

DUFAS-PWC WEBINAR REPORT

Potential business impacts of the COVID-19 outbreak on asset & wealth managers – and how to tackle these

During this joint Dufas-Pwc webinar, experts from PwC discussed the potential impact on their business, clients, organisation and employees. The webinar was hosted by Iris van de Looij, director Dufas, and Patrick Heisen, PwC Asset & Wealth management Netherlands. "How can asset & wealth management make a bigger impact on the whole community?"

Key take-aways

- Establish a crisis response structure with established workstreams, clear responsibilities and accountabilities
- Develop worst case scenarios and their potential impact to support crisis and response planning
- Beware of cybercrime and prevent data leakage
- Show leadership and ensure employee involvement by paying attention and giving employees trust
- Forecasting in the face of uncertainty requires an integrated view on strategy, finance, and risk

Digital in China and impact on businesses, such as distribution

Jane Xue, Asset and Wealth Management Leader, PwC China, shared some of the highlights that they experienced during the crisis.

During the virus outbreak, fund distribution had been stabilized and new fund launches had even reached high levels. "There are a couple of factors behind this: the digitized solution for fund distribution has paid off in China, with over 90% of the investment transactions taking place through mobile apps."

To protect investors, regulator had taken measures to reduce potential mis-selling by controlling marketing activities, e.g. in the review process of fund marketing material. Secondly, they put a cap on fund launches, especially for funds in already overheated investment themes, such as high-tech and 5G. Another area that received attention was liquidity management. The sector had made preparations for huge redemptions and liquidity pressure as part of the crisis management plan. The

actual situation proved to be much better than expected as the market quickly picked up on the first trading day after the extended holiday. However, daily fluctuations in subscription and redemptions have been volatile so asset managers needed to carefully monitor fund liquidity.

What's more, China has two unique measures to allow for managing liquidity risk. The first is to encourage fund managers to buy into their own managed funds using proprietary capital on a voluntary basis, the purpose being to show confidence to investors, especially retail investors. The other measure is called risk reserve. "It is mandatory for each fund manager in China to set aside 10% of the management fee to be used under extreme market conditions as a response measure to various risks. This risk reserve mechanism is regarded as a very effective way to deal with unexpected risks."

How to manage cyber risk under the new working environment

How do you maintain control over laptop security for personnel working from home? Aileen Wang, partner, Risk Assurance, PwC China, gave us some insights on managing cyber risk under the new working environment.

The fusion of information, operational and consumer technologies is transforming the security landscape. The convergence of these technologies is increasing product and system vulner-

ability to cyberattacks. Business digitization also has exposed companies to new digital vulnerabilities, making effective cybersecurity and privacy more important than ever.

Against this background, it was crucial for laptops to be used by personnel at home to have the latest security configuration and settings. "Obviously, this needed attention. Another issue was laptops breaking down without personnel being able to call the company helpdesk." The network faced a possible breakdown due to broadband overload. We saw many companies extending their broadband limits or traffic controls. Data leakage on customer and investment information was another potential hazard due to software or files being shared.

Exercising Business Continuity Plan = the new normal

Marie-Anne Kong, Asset and Wealth Management Leader, PwC Hong Kong, provided some additional points on what leaders should stay focus for the future and sail through the crisis.

To a large extent, many businesses in Hong Kong have been exercising their business continuity plans on a regular basis due to the social unrest which Hong Kong experienced since last year. When the coronavirus started impacting Hong Kong earlier during the year, it was relatively easy for many organisations to implement their BCP plans once again. Exercising BCP plans has

become the “new normal” for many organisations in Hong Kong. The regulators were very quick to respond and have been very supportive, especially in view of the large volume of regulatory filings that’s typical during the first quarter of the year. The regulators have issued various guidance amid the market situation and have issued reminders around ensuring that asset managers implement strong liquidity risk management and ensuring fair treatment of investors. Emphasis was also around measures for managing potential mis-selling and issuing reminders around the onboarding process and exercising appropriate suitability procedures for investors.

Some future-focused takeaways:

1. Revisit the firm strategy -

“Given the current market situation, investors demands and expectations are likely to change. There is a general trend that investors start looking for more alternative products.”

2. Accelerate the digital journey -

“There is clearly more pressure on asset managers to accelerate their digital strategy . The experience in China where distribution of funds are mostly online, is clear evidence of the merit of this distribution channel especially under the current working and operating conditions. With people not visiting their banks anymore or meeting face-to-face, asset managers will have to accelerate their digital journey.”

3. Sharpen productivity and upskill -

“Now that people are working from home, productivity is likely to go down. The uncertainty that lies ahead is a concern and organisations need to revisit the productivity of their workforce and at the same time consider alternatives such as automating manual processes as much as possible (RPA).”

4. Redefine purpose -

Asset managers have for some time been challenged on their purpose in the investing world. In times like these, purpose is an even more popular topic. Asset managers have an opportunity to look beyond the crisis and take bigger steps to build trust with asset owners and create positive social impact and promote stewardship.

Engaging employees during turbulent times

When working from home what are the challenges and opportunities? Bastiaan Starink, partner PwC, People & Organisation, provides useful advice on how to keep employees engaged.

The current crisis forces us to change our daily lives now that the line between work and private life has blurred. “Working from home makes life challenging for us and for our teams, especially for the ones having children at home.” Bastiaan shared some useful tips how to lead a virtual team, helping your team to stay productive and engaged while working from home.

1. Organize the right communication lines

“It is important that you start with communication, state clear communication rules and communicate these rules, e.g. stating rules when entering a webinar. “Don’t say hello to everyone. That will take too much time from the call. Be on mute when you’re not talking.” Define how you want to engage with each other, a daily stand-up or weekly check-in for different teams.”

2. Keep your team productive

After a couple of days “you get to a new normal and you need to keep your team productive. Much can be done from home but there is distraction. You need to help your team stay productive and help them to find a daily rhythm, take breaks and keep their distance, and discuss team challenges.”

3. Give your team trust and freedom

It is key to create a safe culture and encourage team members to tell what’s on their mind. “Reach out to them on an individual basis. Ask how they feel, how their family is doing, etc. Showing interest creates trust and show employees that you sometimes feel vulnerable as well.”

4. Be aware of team members feeling isolated

Take care of colleagues who may be in a vulnerable, isolated position, e.g. people who are divorced. “Call them, show attention, share pictures, and involve them in a virtual Friday afternoon drinks session.”

5. Keep challenging the team and yourself

This is a great time for innovation, work on business development or virtually meet clients or start writing an article. “Inspire your colleagues to work on innovation and business development. Work will give people daily routine so it’s good to stay productive.”

“After immediate response, it is time for analyzing the impact on future plans”

What are the short-term and longer-term risks of COVID-19? Patrick Heisen, PwC Asset & Wealth management Netherlands, discussed the impact of the corona virus outbreak on the business model of asset managers. “Having reliable information and a plan to manage the risks following the COVID-19 pandemic and fall-out are crucial.”

“In our experience, gaining control over an emerging crisis is a matter of weeks, not months. Having a plan is an opportunity to take control and see through a period of uncertainty. An integrated impact-analysis identifies challenges and opportunities, and provides guidance on where to focus your efforts.” It helps to use scenarios to adopt to the “new normal” and emerge stronger from the crisis.

In the current situation, risk analyses help create relevant scenarios. Events with a high impact determine the choice of scenarios, e.g. scenarios to address impact on people, economy,

supply chain; economic scenarios to address financial impact; and scenarios to address investors' behaviour post-crisis.

Integrated view is crucial

Forecasting in the face of uncertainty requires an integrated view on strategy, finance, and risk. "When you have this integrated view, you must make a distinction between short-term and medium-term actions." Asset managers are currently under unprecedented pressure to urgently answer complex questions and will need to determine the differentiating capabilities they'll need to thrive. "Especially in a crisis, we need to emphasize on those things that make your organization unique."

Use what-if scenarios

Patrick's advice: use what-if scenarios for your own business model to help stay in control. Apply different scenarios, including very broad ones with a lock-down situation to scenarios stating the way in which investors are dealing with the current crisis and their risk appetite. "This will create insights and give a view on what measures should be taken. Finally, look at the strategy you have in place to consider aspects such as finance, your own risk appetite and capital requirements."

Key messages:

- Start with having an integrated view
- Have actions for immediate response in place and look at the medium term
- Use different what-if scenarios to gain insights

Links for further reading:

- [PwC's COVID-19 Navigator](#)
- [Beyond the storms of COVID-19](#)
- [PwC asset wealth management revolution](#)
- [Webinar slides](#)
- [Tips for working at home with kids](#)
- [Dufas website](#)

PwC Case study

PwC is supporting a FTSE 100 organisation to develop, monitor and operationalise the continuity plans across all business functions against viable COVID-19 scenarios. In anticipation of impacts that the COVID-19 virus may generate, the client is taking steps to plan for and mitigate consequences against predetermined scenarios. Operational plans and response playbooks have been developed for each scenario to ensure a holistic and coordinated response should they materialise.

Alongside operational planning PwC is providing a monitoring and reporting capability. Capturing and collating business function level information PwC ensures all scenario responses are based on up-to-date information at the macro and micro level.