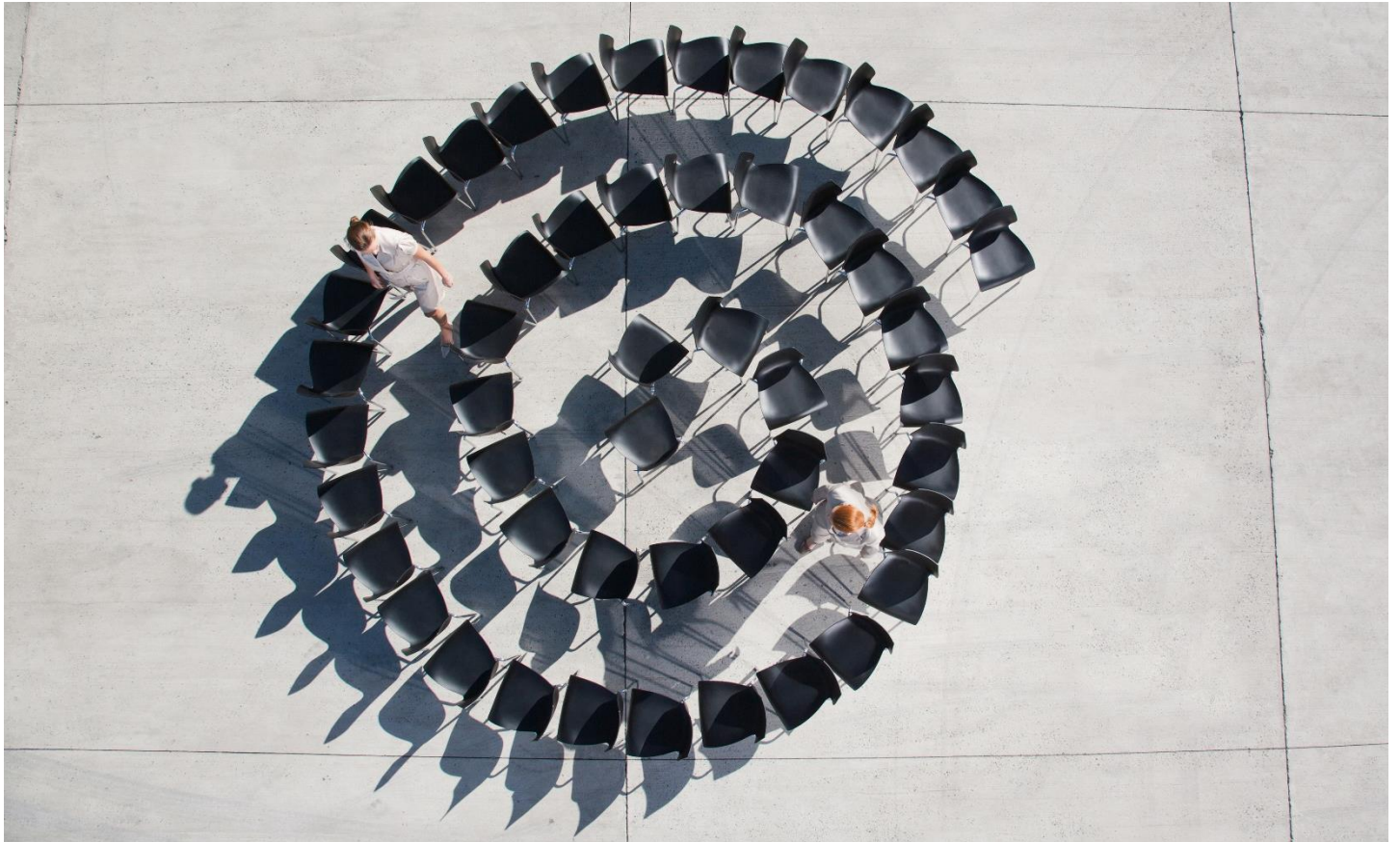


Ensuring business continuity in times of seismic disruption

Four takeaways distilled from the CRISIL GR&A and Greenwich Associates webinar

May 2020



The four takeaways

On April 29, 2020, CRISIL GR&A and Greenwich Associates conducted a webinar titled, ‘*Globally distributed teams as a potent BCP tool*’. More than 100 delegates from the buy side and the sell side attended the event.

At the start, Abhik Pal, Director, CRISIL GR&A, discussed CRISIL’s market observations, client survey findings, and lessons. Later, the eminent panelists discussed how banks and asset managers have managed Covid-19-related disruption.

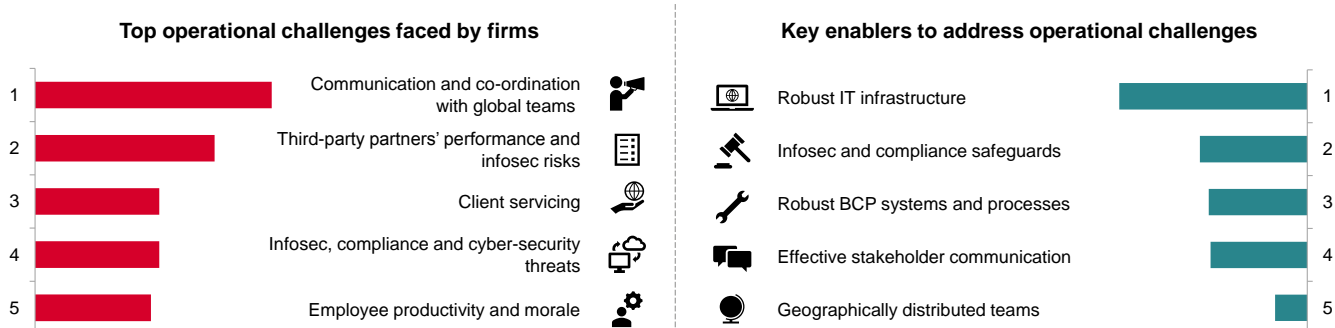
The panelists were Emmanuel Rickard, Managing Director, Head of Enterprise Performance & Change, Mizuho Americas; Roland Spurr, Chief Administrative Officer, Global Equities, AllianceBernstein; Kurt Schieding, Senior Vice President, Corporate Model Risk, Business Strategy and Operations, Wells Fargo; Mihir Trivedi, Managing Director, Operational Risk Management, Nuveen; and Danielle B Tierney, Senior Advisor, Market Structure & Technology, Greenwich Associates. Dimitri Londos, President, CRISIL GR&A, moderated the discussion. Key insights from the webinar:

1. Globally distributed teams are imperative for business continuity

Globally distributed teams facilitate business continuity and client servicing: In an interlinked world, geographically spread teams have become vital beyond their roles in cost reduction and back-up strategies. The pandemic has brought to the fore the value of such teams in mitigating large-scale disruption.

Global teams have ensured adequate coverage across high-priority processes, including sales, trading and distribution. Robust distributed technology infrastructure has helped reduce disruption amid market volatility. Further, operational robustness of suppliers such as custodians and distribution channels has ensured business continuity.

Communication and co-ordination pose challenges: Globally distributed teams increase operational complexities. The views of panelists were in line with the findings of CRISIL GR&A’s client survey – more than 70% of respondents listed ‘communications and co-ordination with global teams’ as a key challenge and ‘robust IT infrastructure’ as a key enabler.



Source: CRISIL GR&A survey of buy-side and sell-side firms

Standardised processes and technologies enable seamless workload transition: The standardisation of processes, systems, and technology set-ups across regions provide firms high confidence that they can maintain service quality with a virtual team.

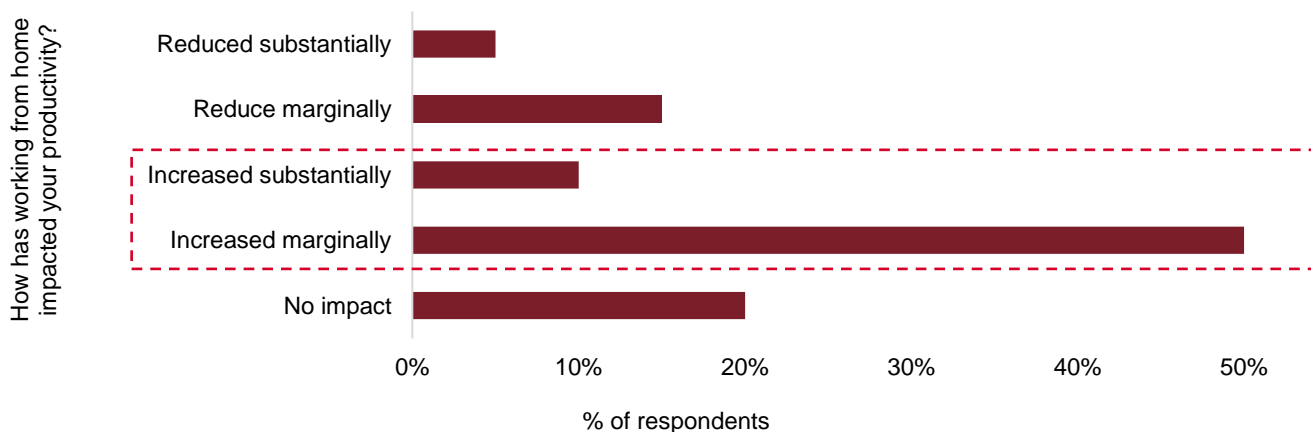
Firms closely coordinate with information security providers, and risk management and technology partners to enable virtual working and client servicing. They have avoided overloading systems when using virtual desktop interfaces by ensuring 100% server redundancy at each site. Firms believe redundancies between the front- and back-offices

have paid off. While infrastructure has held up much better than expected, it was far from perfect, and needs more investments.

Globally distributed teams aided client-servicing through a nimble localised approach: Firms have faced a highly localised challenge despite the pandemic’s global nature. They did not anticipate the degree to which local factors such as public health quality, government guidelines, and infection spread profile could vary. In this light, firms have adopted a flexible approach to virtual client-servicing by reaching them through the technology solution they prefer. Such localised responses have allowed firms to keep clients close and generate confidence in them.

2. Employee productivity has been a positive surprise, although morale must be monitored

Employee productivity has not been hampered by remote work. Robust IT infrastructure and replicating office IT assets at home were the key enablers: While minor productivity loss was expected in a business continuity planning (BCP) situation, firms were pleasantly surprised by the ability of teams to work remotely with minimal impact on productivity. Views of the panelists were mostly similar to the results of CRISIL’s survey conducted during the webinar: nearly 50% of the respondents saw a marginal rise in their productivity. While firms had underestimated the IT infrastructure situation of some staff, they quickly shipped IT assets to employee homes and purchased required IT ancillaries to ensure everyone had adequate and consistent access to the office network. Such actions have ensured business continuity across financial institutions despite heightened market volatility.



Source: CRISIL GR&A webinar survey

While meetings have been focused and efficient, concerns over loss of soft communication persist: The crisis is having an impact on the frequency and content of meetings. Many teams now interact daily with members fully engaged in such conversations. These conversations are geared toward important tasks and crisis response rather than low-risk routine tasks. While firms acknowledge sharper focus and increased efficiency, there are concerns about what is being lost, especially around soft communication. For instance, the duration of a few routine meetings in one firm had reduced from 30 minutes to 12-14 minutes. Firms should strive to strike a balance between achieving business outcomes and fostering and strengthening relationships.

Empathy, cultural sensitivity, and frequent, open, and transparent communication required to protect employee morale: There is agreement that the personal aspects of employees such as health, family, and child care have come to the foreground. Employers should accept and acknowledge this cultural change explicitly or implicitly to boost employee morale. Given the uncertain environment, employees continue to seek clarity on returning to office and the impact of the pandemic on business performance. To improve employee morale, management should be open and transparent with the answers.

3. Rising importance of compliance, surveillance and infosec teams

Crisis brings compliance and surveillance to the fore, firms now open to secure cloud infrastructure: Nobody has been immune to the disruption caused by the pandemic. However, firms that had made prior investments in the right tools and possessed the knowhow to leverage infrastructure have done better. Such an experience underlines the importance of compliance and security beyond their contribution to RoI. Firms are looking to ramp up investments in compliance and surveillance systems and embrace cloud infrastructure. While the cloud has been there for a while now, there is now openness to access secure cloud infrastructure. A case has also been made for holistic compliance coverage of all resources that go into trade execution, which could prove to be competitive differentiators. There is an increasing need for turrets to either offer, or be compatible, with voice analytical tools that feed into holistic trade surveillance monitoring systems.

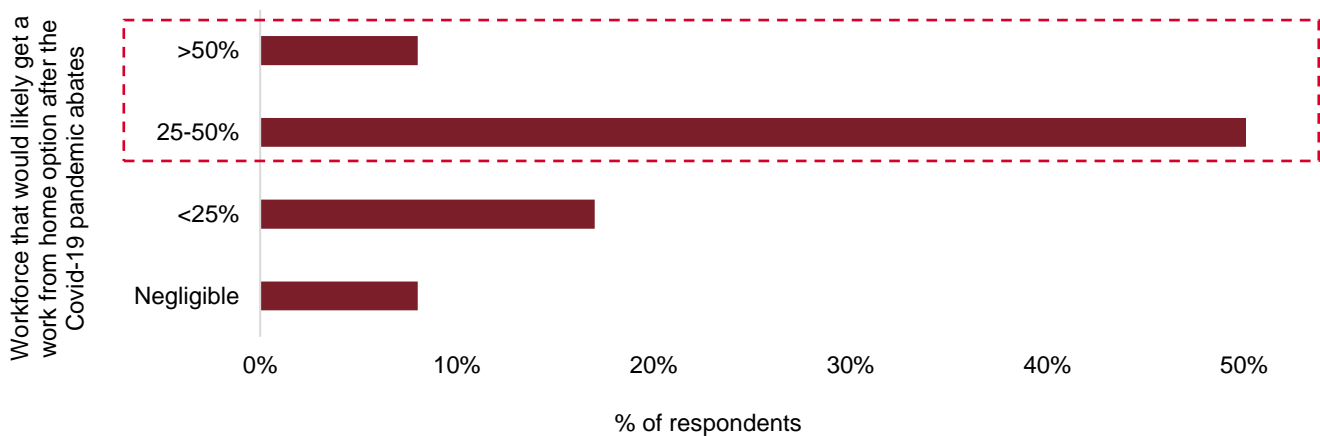
Cyber risks have escalated, focus on intense monitoring and impact assessment: Firms are increasingly concerned over rising phishing attacks and potential increase in internal fraud. Cyber security teams now monitor both internal and external activity by leveraging real-time threat-intelligence services, identifying malicious activity, and collaborating with key industry threat-intelligence groups. Firms are assessing how virtual assistants such as Alexa and Google Assistant could impact data security given that attorneys, traders and research analysts who deal with proprietary data are working remotely. While companies are still in data-gathering mode, it is imperative to tap multiple threat intelligence resources to understand the larger impact.

Internal frauds need continuous monitoring: The advent of the crisis has led to a significant relaxation of critical policies and controls linked to remote working, human resources, procurement, and payment. Firms now want to monitor the impact, especially a potential rise in internal fraud, because of these relaxations. They are now looking to balance controls, business continuity and security.

Risk models should be monitored and recalibrated as well: A lot of the current model risk practices or approaches, which grew out of the 2008 Global Financial Crisis environment, are being tested. The pandemic has created market disruptions that were not factored in models such as for fraud detection, commodity and HR, which will have to be revisited. For instance, existing fraud models that used geography or location as an input did not consider that all customers and businesses would be working from a stationary location that was different from their usual location. This had led to many false positives. Similarly, commodity trading models did not anticipate negative futures prices for crude oil. Thus firms had to recalibrate their models to reassess the riskiness of their positions amid sub-zero prices and surge in volatility. Internal HR models were also affected as they did not factor in the impact of incentives such as extra childcare, special pay and behaviour shift.

4. Operating model expected to change materially after Covid-19

Remote working a game changer, return to work to be staggered: Remote working is likely to be a paradigm shift in the long term. The observations of the panelists were similar to the results of CRISIL's survey conducted during the webinar: more than 60% of the respondents believed 25-50% of the workforce will be given the option to work remotely after the Covid-19 crisis abates.



Source: CRISIL GR&A webinar survey

This permanent shift will not only change the physical working environment, but also the way people expect to interact with their employers, colleagues, and clients. There are pros and cons to remote working. While it could give firms flexibility on real-estate cost, there are concerns that the benefits that accrue from face-to-face interaction with clients could be lost. Over the short-term, firms are likely to adopt a staggered approach to working from office. It is crucial for firms to respect the personal choice of employees.

Firms need to step up compliance and monitoring as remote working becomes the new normal: Firms are unlikely to make a complete return to the pre-Covid-19 world, especially on the compliance front. The ongoing flexibility around remote working will require enhancement of compliance infrastructure. Firms need to be cognisant that the current regulatory leniency around some aspects such as call recording or downtime is temporary. Regulations will be tightened as remote working becomes a permanent feature. It is also likely that current gaps are addressed through federal exams, and state and regulatory directives. It is imperative for firms to step up investment in compliance and surveillance systems and ensure complete integration of compliance. Cloud technologies, enhanced compliance monitoring, and more robust virtual working platforms and communication tools will be a major part of investments in the short to medium term.

BCP will be part of all strategic plans, cost management – no lay-offs, but cost controls in other areas: BCP will move to the forefront in all strategic plans for the foreseeable future. As the humanitarian crisis abates, firms will begin to think about cost management as businesses face performance challenges in the short to medium term. Firms are likely to consider offsetting measures including freezing hiring, controlling third-party spending, and squeezing spends on consultants and contracts. They are unlikely to make big decisions in the middle of the crisis, but they have begun to understand the options before them, and will exercise them when needed. Firms will also need to tweak their strategies around automation and robotics as they prepare to be leaner in the long term.

The crisis is a great leveler; opportunities abound: Smaller asset management firms can leverage virtual engagement to increase presence in client segments or markets where they could not before. The large ones have been thinking about fixed costs and engendering flexibility around them, including real estate and technology. The current crisis is a phenomenal opportunity to blend their investment expertise with investments in right technology.

Approach toward real-estate assets changes, consolidation will be under the scanner: Over the past few years, some firms have been trying to consolidate their operations into large offices to reduce costs. However, this trend might be reconsidered, or even reversed, as more people work remotely over the long term.

Annexure

CRISIL's experience in navigating turbulence

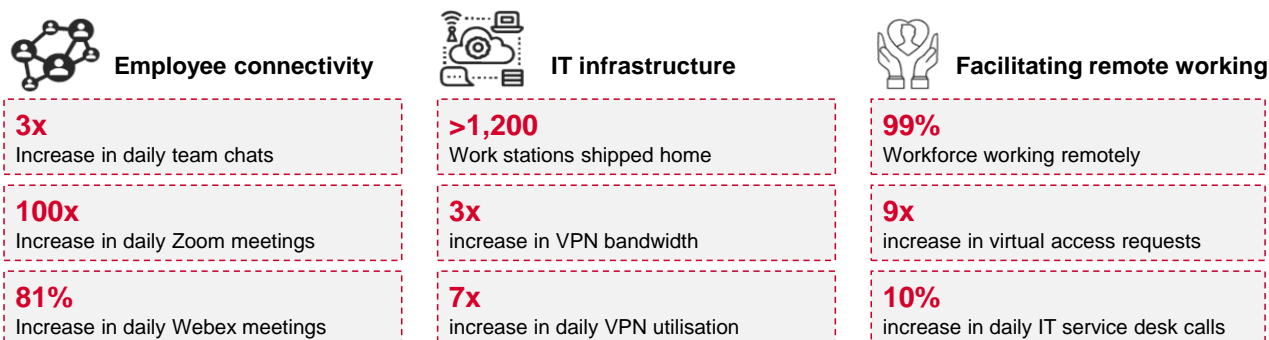
Similar to its clients, CRISIL faced multiple operational challenges while endeavouring to provide seamless services across regions. After initial hiccups, CRISIL transitioned to remote working in 2-3 days instead of the originally envisaged 2-3 weeks. This, even as vital support to clients continued with minimal productivity loss.



Source: CRISIL GR&A

Here is a look at the key lessons learnt by CRISIL from this exercise:

- **Global teams benefited from China's experience:** CRISIL drew on the experience of its China team, which had faced disruption 30-45 days before other centres. That helped it anticipate the challenges and prepare for the full-lockdown scenario.
- **Localised strategy imperative:** CRISIL's global centres in China, Argentina and Poland were empowered to design and execute their own BCP strategies because of their unique challenges and rapidly changing government mandates. Therefore, it was critical for these teams to operate nimbly and independently while keeping in mind the organisational objective of protecting the interests of employees, clients, partners, and other stakeholders.



Source: CRISIL GR&A

- **Robust IT infrastructure enabled high employee productivity:** A big enabler for CRISIL was its robust IT infrastructure that helped employees log in remotely and work in a secure environment. At present, 99% of its employees are working remotely from 10 locations. To enable this, CRISIL expanded VPN bandwidth, purchased and shipped laptops for employees, and set up a dedicated 24x7 IT support team. The overall client feedback has been very positive. The enhanced IT infrastructure was able to seamlessly handle a 7x increase in VPN utilisation. All employees have been equipped with video calling tools such as Webex Meetings and Zoom, which are being used extensively. For instance, Webex Meetings have increased 81% and Zoom calls have gone up 100x in the past month.
- **Account manager's role has become more critical:** Early on in the remote working exercise, productivity took a hit because of initial technology-related interruptions. It was also observed that productivity and morale were better in some teams compared with others. Therefore, the role of the account manager became critical. Account managers had to step up communications with their teams, conduct daily checks, and help ensure employees felt virtually connected with their teammates.

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Global Research & Analytics

CRISIL Global Research & Analytics (GR&A) is the world's largest and top-ranked provider of high-end research, risk and analytics services. We are the world's largest provider of equity and fixed-income research support to banks and buy-side firms. We are also the foremost provider of end-to-end risk and analytics services that include quantitative support, front and middle office support, and regulatory and business process change management support to trading, risk management, regulatory and CFO functions at world's leading financial institutions. We also provide extensive support to banks in financial crime and compliance analytics. We are leaders in research support, and risk and analytics support, providing it to more than 75 global banks, 50 buy-side firms covering hedge funds, private equity, and asset management firms. Our research support enables coverage of over 3,300 stocks and 3,400 corporates and financial institutions globally. We support more than 15 bank holding companies in their regulatory requirements and submissions. We operate from 7 research centers in Argentina, China, India, and Poland, and across several time zones and languages.

CRISIL Privacy

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

Argentina | China | Hong Kong | **India** | Poland | Singapore | UK | USA

CRISIL Limited: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. India

Phone: + 91 22 3342 3000 | Fax: + 91 22 3342 3001 | www.crisil.com

[in/company/crisil](https://www.linkedin.com/company/crisil) [t@CRISILlimited](https://twitter.com/CRISILlimited) [f/CRISILlimited](https://www.facebook.com/CRISILlimited) [/user/CRISILlimited](https://www.youtube.com/user/CRISILlimited) [@/lifeatcrisil](https://www.instagram.com/lifeatcrisil)

CRISIL
An S&P Global Company