandemic Preparedness Plans

Authorities have issued new guidance to financial institutions in response to the unprecedented impact of the coronavirus (COVID-19) on customers, employees, and all aspects of the economy. In particular, the New York State Department of Financial Services (“DFS”) has ordered institutions to submit written preparedness plans for the operational and financial risks posed by the coronavirus by April 9, 2020.

Mirroring guidance from federal regulators on pandemic Business Continuity planning [1], DFS requires that the preparedness plans set forth, among other things:

1. Measures for employee protection;
2. Measures to mitigate the risk of operational disruption;
3. An assessment of critical facilities, systems, procedures, and service providers and suppliers necessary to continue operations during the outbreak;
4. An assessment of potential for increased cyber-attacks and fraud; and
5. Effectiveness testing of and governance over the Plans.

In connection with the cyber threat, DFS in particular warned entities engaged in Virtual Currency business of the increased risk of “hacking, cybersecurity threats, and similar events, as bad actors attempt to take advantage of a COVID-19 outbreak, and the possible resulting need for heightened security measures, such as enhanced triggers for fraudulent trading or withdrawal behavior.”

Federal agencies have likewise called for heightened vigilance for email phishing scams and other cyber-fraud during the COVID-19 pandemic. Indeed, Department

[1] The Federal Financial Institutions Examination Council (the “FFIEC”), an interagency body composed of five key banking regulators, also [issued updated guidance on pandemic planning on March 6, 2020](#), identifying the “actions that financial institutions should take to minimize the potential adverse effects of a pandemic.” In addition to traditional business continuity planning, the FFIEC recommends that pandemic planning address that the scale and duration of a pandemic event are unpredictable and potentially greater than the effects of a natural or man-made disaster. Financial institutions may reference the FFIEC guidance when drafting or updating their own preparedness plans.

of Justice directed federal prosecutors “to prioritize the investigation and prosecution of Coronavirus-related fraud schemes” and identified a potential increase in phishing scams “from entities posing as the World Health Organization or the Centers for Disease Control and Prevention,” online sales of fraudulent products, and the use of malicious websites and apps. Just days later, on March 22, 2020, [DOJ announced its first enforcement action](#) related to online COVID-19-cyber-fraud. [The Federal Bureau of Investigation also cited](#) a “rise in fraud schemes related to the coronavirus (COVID-19) pandemic.”

Walden Macht & Haran LLP (WMH) recognizes the increased impact of COVID-19 on our communities, and our lawyers can assist in crafting targeted and cost-effective solutions to these new requirements and risks. There is no higher priority than the health and well-being of our colleagues, clients, their loved ones and the public. Our hearts go out to all who have been personally affected.

About Walden Macht & Haran LLP

WMH is a New York-based boutique law firm with deep experience in resolving complex compliance challenges. Our partners have held numerous senior positions in the public and the private sphere and have the breadth and depth of experience to advise in connection with the most pressing matters and to handle the most sensitive engagements. The partnership includes seven former federal prosecutors, many of whom held senior supervisory positions in the Department of Justice, a former counsel for national security at the Federal Bureau of Investigation, a former general counsel of a NYSE listed multinational, a former chief compliance officer of a publicly traded company, and multiple former state prosecutors. We are known for our experience, integrity, and outstanding track record in both state and federal court and in connection with banking monitorships.