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Contemplating the future: what happens after COVID-19?

A view from Asia on the COVID-19 crisis

FCA: Leader Character and Well-being

Banking on AI: Microsoft on Banking and Capital Markets

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WELCOME

To the **second issue** of the COO Magazine

Maurice Evlyn-Bufton, CEO
Armstrong Wolfe

We entered February 2020 with a commitment to deliver 52 COO industry roundtables in 5 financial centres by year end. These were to be supported by the hospitality of Markets and Asset Management COOs. In early March, however, the unfolding policies of exclusion from the office space concluding with lockdown on 23rd March in the U.K. and the same by March 24th in the U.S, threw our carefully considered business plan and programme of work unceremoniously into the bin or garbage, depending which side of the Atlantic you are!

It appeared to us, however, at this time more than ever there was a need for a cross industry dialogue. The COO was at the heart of the execution of the business continuity plan, all be it this was not executing a finely tuned plan but reacting to unique circumstances and deploying almost all staff to a WFH scenario overnight, writing the BCP as it happened. Alongside the COO the Chief Control Officers and their teams worked endlessly to ensure supervisory and regulatory demands were met or as close to being so as possible. Alongside this the regulators took stock, recognising the uniqueness of the situation demanded an unprecedented and pragmatic approach to enable the industry to find its feet and work towards a platform of normality built on abnormality.

In response and in the interim we have run over 40 forums and conference calls in the last 10 weeks.

Our aim was simple:

1. Provide the platform for the COOs and CCOs to exchange information and create a passage to shared experiences to help all through the initial stage of the crisis

2. To source and provide thought leadership for the COO and CCO communities, focused on solutions and content to help them navigate their businesses into tomorrow, next week and the near future

To this end we thank keynote speakers from EY, Microsoft, Cognizant, DxC Technology, Oxford Economics, IDG Sandhurst, Matero Consulting, BCS that have stepped up to help us help the COO community we serve.

As we enter a new phase and the complexities and options on 'where to next' unfold, the opinions outside and inside the industry vary and remain unclear as to next steps. Internal debates at companies are similarly fractured into different camps of what to do as they also seek to agree which path to follow. Regardless, we are seeing the first tentative steps to mobilising the employees to return to the workplace, but until the medical data suggests otherwise and until a vaccine is discovered most argue normality will remain for all as social distancing and WFH in differing degrees.

A counter to this, which will only be credible post winter, is that no second serge of infections will happen and using the Spanish Flu as a reference is misleading, that we are through the eye of the storm and for the sake of the worldwide economy, normality must be the focus. It would be a missed opportunity in either case if the world did not take this as an opportunity to step forward a quantum as opposed to step backwards to the safety and normality of the pre COVID world.

What is remarkable throughout this crisis, however, and what cannot fail to be recognised, is how well the overwhelming percentage of the industry has adapted and embraced this challenge. Concerns have been allayed, new practices proven, and operational resiliency has been tested and is arguably more than effective in a WFH scenario, lending itself to a cliff edge of decisions for many companies as to what does this mean for business practices? At the heart of the decision and executing whatever strategy, is the COO.

This remains an opportunity for the COO community of 2020 to set a path of innovation and new working practices for the industry and whose legacy could be the COO generation that led the industry bravely into a new world.

As a company we remain committed to serving this community and to this end will be establishing a membership for you, enabling corporates and individuals to gain access and benefit from the global network of COOs and professional services companies aligned to support them, all news found herein.

We look forward to hearing from you and thank you for your ongoing support.

The leading authority in banking and asset management business solutions, cross-industry collaboration, executive search and career management for the COO community.

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JOIN THE ARMSTRONG WOLFE **COO & CCO COVID-19** RESPONSE GROUP

The Armstrong Wolfe COVID-19 Response Group gives the banking and asset management COOs and CCOs direct access to their industry peers and allows them to discuss how the industry is meeting the unique operational challenges presented by the COVID-19 crisis.

Co-ordinated by the Armstrong Wolfe COO, moderated by its CEO and leveraging the trusted global COO communities established in 2015.

"Thank you to Armstrong Wolfe for setting up these most important calls, true industry leadership."

COO, Markets

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COVID-19: Response, Challenges and Opportunities

Siobhan M. Dunn, Industry Advisor, in association with Armstrong Wolfe Solutions, donebydunn.org

COVID-19 presents financial institutions with the rare and overarching opportunity to re-imagine completely their businesses.

The COOs who understand the nuts and bolts that connect front office production to the control functions from the cultural, operational, technical, risk, and compliance perspectives are positioned perfectly to direct a five-pronged disciplined approach to capitalize on this opportunity. The five prongs represent the key themes that COOs across global markets and asset management have discussed over the last months.

This approach addressing the five specific prongs of a COVID-19 response will shape the "New Normal":

1. Assess the resiliency of rapidly deployed continuity strategies to ensure preparedness for a second wave and vet business continuity plans in terms its ability to recover business that are now WFH.
2. Assess the new operating models and new technologies for ramifications on the control environment; identify points that need to be enhanced. Approach the assessment from a capability standpoint in terms of a "controlled process" and not individual controls.
3. Document a strategy for "Future of Work" based on the guiding principle, "Physical and Phycological Safety is Priority One"
4. Acknowledge that "Return to the Workplace" will be a process, not an event; ensure that your organization can support the process across the entity and monitor it for effectiveness.
5. Ensure that your leadership and communication address both managing individuals and their expectations as well as maintaining corporate culture and values.

Origins of the Opportunity

In order to capitalize on this opportunity, it is important to understand two key elements that in combination created the opportunity. Element one is the fact that COVID-19 pandemic differs from other major recent disruptions in three ways:

- First, it is truly a global event with all regions experiencing the disease concurrently but at different points in the cycle of the disease. From a BCP perspective it eliminates most relocation strategies except work from home.
- Second, it is not a single event that occurred with a specific end point, thereby allowing recovery to start immediately thereafter.
- Third, COVID-19 remains an active disrupting event.

While the pandemic continues to endanger human life, to pressure global economies, and to threaten a second wave of increasing cases, there cannot be a return to normal. The return has to be to a "new normal".

The second element is the starting point of the "return". The "return" starts from a previously inconceivable place. It starts from the bedrooms, dining rooms, and shared apartments where trading and sales teams, control functions and clients successfully repositioned themselves from the institutional trading floors 11 weeks ago. From these household locations, these teams successfully maintained the integrity and liquidity of the global markets. If the markets can function effectively with 90% of all staff working from home, and the need for the traditional institutional trading floor is in question, all other traditional constructs and best practices supporting operating models as we know them are open for discussion.

Together these two events create this rare situation. There is no going back. Yet, financial firms are in a position to move forward with a proven "proof of concept" that affirms re-imagining operating models and platforms for financial firms is achievable. The proof is evidenced by fully functioning markets supported vastly by a WFH staff. That said, the current model is not sustainable as is. Firms will have the choice to continue to make tactical adjustments or to devise a strategy to truly revamp its operating models. The question becomes will a Firm just respond to COVID or will they use COVID to improve operating models, better product delivery, and enhance the work experience?

Seizing the Opportunity

The stage is set. The key to success is appropriate due diligence and careful execution of all five aspects of the approach. Each prong has specific opportunities and challenges that must be identified and addressed. Additionally, it is essential to remember that creating a new normal has broad reaching impact on all aspects of an organization. Consequently, the organization must be prepared to commit resource with the appropriate skill to the due diligence and execution.

Equally important, an organization must have the appetite to re-prioritize resource and budget to both mitigate the challenges that impact the day-to-day operations and to invest in the emerging opportunities. Simply addressing the hiccups of the "now" is tactical. The organizations that can navigate this transition of priorities will be positioned well for continued growth going forward. They will also have the capacity to launch the "return to work" process as the economy re-opens as well as increased resiliency, if a second wave of COVID demands reverting to full WFM Strategies.

Opportunities, Challenges and Considerations of the Five Prongs

1. Assess Business Continuity Strategies:

WFM is now considered BAU. Technically however, firms are operating under an "extended outage" business continuity plan utilizing a WFH strategy. As such, firms are reviewing business continuity from two different aspects.

The first is what militaries call an "after action report". This assessment vets the original plans invoked in March/April against what actually was done to respond to the pandemic. The objective is to highlight successes and gaps focusing on the completeness of the plan and the firm's ability to enact the plan. It is an exercise in true lessons learned. Many firms have experienced some issues. Common issues like availability of printers, capabilities to back-fill wet signatures, and access to certain systems. Additionally, they noted issues in the compliance controls including supervision and surveillance. (To be addressed in the second prong).

Second, firms are conducting assessments of existing plans, or creating plans, to continue operations if the now BAU of WFM is disrupted. Just because COVID-19 remains an active disrupting event, that does not mean there could not be another disrupting event. Those on the East Coast of the U.S. have already felt the impact of the Tropical Storm Arthur, the first named storm of 2020. The question they are asking is "how at risk are these WFH processes and what is the biggest threat?" A common concern is disruption of third-party suppliers. There is agreement that contingency plans are needed for these providers. Firms also noted difficulty in connecting legacy "pipes" to third party providers.

Firms note the value of creating continuity plans to support the BAU of WFM serves two purposes. It provides better resiliency for now. Also, it can be used to shape the "new normal". Almost all firms are indicating that in the future, WFH will include more people and more business units. Discussion continues regarding the need for large back-up sites capable of supporting trading or are WFH strategies sufficient?

Firms have noted specific challenges that should be considered. They included second order resiliency on broadband, power supply chains, and connectivity to vendors in a WFH mode. Many firms are discussing if large back-up sites capable of supporting trading are needed or if work from home strategies be sufficient. There seems to be no consensus at this point for two reasons: first, resiliency of WFH is not fully sorted and second, more physical space will be needed to support "social distancing" when the "return to workplace" starts.

2. Innovation: Operating Models, New Technologies, and Controlled Processes

If necessity is the mother of invention, COVID-19 is the accelerator of innovation. The change in operating model coupled with the need for more and different surveillance measures highlighted opportunity to increase effectiveness and efficiency while potentially producing more valuable data.

Market volatility and trade volumes proved that pandemic driven macro events could overwhelm surveillance systems and sheer volumes of alerts could mask real issues. It is estimated that alerts increased by 25%, not all of which could be reviewed. In this situation e-mail alerts proved less valuable as the individual alerts came in large volumes and with no context of a larger picture. The manual work necessary to manage and extract useful information proved difficult and ineffective. One firm diverted resources from areas like audit to help manage workloads.

The change in operating models – shifting activity from large centrally secured locations to multiple small unsecured locations – added to the need for new and increased surveillance. Firms noted that voice technologies were an area of focus. Firms noted that they heighten surveillance efforts around three broad categories: Communication Monitoring, Personal Account Dealing, Trade Review Activities. Many firms deployed new risk registers and added extra intra-day checks. Some required staff to complete conflict of interest attestation because people from different firms were quarantined together resulting in two firms sharing the same space, something usually requiring regulatory approval.

In summary, firms recognize the need to revamp and document the supervision and surveillance protocols to accommodate a "new normal" and its heavy reliance on increased WFH as well as to evidence that controls were in place. Addressing these known inefficiencies in surveillance methods at the same time would be an investment. The timing is ripe for this investment and it would reap exponential benefits in the new normal including the ability to link structured and unstructured data. The question is which firms will make this a priority and seize the opportunity.

3. Document a Strategy for the "New Normal"

Firms recognize the need for a holistic strategy to transition their operations to the "future of work". The "future of work" is more comprehensive than the process of safely returning people to the physical work locations. Firms acknowledge that the need to take thoughtful steps and consider all business lines as well as all aspects of operations. Firms agree that the focus areas will be Human Capital, Technology and Innovation.

Firms have recognized this as a unique opportunity to understand fully the needs of the entire platform and prioritize accordingly including the lens of legal, compliance, settlements, and risk management. Firms understand that the transition will be gradual. It will be informed by the both the experiences of the past months of WFH as well as the experience of "Returning to the Workplace".

Firms agree that their ability to drive transformative change will be enhanced if the transition is treated as an enterprise level strategy. The strategy should be documented, approved, and articulate specific objectives to capitalize on this opportunity. Like any strategy it be well socialized. Metrics should be created to measure performance against objectives.

Firms have noted many common components that will be include in the strategy: real estate and location, digitization of processes, particularly in operations and middle office, third party risk and vendor management, data in terms of usability and accessibility across legacy systems.

4. The Process of "Return to the Workplace"

The first step to a new normal is a "return to the workplace" in some shape or form. All firms have started the discussion. It is widely agreed that this is a three-stage process most eloquently described as follows:

- "Pre-day 1"
- Wave 1 (Day 1 to 30)
- Future Waves Beyond Day 30

All firms agree that the first step is to identify which functions need to return to the workplace and which can permanently work remotely. This analysis requires a granular view of each function and its purpose and processes. Some firms are also considering the connectivity between functions.

The second step is to determine how to situate these functions physically while maintaining social distancing from the perspective of both the staff member's individual workspace as well as shared and common space. Given the requirement of social distancing, These spaces are broadly defined and needs to be assessed as "fit for purpose". These spaces include elevators, hallways, pantries, bathrooms, cafeterias. Firms are also considering factors that impact the area in which the facility is located such as the availability of public transport, parking facilities, restaurants.

Firms recognize that the "return to workplace" is complex. There is a long list of issues to consider. Firms are not necessarily in control of all the decisions. Many of these items raise the question "can large entities have a globally or even locally consistent policy. The lists include:

- What do the various local governments allow?
- What do landlords allow?
- What regions are ready for a return and which are still under restriction?
- What countries culturally accept and support WFH and which do not?
- How will school and day-care closures impact staff's ability to return to a workplace?
- Are firms equipped to support testing and trace contacting?
- Are there legal and HR concerns about requiring staff to return; conversely are there additional liabilities if staff contract the disease in the workplace?

In summary, the conversations have begun, but firms recognize that much needs to be sorted before the process begins. Ultimately it will be a gradual process returning functions in small waves with "lessons learned" modifications made between waves.

5. Leadership, Communication and Cultural Values

All firms recognize that now, more than ever, leadership needs to focus on the human experience and approach the collective entity with empathy. They agree that communication must telegraph that the culture and values of the firm have not changed. They must emphasize that the physical and psycological safety of its staff is the priority.

The firms agree the challenge is that "one sizes does not fit all". Each person's emotional tolerance for the threat of COVID-19 is different. Likewise, the quality of each person's WFH experience is different. Together the emotional tolerance and the quality of experience drive a staff member's appetite to return to the workplace.

How do companies create a consistent policy that can accommodate these varied experiences?

Siobhan M. Dunn
Industry Advisor, in association with Armstrong Wolfe Solutions

Currently Siobhan serves as an industry advisor designing holistic approaches and scalable solutions to support organizational transitions and regulatory alignment. Recently her projects focusing on data as a strategic asset as well as business continuity response to COVID-19.

Siobhan served in senior COO and global leadership roles in financial holding companies. She has experience with both the retail and institutional sides of their banking and broker-dealer entities. She served as the Global Head of Business Continuity Management for Morgan Stanley. In this role she had responsibility for firm-wide continuity planning and the coordination of the firm's response in the event of disruption. Prior to that position she served as the COO for the Investment Portfolios of Morgan Stanley Bank N.A. and Morgan Stanley Private Bank National Association. She also served as the Global Head of Project Management for Bank Resource Management, the firm's funding division.

At the Dresdner Bank, she served as the Head of Operational Risk Management, Americas and as the COO of Global Debt and Capital Markets, North America. Siobhan began her financial career as a trader of mortgage/treasury options at Lehman Brothers.

CONTEMPLATING THE FUTURE

COVID-19
WHAT IMPACT IS THIS HAVING ON THE FINANCIAL SERVICES INDUSTRY?

In this issue we will look at 6 points of contemplation

1. Vaccine
2. Social Distancing
3. Back to the Workplace
4. A Benefit of Lockdown
5. Employee Well-being
6. Home Learning

1. Vaccine

“Under the best of circumstances, the world is still looking at 12 to 18 months before a vaccine could be widely available, she says. That in itself would be a remarkable achievement.”

- Vaccine design expert Maria Bottazzi of Baylor College of Medicine in Houston, Texas

READ MORE

Our Business Advisors & Market Insight Partners share their views on the global crisis.

Source: Carrie Arnold, Newscientist

Economic forecasts

Inflation should be the least of our worries

Inflation should be the least of our worries

Following a unique shock to aggregate demand and supply, precautionary savings point to prolonged caution and fear restraining final demand. The lockdown-induced sudden stop in economic activity will severely reduce acyclical inflationary forces, while the fear factor will restrain procyclical pressures with drags from economic slack, energy prices, and a strong dollar.

While some fear a vicious inflation rebound once the economy recovers, we foresee a persistent inflation undershoot. A very gradual resumption of private sector activity and structurally constrained business pricing power should throttle the wage-inflation dynamic. In addition, sliding inflation expectations limit the immediate risk of an inflation spiral.

The Fed's ultra-loose monetary policy and rapidly expanding QE purchases are unlikely to lead to surging inflation because the pass-through to the real economy will be curtailed by a low reserve multiplier, reduced demand for credit, and using funds for cash flow preservation rather than new investment.

While fiscal stimulus measures will lift the debt-to-GDP ratio to above 100% for the first time since WWII, we should recall that the stimulus is temporary and aimed at preventing a sharper economic drag rather than relaunching activity.

One important risk for inflation is the "fiscal dominance" of the Fed whereby debt monetization becomes a permanent feature of monetary policy. While not an immediate threat under Jerome Powell, it could become one in the future.

From disinflation to deflation in 2020

One of the defining characteristics of the Global Coronavirus Recession (GCR) is that it features simultaneous demand and supply shocks. Further exacerbating this combined hit to spending and production are a financial markets shock and an extreme oil price plunge that originated in the Russia-Saudi Arabia price war and compounded by the collapse in energy demand.

With the economics of fear in full swing since early March, consumers bolstered their precautionary savings: The personal saving rate has risen from 8% to 33% – the highest since 1975. Elevated savings and lingering virus fear will curtail consumer demand even past the lockdowns. At the same time, business investment plunged 8.6% in Q1 – its largest quarterly pullback since the GFC – indicating extreme business caution.

The initial disinflationary impulse from these factors was visible in April, when the headline CPI posted its largest monthly decline since 2008 – down 0.8% – and the core CPI posted its largest monthly drop on record – down 0.4%. With energy prices continuing their plunge and domestic demand collapsing, what may have appeared as a significant disinflationary trend in March – with headline CPI inflation falling to 0.3% y/y and 1.4% y/y – will unfortunately pale in comparison with the deflationary impulse in coming months.

Oxford Economics anticipates headline CPI and PCE deflation in May – the lowest since the GFC – and core CPI and PCE inflation falling below 0.5% by the summer – the lowest readings ever.

With procyclical inflation having failed to recover its pre-GFC dynamism, its components appear severely exposed to a severe negative demand shock. In fact, food services, accommodation, recreation services, and other services – which represent half of the procyclical components – are most vulnerable to the virus shock.

Interestingly, given the sudden stop in spending, a wide range of acyclical factors will also experience lower inflation (or deflation), such as motor vehicles, furniture, clothing, transportation services, and even health care. This could push headline PCE deflation to -0.3% in December 2020, while core PCE inflation falls to 0.4% y/y – its weakest on record.

Understanding the inflation drag

Using an expectations-augmented Phillips curve model inspired by Fed Chair Janet Yellen (2015), we can decompose the expected shortfall in PCE inflation relative to the Fed's 2% target. Oxford Economics find that economic slack – resulting from a 12% peak-to-trough plunge in real GDP and a surge in the unemployment rate above 17% – will be responsible for a third of 2020's 2.3ppts headline inflation shortfall relative to the 2% target. Lower energy prices would account for a 0.5ppts drag, while foods prices would represent a 0.1ppt boost.

A stronger dollar and reduced prices from abroad would lead to a 0.3ppts drag via import prices. Finally, as described above, the unusual nature of the shock will translate into a sharp decline in acyclical inflation, imposing another 0.7ppts drag. Combined, these will add up to a 2.3ppts shortfall relative to the Fed's 2% target, or -0.3% y/y in Q4 2020.

Fear, pricing power, and inflation expectations

An important question is whether, and how rapidly, inflation will rebound once the economy recovers. While some have argued that the resumption of activity post-lockdowns would lead to a surge in demand that outstrips supply, and inevitably lead to a surge in inflation, we doubt that will be true.

First, the coronavirus shock represents the collision of the economics of fear and the economics of sudden stops. The decline in restaurant and bar outlays was at least as much a factor of fear as one of lockdowns because in-person dining fell mostly before social distancing measures were enforced. As such, while a gradual reopening of the nation may mean increased spending on goods and services that were previously inaccessible, we shouldn't expect a sudden broad-based surge in demand for discretionary and social services. And while some pockets of stronger goods price inflation may appear as supply chains gradually resume normal operations, these will be partially buffered by an inventory drawdown – motor vehicles as a prime example – as well as limited pricing power.

Second, the lack of pricing power is likely to represent another major constraint on inflation. As illustrated in prior research, businesses' pricing power steadily declined in 2019, with the share of small businesses raising selling prices (from the NFIB's small-business optimism survey) consistently declining. Limited pricing power and soft final demand will mean businesses have scant ability to raise prices much. At the same time, reduced productivity growth and compressed profit margins won't provide much room for higher wages, thus limiting prospects of a stronger wage-inflation dynamic.

Third, evidence shows that inflation expectations were sliding (modestly) before the GCR, even when the economy was near full employment and the output gap was closed. Market-based inflation expectations have since fallen to their lowest since the GFC, while consumer inflation expectations have continued sliding. Hence, while Fed Chair Powell recently stressed that "as long as inflation expectations remain anchored the US should not see deflation," we believe that inflation expectations represent an asymmetric deflationary risk (more than an inflationary one).

Monetary inflation isn't a major threat

Some commentators stress that the combination of low interest rates and renewed QE from the Fed will cause spiraling inflation. The intuition is that as the Fed ramps up its QE purchases of Treasuries and agency mortgage-backed securities by close to $3.5tn through year-end, the Fed's System Open Market Account will surpass $7tn – nearly twice as high as the 2015 record. This will prompt a corresponding rise in bank reserves held at the Fed from around $1.5tn to around $5tn, boosting the monetary base and leading to higher inflation. However, this monetarist views appears outdated as it proved to be following multiple rounds of asset purchases post-GFC in the US and in Japan, whose BoJ has hiked its balance sheet to over 100% of GDP while still struggling with deflationary pressures.

In particular, the two key transmission mechanisms from reserves to broad money, and from broad money to inflation are much less potent today. First, the "reserve multiplier" has plunged dramatically since the GFC. With the Fed moving to a short-term interest rate floor system (no longer determining a supply of reserves, but instead using the interest rate on excess reserves) and banks more reticent to make loans, the multiplier between reserves and money creation has collapsed (Cecchetti and Schoenholtz, 2020). Second, even though the stock of money has risen, its velocity – the speed at which gets exchanged for goods and services – has also fallen uninterruptedly over the past 30 years, reaching a low point (George Selgin, 2020).

In an environment in which most of the private demand for credit goes to loan-loss provisions for banks and precautionary cash and liquidity for businesses (instead of capital investment), and where consumer demand for credit has fallen, we don't expect lending to generate inflation.

Fiscally induced inflation is unlikely

Another line of argument supporting surging inflation is that the massive jump in government spending will inevitably produce excess demand, which will prompt higher inflation. Indeed, the four phases of fiscal stimulus passed since March are worth over $3tn, and they're poised to lift the federal budget deficit to its highest since WWII, at nearly 20% of GDP (from just below 5% pre-GCR). This will push the public debt-to-GDP ratio from just under 80% in 2019 to 105% in 2021 – also the highest since WWII. This argument, however, misses the point.

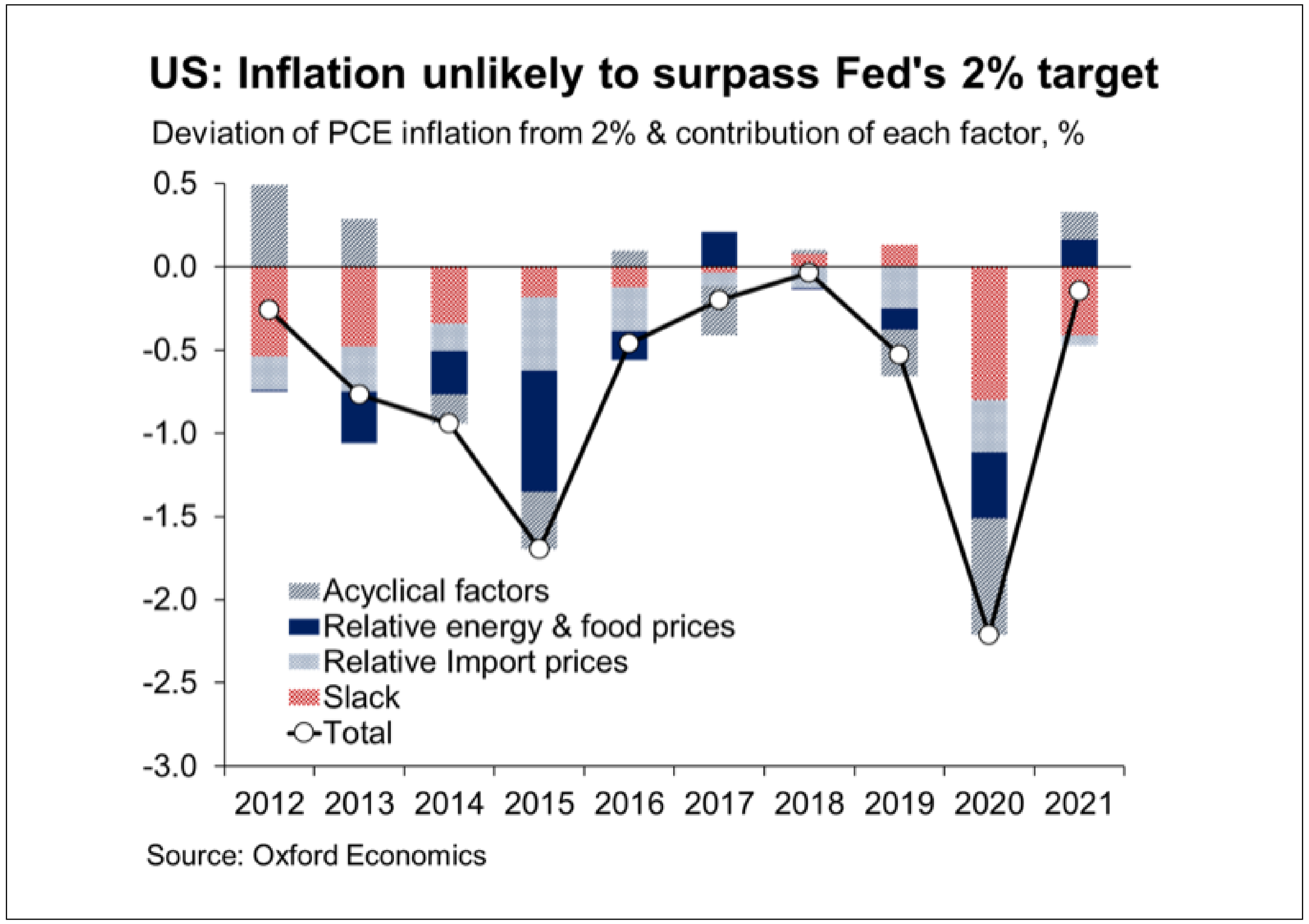
First, the surge in government spending during the GCR isn't aimed at relaunching the economy, but instead at alleviating the impact on the economy from a sudden stop on private demand. It's palliative rather than stimulative. The fiscal multipliers will be capped at 1 by social distancing measures across the nation while the virus fear factor restrains activity when lockdowns are relaxed. Second, most stimulus measures are temporary so that once the economy recovers, government spending will fall in sync. Oxford Economics anticipate the federal budget deficit will slide from $3.6tn in 2020 to $2tn in 2021, representing 9% of GDP by end-2021.

Some have drawn parallels to post-war surges in inflation once the recovery gets underway. But there are two fundamental differences between the GCR and post-war periods: 1) there's no need to rebuild capital, and 2) private sector demand will remain very cautious until a medical solution is found.

The risk is political

The more potent risk of inflation comes from a politicization of the Fed, which would be influenced to permanently monetize the debt by keeping interest rates artificially low and maintaining an indefinite QE program – what Olivier Blanchard described as fiscal dominance of monetary policy.

Such political influence has been observed in prior instances, such as following WWII or in the early 1970s when President Nixon nominated Arthur Burns to chair the Fed and pressured him into maintaining loose policy ahead of the 1972 presidential election. And while Powell and the FOMC continue to display tremendous resistance to administration attempts at influence, we cannot fully discount the possibility of future influence. For now, though, the Fed would likely react to evidence of an overheating economy by raising rates and tightening monetary policy.



Source: Oxford Economics

2. Social Distancing

"Harvard scientists think we'll have to socially distance until 2022"

- World Economic Forum

READ MORE

Source: Johnny Wood, World Economic Forum

Culture in Evolution
The role of the COO
1b or not 1b, that is the question

Written by Maurice Evlyn-Bufton, CEO, Armstrong Wolfe

ARMSTRONG WOLFE

As we move through the COVID crisis, now would appear the time for the COO community to seize the opportunity to shape the banking and asset management industries of tomorrow and address the imbalance created by the pursuit of profit over purpose in previous years.

How this can be done, and where the future of these two intertwined industries rests, are key questions to be answered.

The challenge before the crisis was for a new phase of optimism to be discovered, this has been exacerbated by recent events. How to refocus and trigger a liberated pursuit of profitability and benefits for all, but within an entrusted industry founded on good conduct is a question unanswered.

The industry will have to change in response to the impact on the worldwide economy and on its workforce. To do so, this phase must be led by innovative, intellectual and inspirational leaders who are bound by ethical behaviour and principles. Just as the Captain of a ship leads the vessel, it is the helmsman that steers it; as the pilot flies the plane, the navigator directs it; then it is the CEO who sets the vision and drives the business, but the COO ensures it sails to calm water in good order.

Since the Credit Crunch, most acknowledge that the role of the COO had morphed into being a CAO throughout the interim new regulatory era. The office of the COO had been tasked to meet and deliver upon the seemingly unlimited book of regulation imposed upon the industry by ever vigilant and empowered regulatory bodies.

Pre COVID crisis, however, the COO's attentions were turning enthusiastically to assess how they can support revenue creation, whilst retaining the challenge of delivering lasting cultural change. Then COVID came upon us, and BCP demands not experienced beforehand littered and filled the COO's in-tray.

Before COVID it was put forward by a few enlightened and optimistic COOs that there existed an opportunity for the COO position to become more empowered to directly support the CEO, and to be given the explicit mandate to own the execution of the CEO's stated purpose and the consequent cultural change programme.

In doing so, the COO becomes the ambassador for conduct, behaviour and ethics and, as such, will be charged with delivering cultural change (on behalf of and in partnership with the CEO and the business, not as a servant to it).

If this mandate is held by all COOs, and if the CEOs collectively see the untapped potential of the COO function, then an industry-wide and consistent approach could be achieved, with all COOs adhering to the common goal of raising standards and cementing cultural change.

It would not be the total solution and it is not the silver bullet, but it would help in no small part.

Note: The CEO needs to be a 'people person' and be someone with empathy and a connection enshrined in their leadership style. The CEO must additionally partner the COO in the definition, communication and pursuit of purpose, which through effective messaging, helps to define and carry an organisation's culture.
(See fig.1)

Is this too big a mandate and simply a dream, or is it the opportunity for the executive leadership of the COO community to leave a legacy? A legacy born from their response and management of two very different crisis's.

Some speak of this legacy in the sense of true obligation and a wish to see the industry they have dedicated their careers to be left in good order for the generations that will follow them. They joined an honourable profession and they have seen its reputation torn asunder, where many in society would still declare it rendered morally lifeless, this 12 years on from the Banking Crisis of 2008.

Despite best efforts to repair this damage, the banking industry especially retains a tarnished status and perhaps significantly for its future, no longer the 'go-to' industry for the best graduates and therefore the people who are needed to lead it tomorrow.

Fig 1

Therefore, two possibilities exist for the industry's leadership today and within this spectrum, the COO:

1. The opportunity to be the leadership generation that lived through the banking crash and consequent economic downturn, managed and met the regulatory demands imposed upon it as its consequence, then took the same industry through the COVID crisis but changed nothing.

   Or

2. The generation that responded to these challenges and did something on and above what was required by them in law and from the regulators, to build the foundations for a cultural revolution to take the industry towards a brighter future. A future with a collective, industry wide purpose and vision; one that sits above profit and complements and contributes to the creation of enhanced and sustainable profits.

Here in rests the opportunity and herein lies the debate.

These are open-ended and lofty aspirations which need a structured and wholesome examination within the COO community to truly assess whether this approach is supported, viable or achievable. The optimists will say yes, and the pragmatists will nod in tacit agreement whilst seeing the hurdles to success as being too high or ambitious.

If we were to investigate the above and look for an outcome, there are a few questions that need to be answered:

1. What is the purpose of banking/ asset manager, including your company and your role as a COO?
2. What is the present approach to conduct, ethics and behavioural training: does it work? If not, why not?
3. What could the COO achieve in cultural change and conduct if given greater empowerment?
4. How much of the core responsibility should lie with the COO, regarding conduct and culture?
5. How do you meet these objectives whilst helping to grow the business, add value to clients and run a safe business?
6. What would be the principles that would enable a COO to manage cultural change?
7. How do the regulators view and position the role of the COO in the context of owning cultural change and co-owning its accountability for its delivery?

In recent discussions, several COOs have expressed frustration with the regulators and specifically the FCA as to the seemingly entrenched view and perception regarding the position and influence within the business of the COO. This impacts the ability for the COO to be taken seriously as an active leader and participant in the external debate and dialogue in relation to conduct, behaviour and, more broadly, managing cultural change. There is hope though, that through the COVID crisis and the enhanced and visible role of the COO (and Chief Control Officer that supports the COO) that this perception and positioning may change.

Most COOs contend that they are firmly 1LOD and this is how the position should be viewed and engaged, not as a dilution or relegation to be anointed 1b or 2LOD. This debate is tied to defining where to place the COO role within the three lines of defence; regulators seemingly holding a contrary view to that of the COO's, where we can summarise this debate and difference in opinions as '1b or not 1b; that is the question'

"We are part of the business, not separated from it. We are the instrument that helps to define and execute the conduct agenda, and an active participant at the leadership table in relation to shaping and driving cultural change. Until we are viewed as 1LOD and not 1b, we will not be able to play our full part in helping the industry to drive cultural change."
(Global COO within Markets)

This frustration is understandable, where the perceived positioning of the COO can be openly seen within the FCA's summary on Conduct Risk Programmes (Reference: FCA website, first published: 12/04/17, last updated: 21/04/17), as follows:

Conduct risk programmes should be tailored to the needs of each firm based on its:

- Size
- Business model
- Geographic reach

While there is no 'correct' answer, these features are generally recognised by firms as effective:

- Highly visible CEO sponsorship together with engagement and challenge by the Board
- Senior executives taking leading roles in programme design co-owning its accountability for its delivery?
- Detailed roll-out plans with clearly defined short-term and long-term goals
- Clear ownership and responsibility for programme implementation by senior executives, sometimes supported by conduct specialists within the organisation
- Programmes integrated within strategic or operational risk management frameworks
- Use of a standardised conduct risk self-assessment process across the firm

10 Principles for a COO to lead cultural change

Note: Empowerment, communication and influence support the COO's ability to deliver cultural change effectively through a principled approach, but leadership galvanizes and strengthens purpose. (See fig.2)

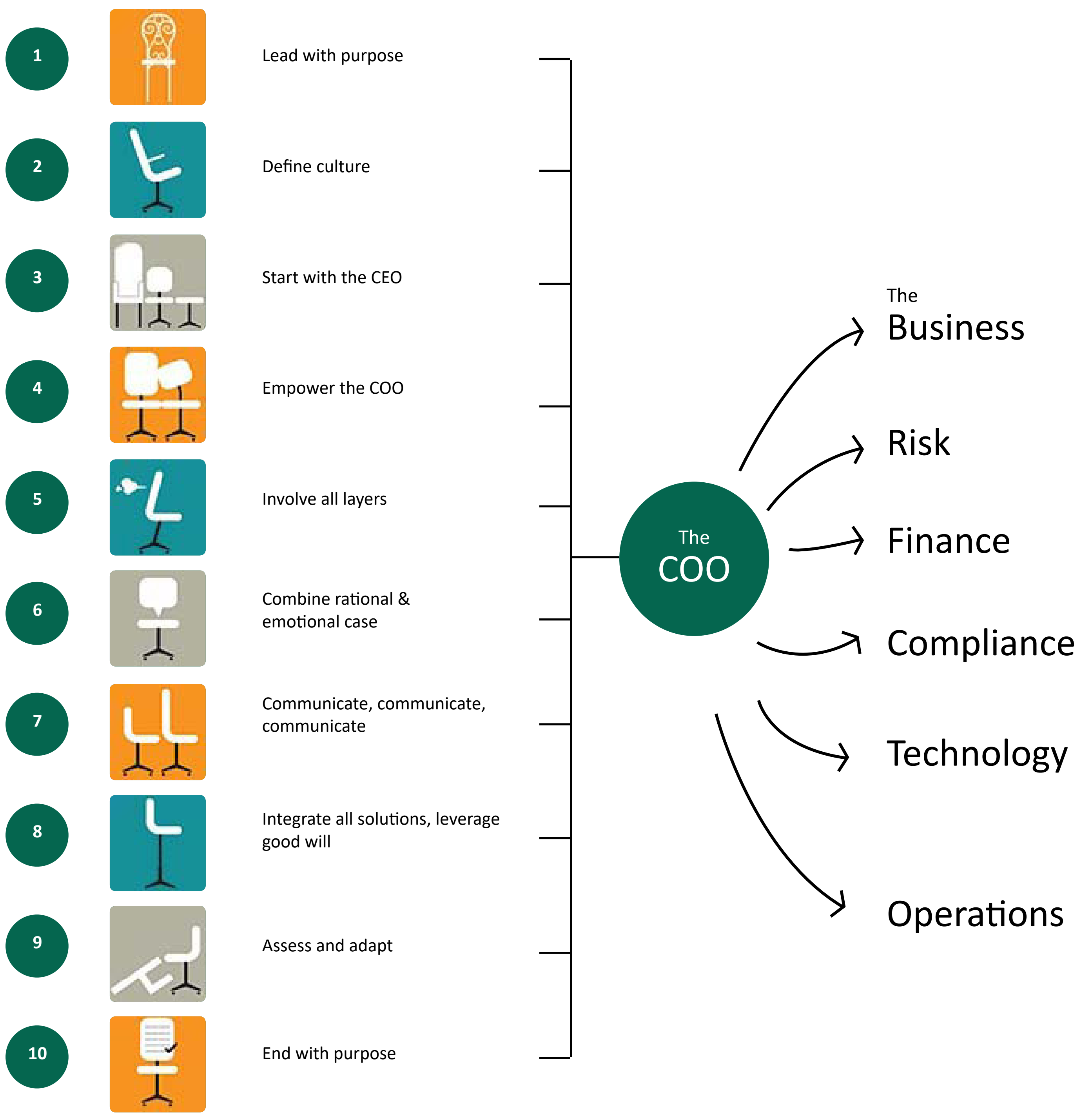


Fig 2

- A firm-wide taxonomy for conduct risk types, enabling consistent data capture and risk reporting
- A forum to compare conduct risk across business lines and functions
- Regular discussion at Board level of conduct, culture and programme implementation
- Active engagement in the programme by internal audit, including monitoring the programme's early stage effectiveness
- Training, promotion, performance management and remuneration all linked to conduct and culture objectives
- Long-term conduct risk initiatives becoming fully embedded in business as usual
- For international firms, adoption or at least support of the UK programmes from the head office

Programmes with the following features did not always generate the desired results:

- One-off or stand-alone projects with a short timeframe
- Compliance or the COOs being the primary driver of the programme
- Top-down mapping of desired conduct outcomes to business-level risks that were not balanced by similar bottom-up efforts by business units to identify where conduct risks could arise
- Disjointed or uncoordinated efforts by different business units
- Significant business units, control or operational functions being excluded
- Not examining if conduct risk arising in one area could arise in another
- Programme focus being limited to front office senior personnel, with limited or no Involvement from middle and back office, risk, control and other support functions

Interestingly the above notes 'did not always generate the desired results. However, by its very definition, cases will exist whereby it did. There is additionally the argument that if the COO was mandated and engaged correctly, then such cases of positive affirmation would increase. The COO also reaches into the business front-to-back and therefore can influence, shape and imbue a consistent cultural messaging, where some programmes have most assuredly focused too much on the front office alone.

Naturally, if the COO were to gain this acknowledgement and engagement, it would also attain the burden of accountability and responsibility, perhaps becoming an automatically- named position within the Senior Managers Regime (SMR) or Significant Influence Functions (SIF), as outlined.

Whether this is desirable for all COOs in position today is unlikely, as this burden is a heavy one to carry, but once depersonalised, the industry may benefit from the COO position being anointed as such. It would also manifest itself in the work to be done in defining what criteria you would reference for any COO to demonstrate they had the 'experience, competence and knowledge' to be a COO.

How we assess applicants for key positions at a firm. We regulate two types of individual:

- Those with significant influence over a firm's conduct, and
- those dealing with customers (or their property)

To ensure firms are effectively governed and able to deal with their customers fairly, only individuals with the appropriate skills, capabilities and behaviours should be appointed to these positions.

Firms must have balanced and effective boards, with a competent executive team, so we consider any appointment in this light.

We assess applicants for key positions to make sure they are up to the job and that they carry out their role effectively. We will continue to take a risk-based approach to approving individuals who perform controlled functions.

For significant influence functions (SIF) in higher-impact firms, we will interview where appropriate. Applicants do not have to sit a formal exam, but we do expect them to be able to demonstrate experience, competence and knowledge in the function that they apply for."

(Reference: FCA website, Significant Influence Functions. First published: 12/05/15, last updated: 13/05/16)

This approach and outcome would require a mindset shift with the regulators, across the industry and for many of the CEOs and business heads (that may not use and/or see their COO in this empowered capacity).

More so, it would require the COO community to embrace this mindset shift and to work with the CEO community to ensure all within the business understand this paradigm shift.
(See fig.3 on page 24)

Any outcomes should therefore be focused on providing:

1. A repositioning and education of the regulators as to the exactness of the COO role as a core component of executive leadership and therefore the 1LOD spectrum
2. A common code of practice by which the COO community align their approach to defining purpose and maintaining, managing or changing culture
3. A COO examination, leading to an accreditation, for any aspiring COOs, which will help prove demonstrable experience and capability*

*This course would focus on personal leadership and accountability, conduct and ethics, and defining self and collective purpose. Additional modules would relate to the core responsibilities of a COO, such as talent and financial management, regulation and technological innovation.

Earlier, the difference in opinions between the regulators and the COOs in defining the COO as 1b or not 1b is indeed the question at the heart of this debate. Here there are echoes of the soliloquy spoken by Prince Hamlet in the so-called 'nunnery scene' of William Shakespeare's famous play, Hamlet.

Act III, Scene I

"To be, or not to be, that is the question: Whether 'tis nobler in the mind to suffer The slings and arrows of outrageous fortune, Or to take arms against a sea of troubles And by opposing end them"

Taking the opening line and changing it to '1b or not 1b, that is the question' is a poor play on these well-known words. In context to this article, its follow-on lines 'Whether 'tis nobler in the mind to suffer the slings and arrows of outrageous fortune or to take arms against a sea of troubles and by opposing end them' would appear highly fitting to the challenge facing the COO community and the choice that exists to address, meet and oppose the 'sea of troubles' that has beset the industry they have carved out their careers for over 20 years or not.

CEO & COO in Partnership

5 Principles which enable a Mindset Shift to drive Cultural Transformation

Note: Any shift in mandate, focus and leadership positioning of the COO's role would require trust, communication and a cohesive leadership approach between the CEO and COO to be successful.

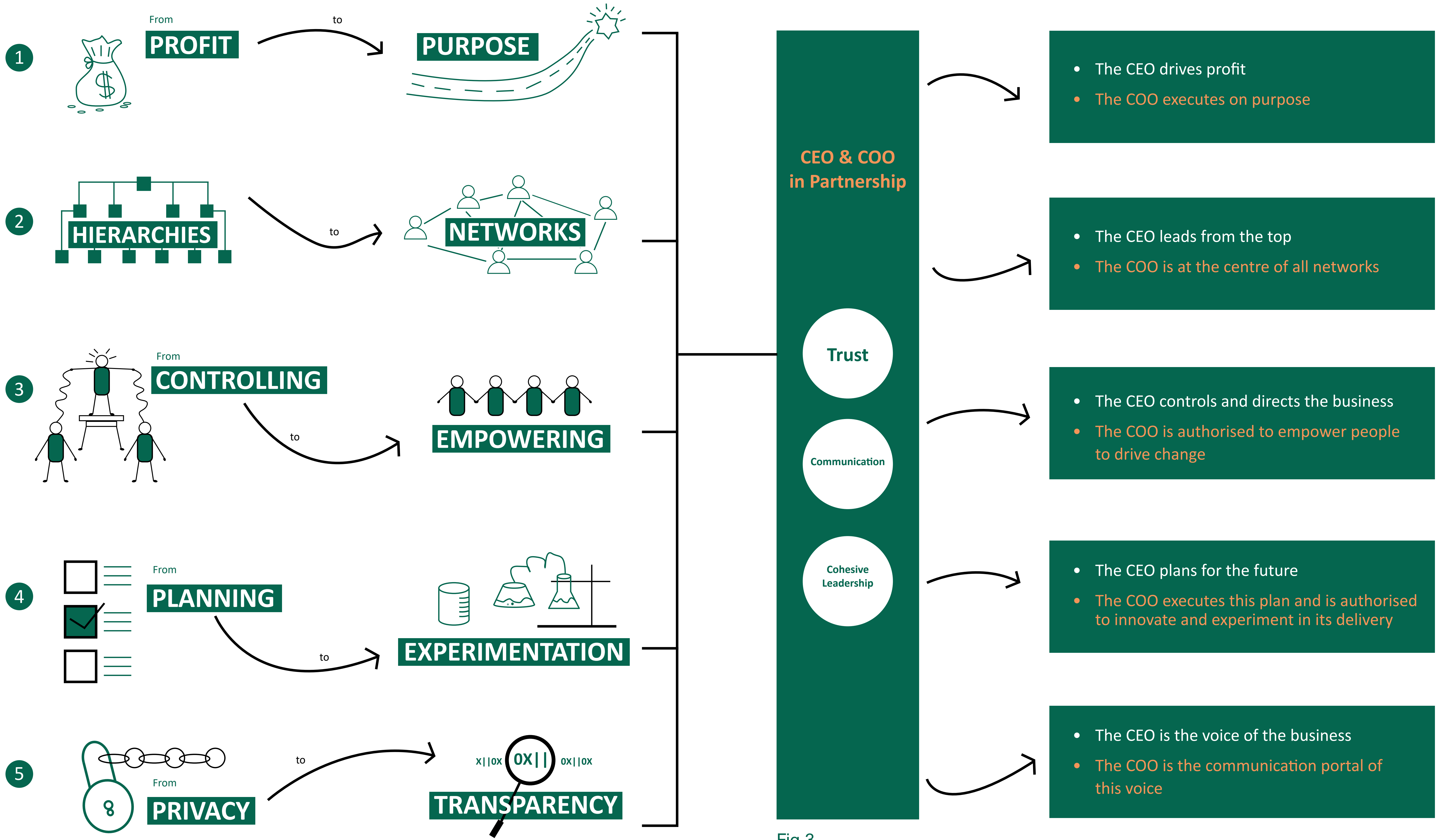
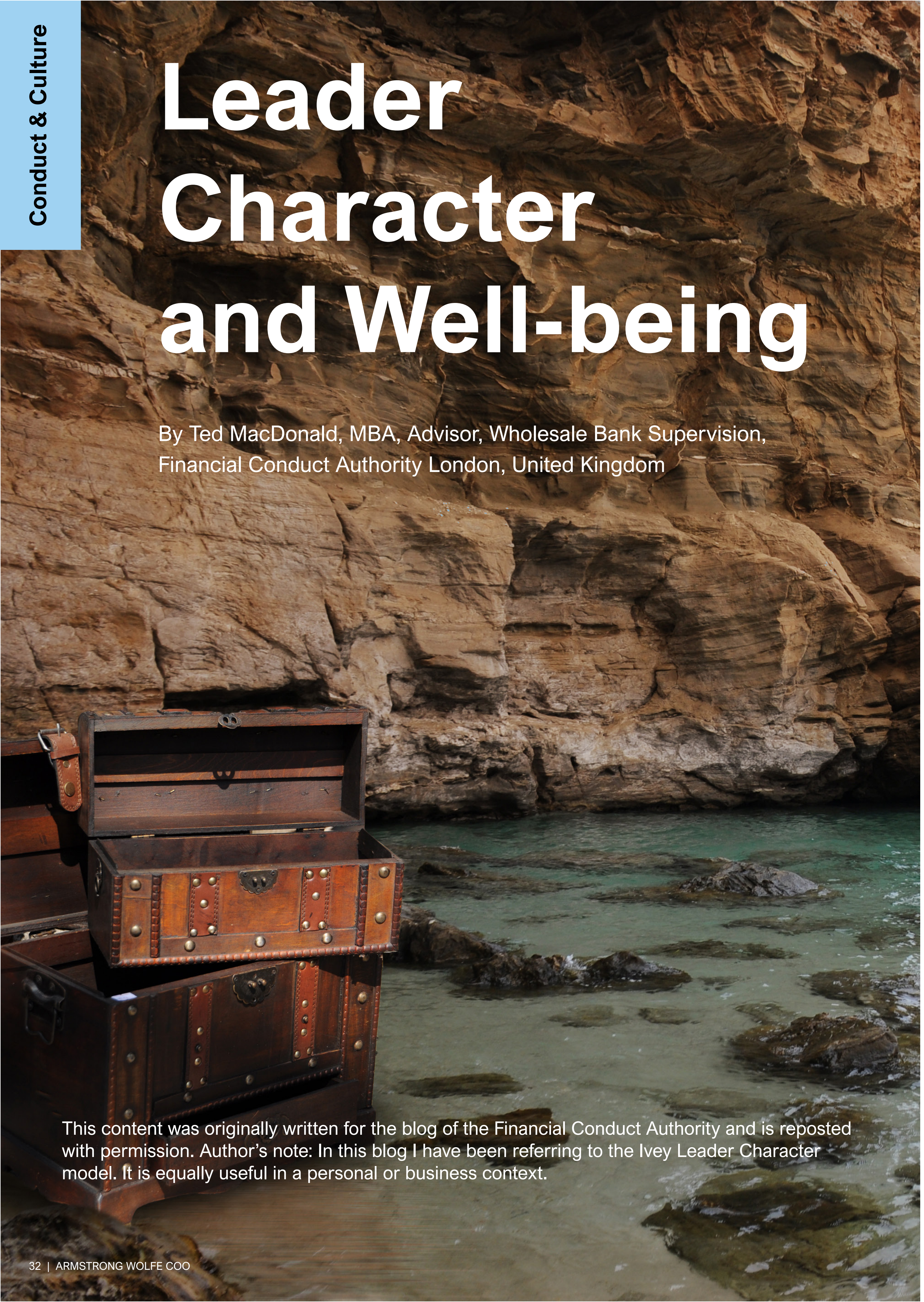


Fig 3

Conduct & Culture



Leader Character and Well-being

By Ted MacDonald, MBA, Advisor, Wholesale Bank Supervision, Financial Conduct Authority London, United Kingdom

This content was originally written for the blog of the Financial Conduct Authority and is reposted with permission. Author's note: In this blog I have been referring to the Ivey Leader Character model. It is equally useful in a personal or business context.

"We are all in this pandemic together." Isn't that almost an oxymoron like 'deafening silence' or 'open secret'.

Perhaps most of us have had a Work from Home (WFH) day at some point in the past. Suddenly, almost all of us are working from home. On Day 1 we all shared in the experience more-or-less equally. What has gradually become apparent is that every WFH situation is unique as are the attributes of the isolation that emerges with it.

Some of us are sitting alone, far from home while others are surrounded by family; some are in urban premises that feel constraining while others have a countryside setting; some have care or home schooling challenges while others have unfettered open time. But we all know that each of these scenarios, or combinations thereof, can play out well or can sometimes become a nightmare depending on a range of additional circumstances. So even within the same household, every individual's experience of isolation differs from those around them. How we truly feel about our situation is quietly evolving as isolation continues week after week… it can sometimes be hard to spot our own difficulties.

Let's imagine you have just had a conversation or exchange with someone and, notwithstanding good intentions, it ended in a surprisingly poor outcome. You are left picking up the pieces and wondering how this happened. Your sense of self-assurance takes a knock. You understand that uncertainty, anxiety and isolation may bring out the worst in us – but how can this be neutralised?

I would encourage you to consider the concept of character.

While Leader Character is talked about most often in the context of personal and business performance, I believe that it can also play a constructive role in developing, maintaining and even improving mental health. It can be a source of confidence and strength on one hand but also help avoid pitfalls or mistakes on the other. That's a good thing.

Let's explore what is meant by 'character' and how it can be relevant. Character is a set of virtuous habits that we all forge over the course of our lives. There are 11 character dimensions with Judgement playing a central role, reflected by the decisions we take on how we choose to behave. Judgement is influenced (or not) by ten further character dimensions. They are: Drive, Collaboration, Humanity, Humility, Integrity, Temperance, Justice, Accountability, Courage and Transcendence.

Each dimension, and its relative strength, supports or affects each of the others and, ultimately, the formation of a judgement call or foundation to our personal behaviour. Each dimension has a number of elements that exemplify its use. For example, the dimension of Humility is exemplified by behavioural elements such as being self-aware, modest, reflective, curious and respectful.

Taking the example of Drive, many organisations, and especially those in financial services, have recruited individuals who demonstrate a high degree of drive. People with Drive are results oriented, passionate and vigorous. We are regularly seeing examples in recent global press coverage of leaders displaying a lack of judgement arising from high drive that is not supported by other dimensions such as Collaboration, Justice, Accountability and Humanity. The key idea in character development is to strengthen all of these dimensions to some degree so that one may call upon others, akin to general fitness rather than being able to do a hundred chin-ups but not run around the block.

How can the concept of character be used to support good judgement? It can be as simple as this - before engaging, think about the topic or the context you are about to step into and how it might look from the point of view or context of the other(s) involved; then, consider which character dimensions you might particularly want to call on during the exchange. Imagine the range of activity we engage in – calling out a firm that is in breach, conducting an exit interview, an exploratory conversation on a deep-dive topic or explaining to colleagues that a return to the office remains some distance into the future… Would you approach every call in exactly the same way?

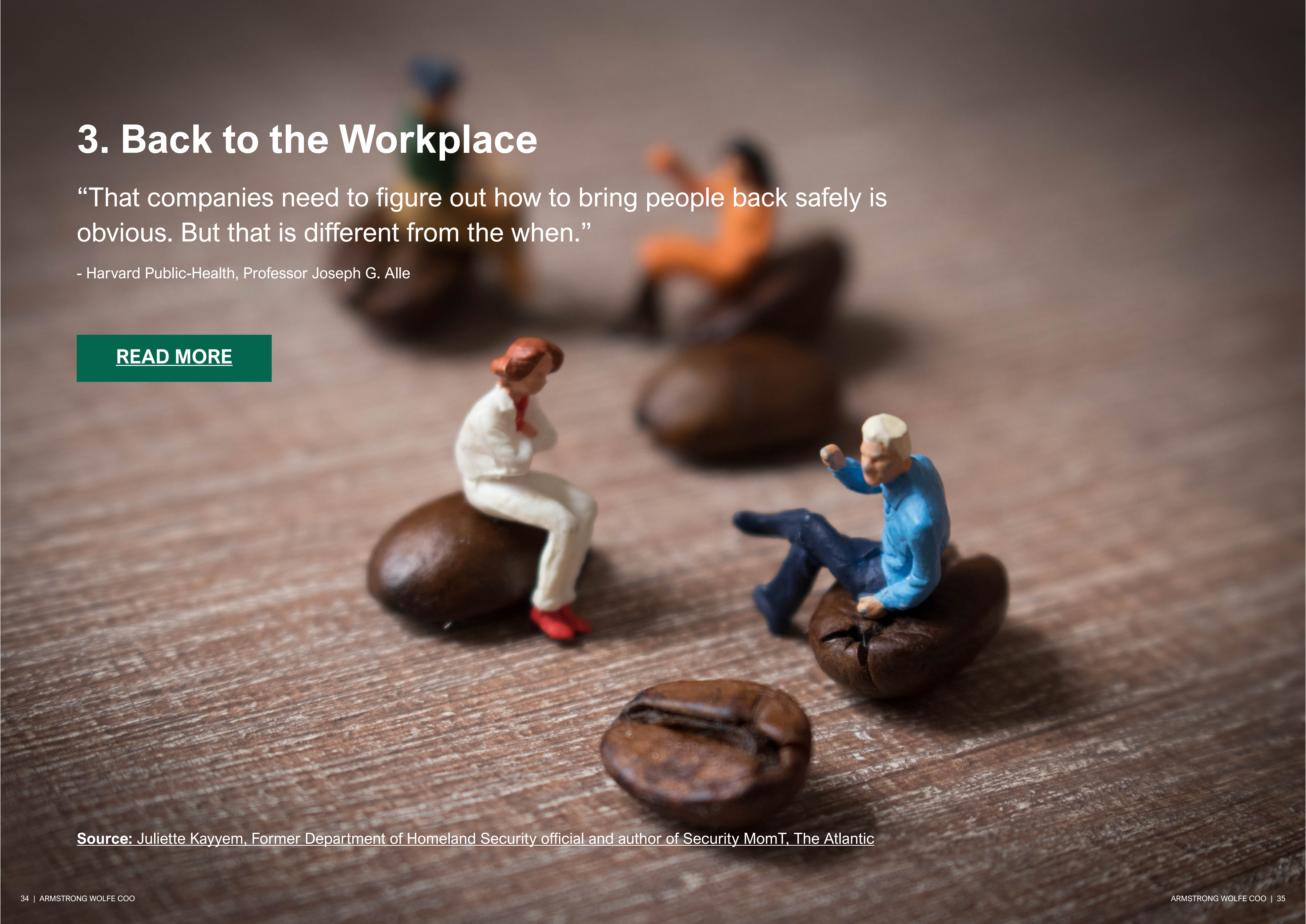
Let's imagine you have a series of calls today; in the first, you know your project leader is unhappy with team progress, in the second call, you need to help find workable solutions to the problem and the third is a call from a friend who has suffered a personal loss. For each successive engagement you may want to call upon specific character attributes a bit more than others. In the first, perhaps it's your sense of Accountability (ownership, conscientious, responsible), in the second Collaboration (cooperative, collegial, open-minded, flexible) and in the third you may want to call on Humanity (considerate, empathetic, compassionate).

Just becoming aware of the eleven dimensions and exploring your own sense of character fitness can be enough to start with. We are sometimes reminded of muscles we had forgotten we had when we strain them; you may find strengths that you forgot you had too! We often judge ourselves rather harshly. By considering the range of character dimensions we might find that harshness over-emphasises a measure of one character dimension rather than a more a fulsome view.

Character dimensions are like muscles, if we don't use them they atrophy. Like toning up at the gym, reflection on our character dimensions and the degree to which we see them in action may improve our sense of balance and well-being.

The dimensions can serve as a quick checklist to ensure against under-reacting or over-reacting when forming a judgement. It is an aspect of our own internal diversity that is available to be harnessed. In this way, it is a good supporting tool for navigating whatever life throws at us during these uncertain times.

It may be that character is more than just an important factor but actually a treasure chest that can be easily opened and become a source of strength.



3. Back to the Workplace

"That companies need to figure out how to bring people back safely is obvious. But that is different from the when."

- Harvard Public-Health, Professor Joseph G. Alle

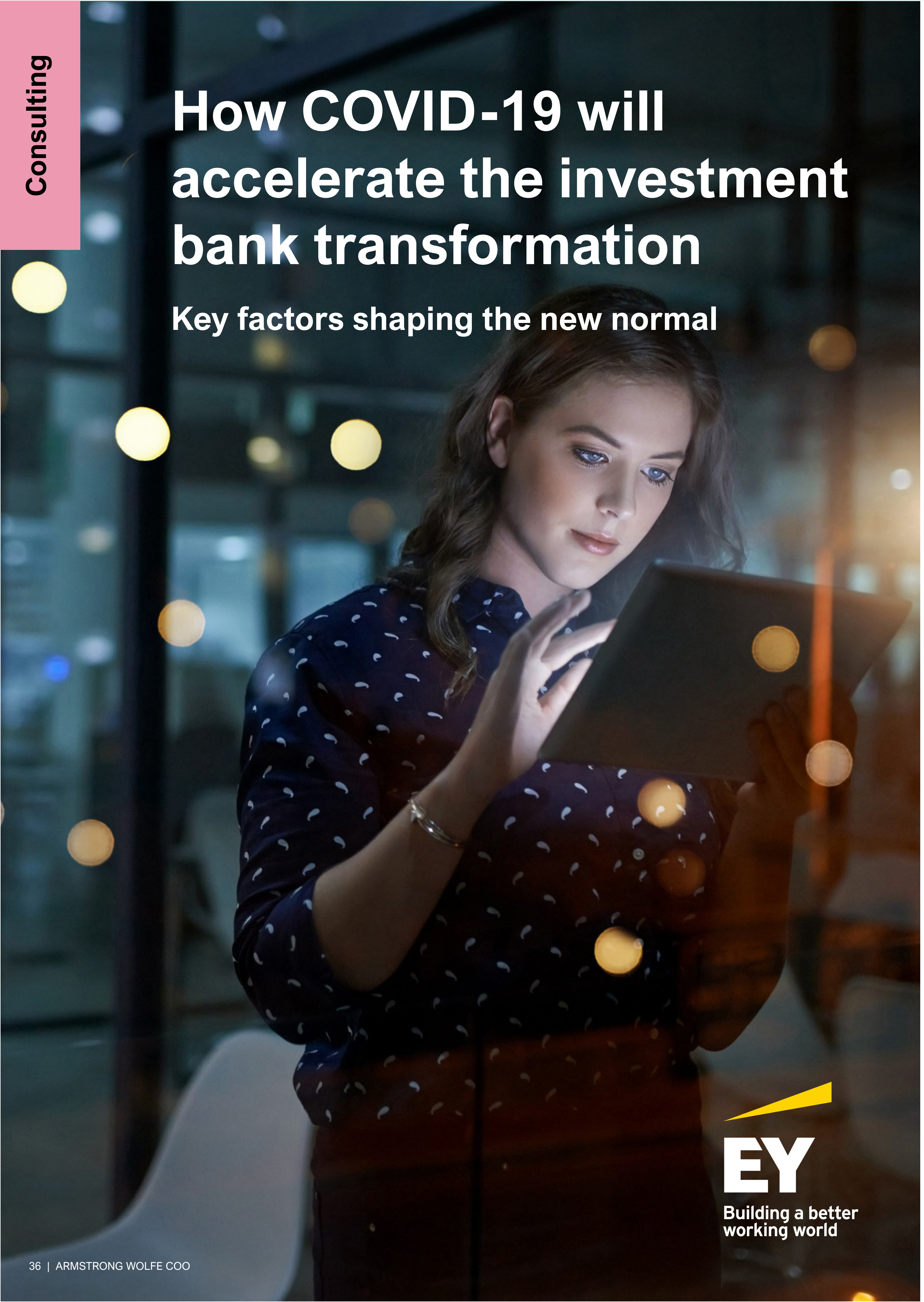
READ MORE

Source: Juliette Kayyem, Former Department of Homeland Security official and author of Security MomT, The Atlantic

Consulting

How COVID-19 will accelerate the investment bank transformation

Key factors shaping the new normal



The COVID-19 crisis is an unprecedented global pandemic event, which has had dramatic impact on daily lives and the broader economy. In the global markets, the pandemic has brought significant dislocation with volatility and spikes in trading volumes, creating challenges in the primary, secondary, funding and derivatives markets.

As the impacts of COVID-19 continue to unfold and the crisis progresses, lessons can be learned from the events of 9/11, the global financial crisis of 2008–09 and several recent natural disasters. However, there is no precedent for the international nature and widespread effect on the global economy and the financial sector, specifically. The functioning of the investment banking (IB) divisions of financial institutions has also been significantly disrupted with the displacement of staff to a work-from-home environment, driving significant operating, cultural and business challenges.

The economic environment has severely impacted clients of the IBs. Corporate clients have faced significant revenue and cost challenges, requiring access to credit lines to maximize cash on hand, and reduced capital expenditure. Institutional investors also have been affected by large surges in redemptions and falling asset values. National governments have introduced fiscal and monetary stimulus to offset the downturn in economic activity and to stabilize market confidence. In the US, this has led to financial institutions preparing to manage their business in a low and potentially negative interest rate environment, which had been prevalent in other economies prior to the pandemic.

Market volatility, volume spikes and demand for services alone would be challenging for IBs to navigate. The introduction of remote work has complicated the environment further. Most firms have the vast majority of IB staff working from home, including, notably, substantial portions of their sales and trading front-office workforce. With what has been essentially an overnight and a prolonged shift to work from home (WFH), IBs have faced challenges in provisioning equipment at scale, supervising remote staff, enabling collaboration and establishing business as usual (BAU) in this extraordinary environment.

It should be acknowledged that IBs and the broader market infrastructure (including financial market utilities and third-party infrastructure providers) have demonstrated an impressive level of resiliency to date through the pandemic. The markets, overall, remain liquid, albeit volatile with significant value fluctuations, and operational processes have experienced a significant increase in volumes during this unprecedented time. However, the pandemic has exposed certain vulnerabilities and opportunities, which need to be addressed to enable greater resiliency, sustainability and efficiency for the IB.

With outlooks suggesting a prolonged impact to the markets and to daily life, the IB processes, client proposition, technology and business mix across the front-to-back value chain may look very different as we come through the pandemic and emerge into what will be a new normal. Key factors that will shape this new normal include:

1. Preparing a return to work strategy: develop and communicate a clear return to work strategy covering triggers, timelines and precautions to limit community spread in the workplace. The plan should identify immediate actions required to maintain the sustainability of remote working.

2. The need for a proactive postmortem assessment: proactive qualitative and quantitative review and assessment of performance through the crisis to identify vulnerabilities in business performance, resiliency and control.

3. Digital enablement of the workforce: reviewing the location strategy of the business and deployment of new ways of working through digital enablement to facilitate sustainable and controlled remote working.

4. Accelerated reshaping of business strategy: accelerate the execution of client, product and regional strategy, with a likely increase in business acquisition or exit expected. The IB value proposition will increasingly shift to focus on data and digital-driven client solutions.

5. Data enabled risk management: enhance financial and nonfinancial risk management with a focus on data enablement and real-time monitoring of risk and exposure leveraging artificial intelligence (AI) to augment supervision and surveillance capabilities.

6. Operations digital transformation: scale operational functions through technology and innovation, digital workflows and addressing underlying root causes of inefficiency, considering the end-to-end client management, process and data journey.

7. Enhanced elasticity of IT infrastructure: implement flexible and secure technology infrastructure that enables the digital and data strategy of the enterprise. The leaders of IBs must strengthen their organizations' capabilities and resiliency by learning from the challenges highlighted during the pandemic and by focusing on the underlying root causes. Many of the challenges are not new but have been further exposed through the pandemic. This provides organizations with an opportunity to reset and reprioritize their legacy transformation agenda, refocusing and accelerating the digital transformation strategies that many firms have in play already today, with added benefits of delivering cost efficiency and enhanced client experience.

01 Preparing a return to work strategy

Prior to addressing the strategic needs of the IB arising from the pandemic, the transition from response to recovery and the return strategy are key considerations. Return questions are focused on timeline, triggers and precautions to limit the risk of a second wave pandemic.

Firms should develop a multistage and staggered return strategy with clearly identifiable milestones and triggers. These plans need to include substantial employee communication and broad stakeholder awareness. For most firms, the primary return to work trigger will be government and health authorities slowly reopening the economy. However, with the expectation of maintaining social distancing in the medium term, it is likely be a slow return to the office. When assessing the scheduling of the return, the IB should consider:

1. Function criticality, risk and remote resiliency across the front, middle and back office, including remote working productivity and performance considerations
2. Sustainability of heightened control and supervision framework in the remote environment
3. Population density in the offices and on trading floors, and the ability to appropriately distance staff, including clear guidance on in-person meetings, travel and foot traffic flow through the office
4. Personal comfort levels of employees and their respective vulnerability to infection
5. Provision of health screening and other preventive health measures (i.e., personal protective equipment, sanitary supplies and strategic cleaning cycles)
6. Opportunities to enhance the connectivity and experience for the remaining remote workforce to ensure sustainability and resiliency of such an operating model
7. Updating the client management strategy to include an increased focus on remote and digital events and entertainment, as well as relevant entertainment policy updates
8. Availability of critical infrastructure (transportation, food, health care, etc.) and pre-COVID-19 support systems, such as schools and childcare that are critical for maximizing employee utility

Timelines for adoption of the return strategy vary, although there is common consensus that the majority of the IB workforce will be working remotely for a prolonged period, with critical function employees being the first to slowly return. With such fluid events, firms should ensure they have a return strategy playbook, review both plans and timelines, and proactively communicate to employees regarding triggers, as well as what to expect when they do return.

The longer-term expectation is to see impacts to location strategy and floor design to provide more space to people who are in the office and greater BAU dispersion of employees to multiple locations, including WFH. As an example, firms may reconsider whether locating the large majority of their front office employees in single office buildings in the heart of major metropolitan cities (New York City, London, Hong Kong, etc.) is appropriate.

"For most firms, the primary return to work trigger will be government and health authorities slowly reopening the economy. However, with the expectation of maintained social distancing in the medium term, it is likely be a slow return to the office."

02 The need for a proactive postmortem assessment

Firms should proactively review and assess where they had vulnerabilities in their business as a result of the pandemic. This review should ultimately lead to an action plan to remediate key issues.

While this review and associated action plan are critical from a business and operational planning perspective, firms should also expect requests by regulatory supervisors and internal control functions to provide a detailed review of the events, decisions made, and impacts on the operational performance and control environment of the business. This will be a key part of the annual and ongoing supervisory examination program. Firms should establish a cross-functional group to coordinate a postmortem review to catalog and assess the following, ensuring appropriate challenge and review from second-line control functions:

1. Document decisions made and actions taken across workforce, operations, business, supervision, risk management and facilities that diverge from BAU, and existing resiliency plans; identify lessons learned and update business continuity plans accordingly
2. Review technology infrastructure performance elasticity, including, but not limited to, virtual network capacity and stability, flexibility of processing capacity and application performance
3. Review enterprise vendor management policies and thirdparty service providers' response and resiliency performance; assess updates to service, control and risk management standards, viability of relationships and any needs to diversify vendors and geographies
4. Catalog and conduct risk assessment of control and policy breaches that occurred, documenting rationale for deviations to support audit traceability and regulatory review, including deep dives into critical functions
5. Perform a look back on controls, supervision and surveillance capabilities and risk assess their performance and suitability going forward, with specific focus on front office controls
6. Identify geographical and jurisdictional differences in terms of degree of impact to inform broader remediation and scenario planning exercises
7. Engage clients to identify frictions and challenges that they experienced across the relationship and identify opportunities for enhancement and competitive advantage
8. Review impacts to current regulatory and strategic initiatives, including deliverable timelines and risks, to identify where to request relief and/or prioritize investments in a coordinated manner
9. Build a prioritized remediation road map for updates to enterprise infrastructure, policies, procedures and controls from lessons learned; reprioritize change the bank budgets as appropriate

Firms should use this analysis to also develop a detailed view on lessons learned. This analysis should consider multiple scenarios to stress test the identified opportunities and weaknesses to build a more robust remediation plan. Business continuity plans and resiliency protocols will need to be updated to reflect such learnings and evolve to the "new normal" operating environment, including second order resiliency risk arising from prolonged working from home, and which surveillance standards need to be enhanced to maintain the appropriate control environment.

03 Digital enablement of the workforce

The IB workforce across all functions is traditionally office based, particularly as it relates to front office sales and trading. The COVID-19 crisis has triggered a significant displacement of the workforce requiring the vast majority of personnel across the industry to work remotely.

Albeit with initial challenges, the infrastructure is now broadly in place and employees are set up for remote working. While still too early to broadly assess, it has been a more seamless experience to date than many expected. Some of the key challenges that firms had to overcome include the provision of technology hardware to enable remote working (particularly for sales and trading staff), the need to record client conversations, and the ability to appropriately supervise and engage the workforce in a remote environment. There are several broader considerations impacting the ability to sustainably work from home. While we do not advocate a full work from home setup as a standard across the IB, given the broadly positive experience to date there is a potential opportunity for greater flexibility for remote working.

1. Enable a virtual and digital workforce. Firms should review the tools offered to their teams to facilitate a more flexible and remote workforce. Traders will need to be digitally enabled with virtual turrets, collaboration tools and more flexible connectivity to systems, potentially creating mobile application solutions for core platforms. Front to back processes will need to be increasingly embedded into digital workflow tools to facilitate monitoring and virtual handoffs. Firms should also review second order business continuity plans such as a localized power or Wi-Fi outages impacting remote workers.
2. Supervision considerations. Firms need to risk assess which functions they are willing to allow to be facilitated remotely, any risks this may create, and how remote workers and processes can be effectively supervised. This is especially important for high frequency, low latency and high volatility products and platforms. Supervision broadly will need to become more data driven and AI enabled and less reliant on physical proximity; this will also strengthen the IB's broader control environment.
3. Cultural considerations. Firms will need to ensure they provide opportunities for the flexible workforce to foster a team environment and ensure the firm's culture of high performance and collaboration is maintained and fostered. Engagement with the workforce throughout will also be critical to build trust and ensure its voice is heard in adjusting to the new normal. There will be additional benefits for firms that can demonstrate the ability to adapt to a more flexible operating model and sustain effective operations with a more remote workforce. Added flexibility potentially opens the career path to previously unavailable high-quality labor, a potential reduction in occupancy needs in high-cost campus locations, and added resiliency to the firm from a more flexible and dispersed workforce. Firms should consider how they can build an advantage from providing more flexible work arrangements in a controlled manner.

04 Accelerated reshaping of business strategy

Prior to the COVID-19 crisis, many IBs were focused on strategically reviewing and reshaping their businesses. Firms with excess balance sheet and capital reviewed their growth strategy, with some looking at acquisitions while others focused on organic expansion.

In contrast, other IBs looked to rightsize by exiting less profitable clients, regions and products, as well as divesting entire business lines.

The pandemic has impacted revenues and demand for businesses across the IB, with shifts across products, geographies and asset classes. As firms adjust to the new normal, a more proactive approach to M&A and business exit is expected to reshape their business mix and reallocate capital to strategic opportunities.

Some businesses previously earmarked for rightsizing or exit could see outsized revenue opportunities; others may be subject to regulatory action, impacting their long-term viability. Some IBs will look to industrial partnerships across front, middle and back office to enable scale and improve margins as they reshape their business. When making these key decisions, metrics should consider required investments to upgrade the infrastructure for efficiency, resilience and scale to ensure sustainable profitability.

Firms should refresh their strategic business plans, define their strategic positioning and size accordingly. Over the longer term, there is the potential for a smaller set of global universal banks, with an increase in regionally and product focused firms, a trend that may be accelerated by the crisis.

Data enabled salesforce and client strategy. The crisis has transformed client coverage, service and connectivity overnight. Firms with a data driven approach to client coverage that can provide deep, personalized insights to clients are well placed to maintain and grow relationships and have had the least disruption to their client relationships. Firms can also use such data to dynamically allocate resources to meet clients' needs for credit and liquidity across businesses, strengthening their relationships.

Digital and data enablement. Sales teams historically are product focused and institutionalizing their understanding of clients across products can create significant value. The data driven approach enables sales and coverage teams to stay relevant to clients in a remote environment. The data also enhances management's ability to measure sales performance; track interactions; and better understand, drive and forecast performance. To achieve this, firms should upgrade their data, analytics and client relationship management (CRM) capabilities to analyze client commentary, financials, transaction data, pricing requests, market data and operational service insights.

Client coverage and prioritization. Appointing a cross-asset-class account executive can assist in the prioritization of resource allocation and brings the power of the firm to the client. Data should be leveraged to identify gaps in coverage, segment underperformance, cross-selling opportunities and pricing assessment. Firms adopting a client-centric, solution-oriented sales approach will succeed.

Virtual events and digital content. This can enable client interactions from business, cultural and social perspectives. It is important that firms look at how to meet these needs from clients at a time of isolation for most. Longer term, this may become a more cost-effective and environmentally sustainable approach, although firms should personalize the approach so as not to overwhelm clients with content.

Hosting virtual meetings, conferences and road shows makes events accessible to a wider investor base and can deepen client relationships. Providing commentary, market insight and speaker series with business and cultural leaders will provide insight and stimulation for clients and broader stakeholders. We have also seen firms hosting virtual happy hours with clients to sustain relationships.

The current environment presents an opportunity to look at how data and analytics can be used to target and automate client interactions and coverage, helping firms provide enhanced service and potentially achieve objectives of enhanced cross-selling and revenue growth.

Acceleration of digital strategy and electronic enablement

Pre-pandemic, market participants had been broadening the adoption of electronic trading, with single dealer, multi-dealer and peer-to-peer trading venues growing in all asset classes and geographies. The crisis has highlighted challenges with high-touch channels, such as voice and e-messaging, in high-volume and high-volatility markets. We expect these frictions to accelerate the adoption and product expansion of electronic trading mechanisms, presenting opportunities and challenges to the IB.

Electronic pricing and risk management. Firms need to enhance their infrastructure to support electronic trading in broader and more complex asset classes (credit, securitized, etc), with a less observable market price, and larger notional where firms limit e-trading size today. To be competitive in pricing and dynamically manage risk exposure, firms need to enhance their data management capabilities and leverage algorithms to price real-time risk. Such capabilities need to be resilient to highly volatile and high-volume markets; several firms' tools struggled with this through the pandemic. However, electronification can commoditize markets with dealer-agnostic execution and lower barriers to provide market liquidity.

Algorithmic trading. Enabling electronic execution opens a broader marketplace for buy-side and institutional investors for algorithmic trading solutions and introduces index and exchange-traded fund products across broader asset classes. This presents opportunities to provide digital toolkits for market access and risk management. Such toolkits can create significant client demand and enable platform businesses to attract greater flow, capturing more market data and creating a virtuous circle for firms with the strongest platform and data offering. However, firms need to upgrade their risk management capability to support such exposure, embedding automated circuit breakers and controls.

Digital platform solutions. Solution-oriented cross-asset-class platforms will emerge to serve clients across the transaction life cycle, beyond the traditional market access role of such offerings. To be truly differentiating for clients, an aggressive ecosystem partnership strategy will be required, potentially with firms previously seen as competitors, to offer a best-in-class solution-oriented service. For example, firms can offer portfolio construction, risk analytics, cross-asset margin compression, market data and data-driven insights via a digital platform distribution strategy, enabling stickier and deeper client relationships.

There is a potential for digital platforms to be offered as "white-label" services, under broader industrial partnerships, enabling smaller players to focus on their core capability while still providing their clients with comprehensive market access. A digital-first business model for some IBs is likely to emerge.

As electronification accelerates and digital solutions become the new battleground for IBs, the gap to market leaders will widen. Firms will need to transition to selling solution-oriented platforms over transactions and to a cross-asset-class client-centric service model. Firms also have opportunities from a broader open market to access clients electronically that have not previously been on platform. Investments in digital services and expanding both single dealer and multi-dealer platform connectivity and capability will deliver outsized client flow and stickiness. The focus on data and analytics delivering personalized insight to clients and managing real-time risk and pricing will further separate firms.

05 Data enabled risk management

IBs have long focused on effectively managing financial and nonfinancial risks, with responsibilities, capabilities and controls sitting across both the first and second lines of defense.

The crisis has exposed inefficiencies across risk and control processes, and while some processes have performed well, others have required tactical adjustments to enable more effective risk management and reporting. As firms settle into the current model of primarily remote working, sustainability and comprehensiveness for managing existing and emerging risks are factors that need to be considered. As various fluid events unfold in the coming months, firms need to be working on go-forward planning and adapting their stressed operating models and capabilities.

Supervision, surveillance and related control environment

For nonfinancial risk management, supervision and surveillance have been at the forefront, given the challenges of monitoring and reporting sales and trading activities in a remote environment through a volatile market across asset classes. Challenges have ranged from how sales and trading staff communicate internally and externally to a lack of surveillance capabilities off the trading floor, as well as resource capacity constraints due to a spike in surveillance alerts triggered by extreme market volatility. Firms have tactically implemented ad hoc solutions to best replicate their BAU processes and maintain their capabilities:

1. Technology needs to be deployed rapidly to surveil WFH sales and trading staff, including trading activity, voice and written communications, and personal account activity, by deploying computer hardware, enhanced network access technology, hardwire phone lines and cell phone recording software, as examples.

2. Higher frequency intraday control checks and additional supervisory reviews must take place, e.g., remote population confirmation, trade review reminders, and risk and P&L and communications reviews.

3. Additional attestations should be performed to account for any new potential conflicts of interests arising in a WFH environment and ensuring WFH staff is aware of expectations.

4. Policies, procedures and business risk registers need to be updated and communicated frequently to reflect the necessary changes with notification to applicable stakeholders.

Firms generally have achieved a high level of resiliency and continuity through the crisis, navigating the initial surge of disruption. Now firms need to pivot their attention to enhancing systemic controls, including:

1. Sustainability of tactical controls. Firms should look to enhance their supervision and control programs to ensure they are able to sustain the heightened supervision standards more systemically for the expected ongoing remote activity; this is likely to include agile technology development.

2. Digital enablement of surveillance and insight capabilities to leverage advanced technologies. It is now clear that leading firms will look to incorporate best practice resiliency into ongoing business in an agile operating model for people process, technology and location strategies. Leading firms will use this opportunity as a catalytic moment to accelerate the incorporation of better data and analytics into their surveillance programs. This will allow new insights into their people, their risks, client and service provider behavior, and the market overall.

Firms may not be able to predict every future event or scenario but can embed deeper learning and continuous insights into ongoing operations to mitigate emerging risks.

Real-time financial risk monitoring and management

Several financial institutions have long-term programs in place to address analytical and data-related shortcomings. The pandemic has magnified the need to accelerate efforts, especially in context of financial risk management.

IBs with fragmented technology and data architecture have struggled to consolidate a global view of intraday and end-of-day risk in this volatile period, undermining management's ability to nimbly manage and monitor risk. The cross-business impact of the current market environment makes the ability to aggregate risk exposures to manage the institution-wide activity at geographic, sector and product specific concentrations critical to operate within firms' risk appetite limits.

Organizations have developed tactical off-cycle analytics to accurately measure intraday exposure metrics where enterprise analytics could not capture the near-real-time picture, as firms balanced speed with accuracy of information used in decision-making. While useful, firms should consider strengthening these tactical fixes into longer-term, strategic solutions.

Enabling real-time counterparty exposure monitoring

Counterparty exposure & concentration monitoring for many firms' counterparties exist across asset classes and lines of business or fall under the same parent counterparty tree. It is critical to have an accurate firmwide picture of counterparty risk and assess the need to quickly adjust their limits based on dynamic market events. Monitoring real-time consumption of limits intraday and identifying concentration of exposures for counterparties is a critical gap in capabilities for many.

While most firms enhanced capabilities for intraday exposure monitoring after the global financial crisis, several remaining vulnerabilities have been exposed through the pandemic, and we expect to see firms revisit their strategic capability in this space. More specifically, counterparty watch list and default management protocols need to be refreshed and automated to further enhance monitoring capabilities.

Proactive loan portfolio reviews. Firms have recognized the need to be more proactive in reviewing their current loan portfolios to identify troubled credits, particularly for more vulnerable industries and segments, and begin mitigation activities earlier in the cycle. The challenge has been that many loan review and credit functions are not staffed at levels necessary to undertake these reviews at scale. Firms are exploring alternative and more innovative ways of performing such reviews that may be leveraged into these functions on a go-forward basis.

Accelerated credit approvals. Credit officers are challenged with supporting ad hoc processes for accelerated credit approvals amid incomplete data, drawdown of existing lines and a market environment that has negatively impacted overall counterparty stability, ratings and downgrade triggers in certain industry sectors, particularly hospitality, entertainment and transportation. Overall, the market volatility has resulted in breaches of existing market concentration and counterparty limits and has put a heightened focus on the need for a more granular and frequent market and counterparty risk monitoring framework, including intraday risk monitoring capabilities.

"IBs with fragmented technology and data architecture have struggled to consolidate a global view of intraday and end-ofday risk in this volatile period, undermining management's ability to nimbly manage and monitor risk."

06 Operations digital transformation

IB operations have demonstrated a high level of resiliency during the COVID-19 pandemic, though not without issues, as significant market volatility and volume spikes have challenged operations groups. Teams have struggled to clear backlogs, match capacity with demand, effectively interface with clients and provide accurate point-in-time views of operational risk.

The challenges arising from the pandemic are symptoms of underlying issues in processes and technology that firms have not prioritized, due to complexity, business case or perceived potential for success. This is most prevalent in the gap between the scalability of front-office technology and the lack of scale of operational processes.

While firms must address challenges strategically, there are several nearterm solutions that could be rapidly deployed to provide immediate relief and close capability gaps until strategic solutions are available.

- Low-code/no-code technology allows firms to rapidly workflow enable volume-sensitive processes to enhance the monitoring, control and process handoffs.
- Data visualization and optimization tools can be implemented to close gaps in current operational risk and performance management reporting.
- The adoption of industry-wide interoperability solutions can accelerate exception resolutions between firms.

We believe that in response to COVID-19, firms need to accelerate efforts to strategically break the linear relationship between market and processing volumes, moving from processing to managing, and eliminating exceptions. We expect to see a focus on the following four areas as firms begin to address the strategic challenges highlighted by COVID-19.

1. Access to real-time operational data. Few firms have a trusted, real-time repository of operational data (volumes, events, fails, breaks, etc.) to leverage for point-in-time risk management, performance analysis and regulatory compliance. This gap has created a challenge responding to the crisis, where regulators and management expect a real-time view of operating risk.

Strategically, this gap limits the ability to accurately assess operational performance across the trade life cycle, understand needed changes to client and desk behavior, and forecast and measure the impacts of process and technology change. Firms should focus on developing an operational data strategy, investing in technology and training their teams in the methods needed to manage data as a strategic asset.

2. Acceleration of moves to common processes, shared services and agile operations. The pandemic has impacted the ability to leverage a global resource pool, creating imbalances of demand and capacity across operations. Product, technology and regional silos are unable to flex as needed to respond to challenges like COVID-19. Previous efforts to develop shared services have often resulted in common management of different processes running on disparate technology in different regions.

Firms can leverage a true shared service strategy to addresses these challenges. This allows firms to address performance variability holistically, leverage best-of-breed technology and process, and support continual load balancing. Agile operating models can further increase organizational flexibility by breaking down barriers between processing, subject matter and change resources.

3. Development of industry operating standards. Processing backlogs have occurred in functions where industry utility tooling is available, but take-up is not universal. The effective use of industry capabilities in areas such as allocations, margin management and trade confirmations can no longer be treated as optional.

Firm-specific self-service tools need to leverage industry communication standards (SWIFT, ISDA CDM, etc.) to allow the buy side to develop common processes and technology tools to manage streetwide interactions. Client access to standardized processing data sets should dramatically reduce the resources aligned to exception management. Traditional utilities and FinTech providers should be pushed to close capability gaps, with a goal of minimizing duplicative processes across organizations. Firms can develop deeper relationships and potentially partnerships to collaborate across the industry ecosystem to maximize the potential for success driving efficiency.

4. Focus on process optimization and digitization. With the three prior areas as a baseline, firms will be much better positioned to determine where investment is needed in process optimization and digitization. Better data will lead to stronger outcomes in digitization efforts and drive the shift from work management to work elimination. Common internal and external operating models allow for solutions to be developed once to satisfy the needs across different products, regulations, geographies and clients.

These challenges are not fundamentally new, and firms have been able to work through the recent capacity and processing challenges. What the COVID-19 response has exposed is the inability for firms to be able to meet these challenges strategically. A paradigm shift will be required to scale processes through technology to meet expectations of clients, business partners and regulators, and will be a priority as firms return to what will become the new normal.

07 Enhanced elasticity of IT infrastructure

IB technology infrastructure has come under strain with significant market volatility and volume impacting performance, reliability and resiliency. The key lessons learned from the COVID-19 crisis include the need for flexible capacity, modernization of applications and scaled remote working.

1. Flexible capacity to provide an elastic supply of processing power at peak times for critical functions to manage the workload and performance. Firms should catalog processes and applications, identify criticality, and understand the critical path and peak times through performance stress modeling, enabling prioritization of processing power to critical functions. Bandwidth and remote access stability should also be reviewed to support more scalability in remote working with multiple virtual private network access options made available.

2. Cloud vs. captive processing power for firms is a factor of relative size and required control. Large firms tend to have excess capacity in their own infrastructure to support load management and can control and switch off noncritical processes at peak usage. In a vendor cloud environment, while there is unlimited processing power and storage, firms are competing for space with other organizations, which limits their ability to throttle and manage their own workloads. Firms should consider their broad data center and cloud strategy in context of their size, processes, functions, geographies and demand management needs.

3. System modernization is a high-priority item coming out of the pandemic with performance challenges being primarily focused on legacy mainframe applications and code bases that limit the organization's ability to flexibly adjust capacity needs and fix bugs and bottlenecks as demand spikes. Firms should look to assess their legacy platforms and build out an upgrade and replacement strategy for these functions to enable a more dynamic capability. Such upgrades need to be handled in a robust and controlled manner given the critical importance of many of these legacy platforms and applications.

4. Cybersecurity events have spiked through the pandemic with a remote workforce more vulnerable to attacks; firms should focus on enhancing the monitoring and investigative capabilities across their infrastructure. Firms should also continue to heighten awareness among staff through education and increased testing.

Broader technology considerations include the need to develop and deliver a data strategy that enables greater consistency and timeliness of data availability across the enterprise. Technology solutions should leverage the latest methodologies to maximize flexibility and ease adoption with emerging technology tools and micro-service design embedded in the architectural principles of the organization. With increased remote working expected to become the norm, firms should review their change management methodologies to further enable agile change management and review the development operations toolkits enabling streamlined quality assurance and control over the code development, testing and deployment.

Technology and data capabilities have never been more important to the IB with emerging technologies and techniques transforming the speed and scale at which firms can implement enhancements to infrastructure. By taking an enterprise view of the organization's technology needs and managing data holistically, firms can position themselves to deliver cost, capability and client service transformation, fixing the root cause of current inefficiency and business challenges.

Firms should strategically review the technology plans as part of the proactive postmortem review of lessons learned through the pandemic and reprioritize transformation road maps as appropriate to address the challenges identified and focus on critical issues in a prioritized manner.

A final word

With significant and longlasting impacts expected for the IB, it is critical that firms learn from the COVID-19 crisis.

Firms have shown an encouraging level of resilience and continuity at a time of high volume, volatility, demand and emotional strain on employees. There are, however, several lessons learned and strategic initiatives that should be accelerated or initiated to further enhance operational efficiency and client experience and remediate vulnerabilities that were exposed.

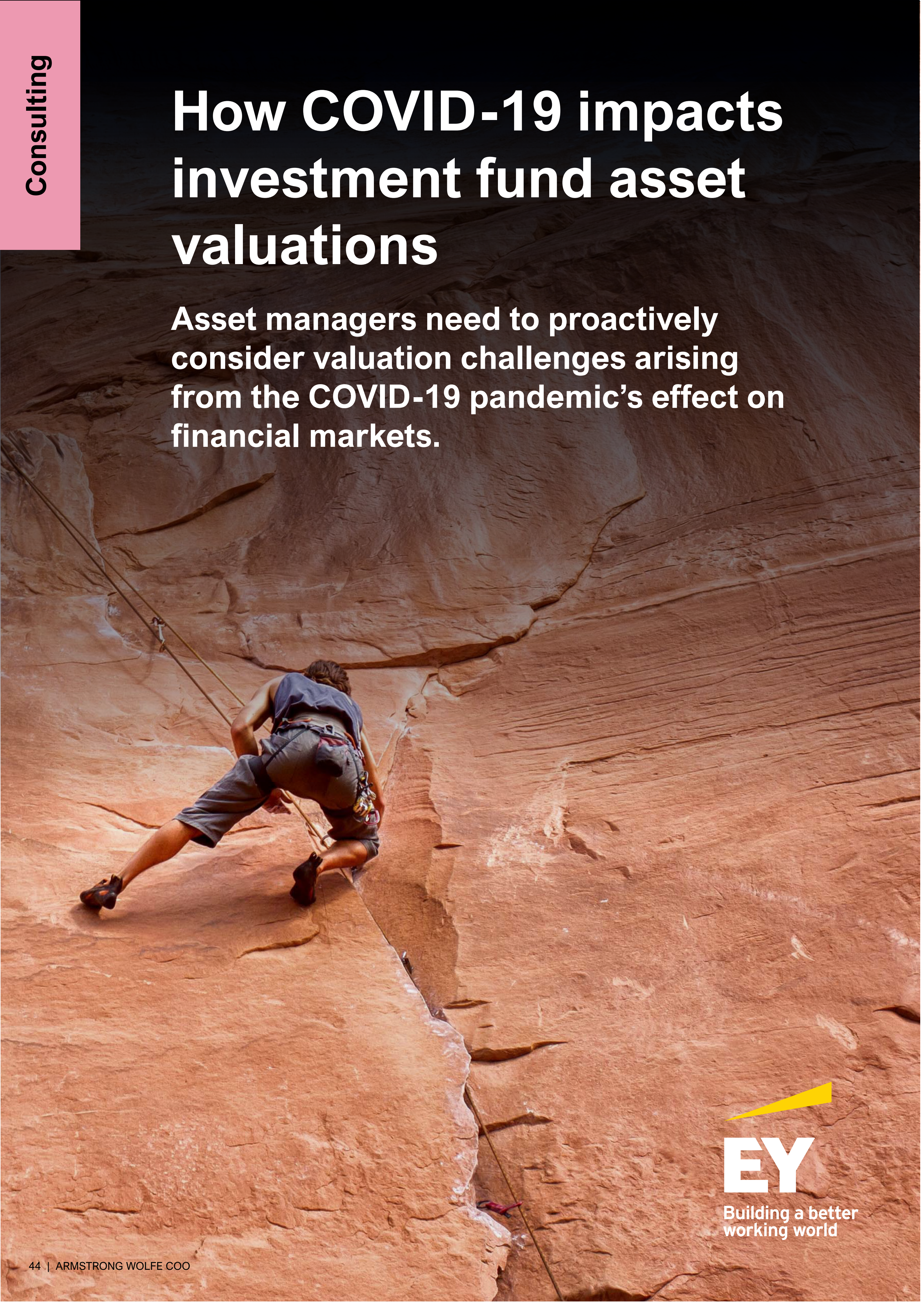
1. Support prolonged, sustainable remote working on scale, providing greater location flexibility and process efficiency through digital enablement
2. Transform the client value proposition and experience through digital solutions and a data driven personalized approach
3. Enhance digital, data and analytics capability for commercial and risk management benefits
4. Augment supervision and surveillance capabilities with data driven and AI-enabled solutions
5. Integrate front-to-back risk analytics and limit monitoring, connected in real time to trading platforms
6. Promote a flexible and secure technology infrastructure to sustainably support volume and remote working

IBs broadly have demonstrated resiliency and played a key role in sustaining an orderly market, supporting the economy, and ensuring market liquidity and business continuity. However, they should use this as a learning experience to further enhance their capabilities and address the challenges observed to enhance further their own and the market's resilience.

Firms should take two immediate actions. First, firms need to develop a detailed multistage and staggered cross-functional return to work strategy playbook. Second, firms should initiate the execution of a holistic and proactive postmortem review, developing prioritized remediation action plans. We expect both to form a central part of audit and horizontal supervisory reviews over the coming months.

From a strategic perspective, it is imperative that firms refine their transformation objectives considering lessons learned to date through the pandemic and also review their broader strategic agenda. We expect the most proactive firms in assessing their vulnerabilities to be best placed to direct strategic investment. IBs with focused digital transformation strategies upgrading their data, technology and front-to-back infrastructure will be far more strongly positioned for growth and profitability in the new normal.

The views expressed in this article are those of the authors and do not necessarily reflect the views of Ernst & Young LLP or other members of the global EY organization.



How COVID-19 impacts investment fund asset valuations

Asset managers need to proactively consider valuation challenges arising from the COVID-19 pandemic's effect on financial markets.

Building a better working world

The 2008 financial crisis highlighted that there was insufficient management of liquidity and excessive risks in the industry. As a result, firms started more closely monitoring their investments, diversifying portfolios and increasingly focusing on their governance structure.

Such measures were thought to provide increased resilience in the event of future market turmoil. Despite this, new challenges have emerged as a result of the uncertainty arising from the COVID-19 pandemic.

Financial markets reacted to the pandemic by plummeting and highly volatile stock markets and increasing credit spreads. We have seen a significant reduction in the liquidity of many asset classes, postponed M&A transactions and the temporary closure of small financial markets. These factors lead to significant pressure on fund liquidity as investors look to redeem or reallocate holdings. As a response, asset managers have started to take significant protective measures, as illustrated by the recent decision from well-known asset managers to gate or suspend open-ended real estate investment funds to ensure equal treatment between investors.

Regulators across the globe have started asking asset managers for additional information. Both the Irish and Luxembourg regulators have been investigating the ability of investment fund managers to meet large investor redemptions and have imposed additional reporting requirements, whilst the SEC has asked whether funds have experienced any delays in, or concerns with, pricing services providing daily prices.

The first priorities for asset managers have been the health of their workforce, and to ensure that operations can continue. Secondary to this, but nevertheless an important topic, is assessing the impact of this pandemic on the valuations of their investment funds' portfolio assets, as well as ensuring sufficient liquidity.

In light of the COVID-19 pandemic, asset managers should address the following six key issues when it comes to the valuation of their investment funds' assets:

1. Valuation policies and guidelines

Various external sources (such as International Valuation Standards (IVS) and the International Private Equity and Venture Capital Valuation (IPEV) guidelines) provide guidance as to how to deal with volatile or illiquid markets. Nevertheless, it may be appropriate to reconsider the valuation approach, for example in circumstances where information from recent transactions is not reliable.

2. Financial models and business plans (of particular relevance to unquoted assets, private equity, real estate, infrastructure, etc.)

The business plans are an important input to value measurement. How should the business plan assumptions be reassessed considering the current economic environment? Do the financial models for valuing your portfolio investments appropriately capture stressed liquidity scenarios? How are your portfolio companies protecting their business and do your valuation assumptions remain reasonable?

3. Valuation of illiquid assets

Illiquid assets are frequently valued based on recent comparable transactions. Since the COVID-19 outbreak, most transactional activity has been postponed and past transactions may no longer reflect current market conditions. How should value be assessed then? Is it reasonable to assume a return to 'normal markets' and, if so, when?

4. Valuation for funds of funds

For most investments in other funds (such as private equity fund of funds), the previous quarter's NAV of those funds is frequently adopted for the fund itself. How should the fund recognize the COVID-19 impact in its reporting for 31 March 2020 and adjust the reported NAVs as at 31 December 2019 appropriately?

5. Valuations for financial reporting as at 31 December 2019

How should the impact of the COVID-19 pandemic be appropriately addressed and included in your financial statements as a post balance sheet event to keep these from being misleading?

6. Valuation opportunities

Is the current environment offering an opportunity to take a critical look at some assets and take the appropriate impairment decisions?

Three business cases to consider:

Quarterly portfolio valuations

The typical approach to valuing unlisted investment portfolios on a quarterly basis is to consider recent comparable transactions at each quarter, and then use the data identified to calibrate the valuation to the previous quarter and/or transaction date. Since the outbreak of the COVID-19 pandemic, the market data is either unavailable, unreliable or stale, and as such may not be relevant for the purposes of the quarterly valuation process.

Fund of fund investments

For fund of funds, many asset managers tend to rely on the valuations included in the NAV provided by the fund they invested in. These valuations are usually not contemporary with the NAV date and frequently based on the underlying funds' past quarter NAV. We understand that for those fund of funds that are reporting as of 31 March 2020, when the impact of the pandemic struck the markets, the NAVs available to them from their fund investments are often pre-COVID-19; in particular for illiquid funds, these NAVs are typically based on 31 December 2019 (or older) valuation dates. As at those dates, and even as of the end of February 2020, the impact on the markets was less pronounced. Whilst the impact on the listed investments can easily be verified, for unlisted investments this is less straightforward.

Financial models and business plans

The current social distancing requirements, combined with economic concerns are harming companies' revenues, profitability, cash flows and liquidity. Most organizations are faced with uncertainty in relation to their business modelling scenarios that in this environment play a key role in making decisions, provided the models are based on valid assumptions and associated risks are properly evaluated. In order to navigate this uncertainty, decision makers need a set of forecasts, scenarios and models for operational, reporting and future investment purposes.

Summary

COVID-19 creates major uncertainty and asset managers need to consider if the valuations of funds used are sufficiently robust to produce a reliable NAV. A sustainable approach will be needed for what may be an extended period of disruption. We recommend careful documentation of key decisions so that an audit trail can be produced in the event of any later enquiries.

[Download Impact of COVID-19 on investment fund asset valuations (pdf) for more information.]

About this article

Authors

Christophe Vandendorpe

Leader, Transaction Advisory Services, Ernst & Young S.A

Michael Ferguson

Partner, Wealth and Asset Management Industry, Ernst & Young S.A.

Richard Gray

EY EMEIA Wealth and Asset Management Transactions Leader

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Building a better working world

Consulting

Back to work – or forwards to a better future?

How leaders in financial services can navigate to the new normal beyond Coronavirus COVID-19

In a few short months, the world has gone through radical upheaval due to the Coronavirus COVID-19 pandemic1 - and financial services is not immune from the impact.

In many ways, this global experience forces finance to go back to its roots and think about its fundamental purpose of servicing clients well. Now, as countries and sectors begin to address their 'exit strategy', there is both a need, and an opportunity, to re- define what the new normal should look like.

As professional advisors to the financial services industry, we believe there is no going back to the future. Firms which believe and behave as if the good old days will return simply will not survive.

After any major financial crash, regardless of cause, paradigm shift is inevitable. Leaders must stay ahead of the game and be ready, now, to shape and succeed in a new world.

What's changed?

Everything. In particular how, when, where – and possibly why – we work. Preconceptions, long held as immutable truths, have quickly crumbled: the inefficiency of working from home; the necessity of traveling to do business; the impracticality of flexible work hours.

How can leaders regain perspective?

Sionic has market-leading expertise in organisational development2. For a holistic view of all- encompassing change, I often use the European Foundation for Quality Management (EFQM) model3. This looks at what a company looked like before the crisis, what it looks like now and what it should look like in order to succeed in future.

The EFQM excellence model is a non-prescriptive business excellence framework for organizational management, promoted by the EFQM and designed to help firms become more competitive. While not an exhaustive list, it does provide a robust starting point.

Regardless of sector, size, structure or maturity, firms need to establish appropriate management systems to be successful. The EFQM excellence model is a tool to help firms do this by measuring where they are on the path to excellence, helping them understand gaps, and promoting solutions. The model groups five categories as essential 'enablers' to achieve success, which then translate into four different areas of results. These are summarised over the following pages.

The Five Enablers

1. Leadership
One of the most important aspects of any company's success is the leadership it displays at every level. We have just left behind a period of extraordinary growth and financial success. Now, this crisis will require a different kind of leader than those we have had in these past ten years.

As we enter this new era, the manager/leaders of the past may not be the managers of the future.

For the past decade, managers have had more of a maintenance profile than one of innovation and risk. In order to succeed in the coming years, the new manager will need to be adaptable and decide quickly, all the while mitigating risk in the forefront of their reasoning.

Fundamentally there are three type of leader/managers:

a) Creator - the entrepreneurial type, there to identify opportunity, take risk and create new opportunities and build businesses.

b) Maintainer - once business has been established, this leader constantly improves existing processes and implements business in a structured and healthy environment.

c) Renovator - the leader/manager who can anticipate new trends and determines what needs to be changed in order to re-invent the business to render it once again successful, sustainable and profitable.

For the past decade, most businesses have been led by maintainer leader/managers whose fundamental goal will be to get back to the old norms. After 2008, firms did not want to face the new financial services landscape and adapt accordingly. The leaders of these firms do not see that their old normal will never return. By contrast, we are now entering an era of the renovator manager/leader.

- All parts of the firm must be re-evaluated and either confirmed as working, to be fixed closed.
- The key to success during this period is decisive action and the courage to admit that if a decision is wrong, do so, and change it quickly.
- Not deciding during a period such as this is the most dangerous of all options.
- The renovator must be proactive, able to embrace new technologies and new ways of working and mix the old ways with the new in order to adapt and succeed in this new world.
- In addition, these individuals must practice people-oriented leadership. Areas associated with this style are motivational, transformational, and moralising.
- This type of leadership is also more empathetic – an attribute likely to be most prized as we come out of this most profoundly human crisis and face the future, together.

2. People
Successful firms are critically dependent on the happiness and well-being of their workforce. Over the past few years, we have already seen a trend of more people wanting time off, working part time and moving towards quality of life objectives more than monetary ones. It's too soon to judge whether, with hard economic times ahead, the experience of the crisis will mean that quality of life is more, or less, important. But in either case, the well-being of the workforce remains essential.

And renovation is an opportunity to 'build back better'4.

We've changed where we work.
Although it took some firms some time to get their business continuity processes (BCP) working properly, many employees have found themselves working from home. The work still got done. One obvious conclusion is that having offices for all our people is now a choice, not a necessity. If properly implemented, this will also result in a reduction of office space/costs. And the office space that remains viable will be agile, rather than having a fixed desk format.

We've changed when we work.
During the crisis, parents with young children, households with two working partners, people caring for family members have all had to accommodate additional responsibilities into their daily routines. The 9 – 5 day has been replaced by a myriad of variations. Whether employer-led or employee-led, there now needs to be a total review of flexible work times and part-time contracts. We've also mostly stopped commuting – impacting our carbon footprint in positive ways. Do we really want to 'go back'? This 'new time', the elimination of certain commuting days, also has a positive effect of diminished carbon footprint which is topical in today's world.

We need to stay safe.
One of the major shortcomings of firms during this period speaks to Maslow's hierarchy of needs5: the lack of protective equipment or process for employees. Employees simply did not feel safe. As employees were slowly being set up to work from home, many still worked at the office where a lack of masks and hand sanitizer were in short supply. This led to absenteeism where employees feared contracting the virus from a colleague and bringing it home. Business continuity plans must be current and necessary equipment must be on-site. This will be an area of focus for regulators and auditors in the years to come.

We discovered some ugly truths.
Inevitably, when many people have been working remotely or have been absent from work for weeks, there will be some unpleasant discoveries when things return to any kind of normal. In financial services, it is common practice for employees to take an imposed two-week core leave period every year. This requirement exists in order to uncover fraudulent behaviour within the firm. Sadly, there will be several frauds that will be discovered at the end of this crisis and subsequent action needed to be taken. This should be anticipated and looked at immediately.

We've been changed by this experience.
As people come back to the workforce, they may not be the same people they were when they left. Many people may have lost friends or family members and will still be dealing with the loss. This can lead to forgetfulness, aggressive behaviour and depression. This was a phenomenon well documented after the 9/11 disaster in the US. Psychological support should be made available for staff. Sionic has been running well being sessions for clients and contacts since the pandemic started6.

We may have taken a hit.
Many staff may be suffering financial difficulties. These people will have had partners, children, friends and parents lose jobs and will now have the obligation of supporting them on a salary that could be less than at the outset of the crisis. Risk of fraud will be much higher than it was in the months prior to the economic shutdown. Companies should not forget to renew employee screenings/accreditation especially for those in highly sensitive positions within the firm. As a matter of best practice, for the highly sensitive positions, background checks should be done on annual basis. My colleague Gareth Evans from our specialist Financial Crime & Compliance team has issued separate guidance on how to deal with fraudsters seeking to exploit the pandemic7.

3. Strategy
The firm's overall business strategy must be re-evaluated. The combination of services and products will have to be adapted to clients' new needs and appetites.

- Almost all processes will need to be confirmed, adapted or cancelled.
- Former money-making business areas will need to be evaluated and closed if necessary.
- In particular, as customer habits change after this crisis, a digital offering will be of utmost importance. If the firm lacks this, they are already at a serious disadvantage vis-à-vis their competitors. This will be as much a cost of doing business need, as much as it will be a customer request. The older, more manual approaches will be too expensive to maintain in the long run.

We must also continue to develop the capabilities of our employees. While companies will have to revisit their strategic priorities, the need for a highly trained and motivated workforce will be even more important in delivering 'renovation leadership'.

On-line-learning - which has been around for many years - may be able to play a part. But what is needed is delivering the power of the classroom training with case studies, guest speakers, simulations, practical sessions which are observed, and feedback given, plus specific 1-1 coaching, in a different format. Recent events have seen the most innovative learning and development organisations rapidly develop engaging virtual sessions, which include all of the dynamic components of classroom training which are being hailed as "just as good as face to face and better in terms of easily connecting people internationally to come together and develop".

Firms will also have to think carefully about where the clients of the future will come from. Wealth management and private banking services are geared towards wealthy individuals. The crisis has had a hugely negative impact on the economy with businesses struggling, or even failing, during the crisis. There will, therefore, be an impact on the wealth of entrepreneurs and C-suite executives due to reduced sales of businesses and downward trends in executive remuneration as businesses try to preserve capital.

4. Partnerships and Resources
This is an area where companies do not spend enough time on the health of the vendors that supply goods and services to the firm itself.

- **Fiscal health of providers** Many of the firms that support the company will come out of this period very much worse for wear - some will be in danger of not making it. With many years of RFPs and getting the best deal for the bank, firms may now be fragile as margins have been squeezed through rigorous, competitive selection processes. In this area, a full review of which vendors are key to the success of the firm is needed, making sure that they are still financially viable. Finally, as discussed in the people section, there will be an increased risk of fraud for supplier firms as well. If certain key processes have been outsourced, oversight of these areas will need to be reviewed and reinforced.
- **Offshoring** During this period, we saw that when operation and IT teams (among others) were forced to work from home in their respective countries, local infrastructure did not keep up with demand. Over the years, offshore salary arbitrage has reduced as automation and machine learning has developed. In terms of business as usual, it is no longer obvious that these departments should be maintained offshore against a risk of infrastructure failure in another pandemic scenario. In terms of IT development, this still can be deemed as worthwhile, in that IT development is not key for day to day revenue generation. Although some firms have spent significant sums building and setting up offshore centres, it may be time to look again at these locations, and avoid sunk cost investments maintaining sites that no longer have their previous advantage.

5. Processes, products and services
One critical area of re-evaluating the firm's business strategy is the need to confirm, adapt or cancel processes, products and services. During the crisis, some processes were thrust upon firms and still need to be reviewed before becoming the set up going forward. At the end of the crisis, will the client still be happy with the firm's products and services? After discussion with clients, it will take strong management to decide which part of the firm's products and services should be maintained, those that should be created and those that need to be retired.

Digital
Not having a digital offering is no longer an option. Companies will need to have not only an online presence but also a seamless online experience throughout the value chain.

Mobility
Several firms found themselves short of laptops, pcs and printers for their workforce to be able to work remotely. In the quest for high security and lower costs, the virtualization of desktops proved to be more of a challenge during this period rather than an advantage. Employees will need to be equipped to work from home either with company equipment or via Citrix-like connectivity. Firms may also have to re-visit their data security policies and ensure they are being adhered to in the post-crisis working environment.

Travel
During lockdown, travel was cut to little or nothing. This period has shown us that work can still be done over new communication software and the need to travel will be fiercely challenged (rightfully so) in the coming years. With adopted carbon neutral targets on the horizon, it will be difficult to justify the level of corporate travel that existed prior to this pandemic.

Meetings
The number of meetings during this period was also greatly reduced. Certain firms tried to keep the same meeting schedule as BAU but quickly changed to more mutually agreed meetings. Generally, meetings became more focused, shorter and objective based. It will be hard to do, but this discipline should be maintained.

Software
As new software becomes available, firms need to be fully aware of what is fit for purpose. IT departments have always been accused of being slow at approving new software. The result is IT running after the users. Zoom for example, was quickly adopted by the market and IT departments fought tooth and nail to stop it but had no viable alternative to suggest. Zoom's security problems have been well publicized, although Zoom was, on the whole, quick to react to complaints. IT departments must evaluate software proactively in consideration of scenarios of what might happen in order to avoid situations such as this one. They must anticipate need; not react to demand.

The Four Results

Once the five enablers have been properly reviewed, renovated, tuned and balanced, the results should be as follows:

1. People
By implementing the processes and services described at the beginning of this paper, people issues exposed during the crisis will have been capitalized on and remedied. Ongoing check- ins should be maintained including 1-1s, employee surveys, town halls. We have already seen that the companies that communicated proactively during this period have come out the best.

2. Clients
The happiness and success of clients determine the company's success. Clients themselves have also gone through this difficult period and will also be facing a similar set of problems as your firm. This is a time to get closer to clients, share best practices and agree what issues should be addressed. In many ways, this period forces banking to go back to its roots; helping clients with loans and advice on how to support their businesses. Although private bankers, wealth managers and family offices do not necessarily do, or arrange, corporate loans, they advise many entrepreneurs on their overall wealth and eventual long-term planning. A further consequence of the crisis may be even more importance placed on financial planning services, where clients are provided with advice on their longer-term, inter-generational wealth planning.

This is a time when clients should not try to compartmentalize their banking relationships. This does not mean they should consolidate all their assets in one institution but rather that they should open their books to allow advisors to give best help during this upheaval.

On both a professional and personal level, the client will be facing the same challenges and issues as the financial institutions and their personnel during the same period. How did the client get through the crisis? Did they work from home? Did they lose any one close? Did they get defrauded during this period? By sharing these experiences, both the client and the firm will learn valuable lessons, while strengthening relationships.

3. Society
As more pressure is rightfully put on firms to be more Environmental, Social and Governance (ESG) focused, there will be many opportunities to move in that direction. People working from home reduces carbon footprint; digital offerings reduce paper use; transport of paper and so forth. The challenges we have just been through are also an opportunity to promote green initiatives both externally and internally. My colleague Paul Dobbs from our specialist Group Risk & Capital team is an expert in ESG who writes regularly on this topic8.

Interest in corporate governance continues to intensify due to regulation and media scrutiny. Companies are also increasingly being judged on the role they play in big societal issues.

Therefore, Boards are seeking to be even clearer on their purpose and accountability and operate with higher degrees of integrity and transparency. My colleague Shelley Doorey- Williams is a leading expert in governance, and our board effectiveness review service can assess existing arrangements and recommend enhancements9.

4. Business results
Your renovated and fine-tuned firm may look very different post crisis. Even so, there is no short cut to getting your business back on track – or on a different one. Yet again, this route is paved with a need for decisive action and implementation: this crisis is no different to others. The speed at which leaders react is key if they want their firms to survive.

In conclusion

Coming out of a crisis such as Coronavirus COVID-19, the natural impulse is to try to get back to normal as soon as possible. The reality is that, when the crisis is officially over, the most important work for the financial institution will begin. There is no respite. The world is now a different place from what is was just a few months ago.

In order to survive and succeed in the coming months and years, a full review of the firm needs to be initiated and a 'renovation' of the existing firm undertaken.

Reviewing the five EFQM enablers and executing a well-disciplined course of action is what will be required in order to succeed. It is imperative to be decisive during this period, but at the same time humble enough to see when a previous decision was wrong and have the courage to admit the mistake and move ahead with a new approach.

When reviewing the results of your actions, remember that they are far more complex than just the profit and loss of your company. Now, as always, it is the quality of the profit and loss, the happiness and well-being of your staff, the place that your company occupies in society and, most importantly, the satisfaction and sustainability of your clients that matters most.

Meet the author

I joined Sionic in July 2019 as a Partner in the Wealth Management & Private Banking Practice, based out of Geneva. I was a Founding Partner and Chief Operating Officer at MBaer Merchant Bank. My previous roles also include COO for HSBC Global Private Banking EMEA and Global Head of Private Wealth Management Operations for Deutsche Bank, New York.

philip.biber@sionic.com

1 https://www.sionic.com/news/coronavirus-an-updated-view-from-sionic

2 https://www.sionic.com/expertise/practices/learning-organisation-development

3 https://www.efqm.org/

4 https://www.un.org/en/un-coronavirus-communications-team/un-urges-countries-%E2%80%98build-back-better%E2%80%99

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7 https://www.sionic.com/opinion/pandemic-profiteering-how-to-fight-the-fraudsters

8 https://www.sionic.com/opinion/green-swans-deadlier-than-black

9 https://www.sionic.com/news/sionic-hires-ubs-wealth-specialist-shelley-doorey-williams-to- lead-new-corporate-governance-team

Armstrong Wolfe Solutions

Consulting and Business Services

Armstrong Wolfe launches a consulting and business services for the COO:

Armstrong Wolfe Solutions. Our focus is addressing the challenges and managing change for the COO.

Working across Banking, Markets and Asset Management, through our experienced leaders, we partner with our clients in managing key tasks to enable them to focus on driving their business forward. At the centre of our attention are the business operations of the front office and closely aligned functions within risk management, compliance, trade capture and client services.

Although we are a start-up consulting firm, we are led by experienced industry leaders with significant experience in managing change within the markets we operate.

We provide a practitioner's approach to delivering results, with our people taken from industry.

To work for Armstrong Wolfe Solutions (AWS) you must be able to demonstrate a track record of delivering a wide spectrum of change within a bank or asset manager as an employee not as an external consultant. Our people are further assessed at entry in relation to their commitment to integrity, conduct and ethical behaviour.

Our team has extensive leadership experience at operational board level and/or managing the interface with the executive board, owning design through the delivery of regional and global programmes of work and we understand the impact of any change on all parts of an organisation.

Our service provisions are based upon the following:

- Business advisory
- Programme management
- Project management
- Interim management

Business Principles:

- We work in partnership with the COO community
- We mobilise our resources quickly to meet the client's needs
- We are focused on efficiency and momentum
- We are committed to delivering on time and within budget

Uniquely we've been the clients we serve

Armstrong Wolfe Solutions, is led by industry practitioners who have experience across multiple regions and who have significant and successful track records in managing change and run-the-bank operations. Importantly our team has extensive leadership experience as COOs, CCOs, Business Owners, Infrastructure Heads and Board Directors, as well as, having direct responsibility for managing Executive Board stakeholder relationships.

Given our practical hands on experiences, we share your perspective and we appreciate your macro and micro concerns, as we have owned regional and global programs of work from design through delivery and understand the impact of change on all parts of the organisation. In addition, we enhance our SME proposition with established strategic relationships among Regulators and industry experts, which increases the value we bring to our client engagements.

Areas of Capability

- COO and business strategy
- COO Target Operating Model and Governance
- Regulatory Change
- Business Cost Management
- FTB Digitalisation
- Product Governance
- 1st Line Controls / Surveillance
- Conduct & Culture
- KYC and Client Management

For an initial discussion contact **AWS@armstrongwolfe.com**

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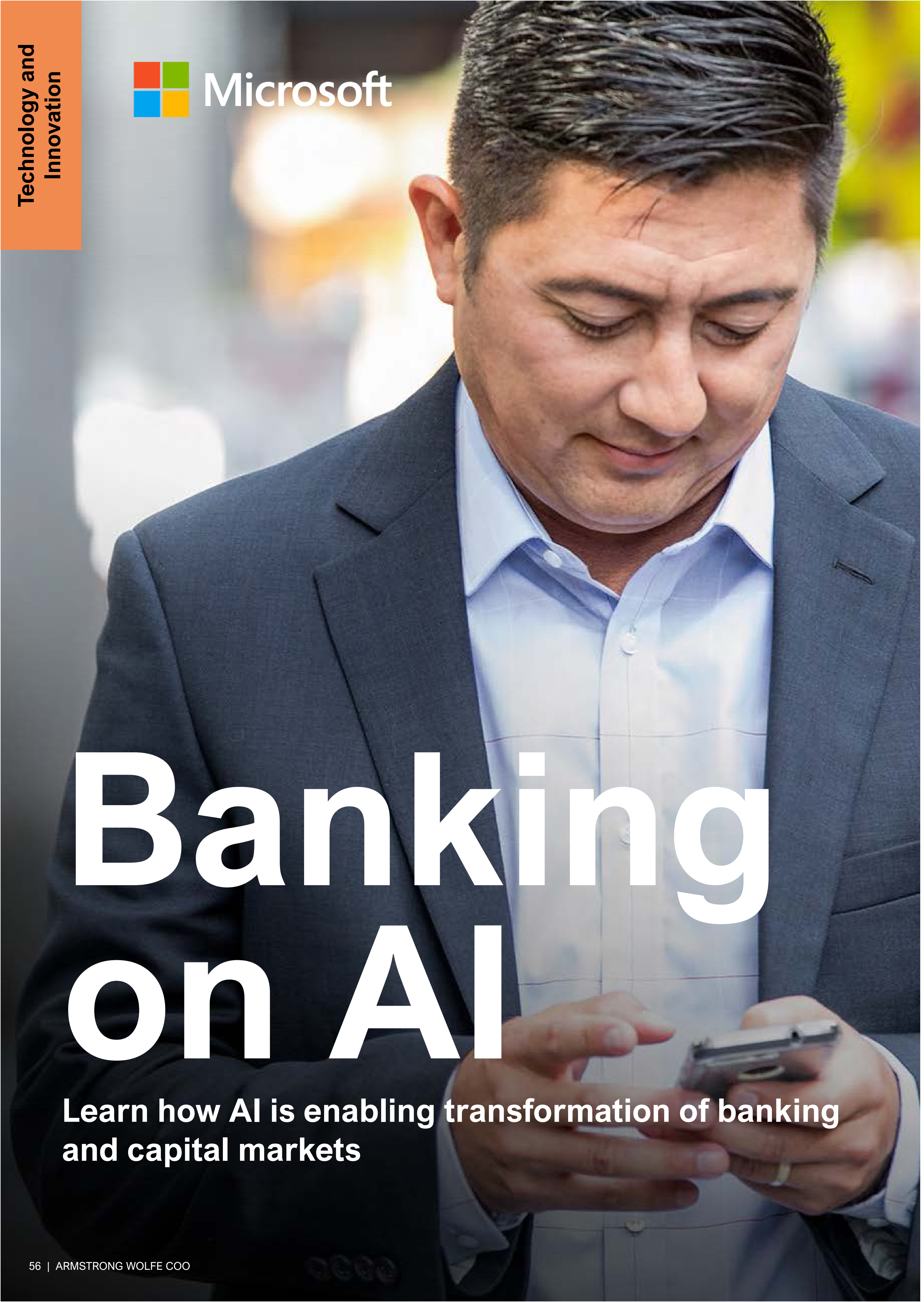


Banking on AI

Learn how AI is enabling transformation of banking and capital markets

Artificial intelligence isn't going to replace bankers.

It's going to optimize how banks work by helping them become more agile, make smarter decisions, and, ultimately, stay more competitive. In this e-book, you'll find out how a combination of intelligent agents, modern apps, and machine learning can help your bank turn data into insight, transform ideas into action, and turn change into opportunity.

AI has the power to transform the financial services industry more than any other technology has in recent history.
- Akshay Sabhikhi CEO, CognitiveScale

Innovation for all

AI delivers a better customer experience by engaging people in a natural, highly personal, and innovative way. Gain more loyalty and improve your bottom line.

Know your customers
Get a 360-degree view of your customers with predictive intelligence that shows their buying habits and financial aspirations, which can boost overall performance and profitability for your organization.

Keep it conversational
VeriPark Next Best Action is a leading customercentric technology that helps create a more natural dialogue for a more personalized customer experience. It can aid banks in better understanding consumer data for more targeted offers that cater to the needs of each customer, which is key for retention. It also helps banks keep messaging consistent across all channels, whether at an ATM, on a website, or on social media.

Trust through security
How do you continue to innovate with an eye toward productivity and customer satisfaction while maintaining appropriate levels of security? Success means securing identities, apps, data, devices, and infrastructure with the most financial-services–ready cloud provider.

Metro Bank

Metro Bank uses AI to analyze customer interactions and track key performance indicators, including customer satisfaction. That way, the bank can identify and address problems before they begin to affect the customer relationship.

Data is the key

In the face of regulations, legacy systems, and cost pressures, financial institutions must utilize big data to lower costs, improve efficiency, and unlock investment potential.

A recent report by McKinsey & Company states that only 15 percent of today's bank risk control falls to analytics, but that by 2025, that percentage will rise to 40 percent.1

Optimize operations
Machine learning—a computer's ability to take data and improve performance without programming—helps you gain insight into risk and operational models, as well as act on realtime intelligence to enhance risk management while meeting all-important regulatory requirements.

Defending your data
Security in the cloud may be different from security on-premises, but it's just as important. That's why Microsoft has made significant investment in building cloud infrastructure to provide continuous monitoring, increased transparency, and digital privacy protection, allowing your customers to take advantage of all the cloud offers in a more secure way.

Mitsubishi UFJ Securities

As analysts at Mitsubishi UFJ Securities (MUFG) became more and more overwhelmed by the volume and complexity of regulations, they enlisted Microsoft Azure to help process more than 100 gigabytes of data every night and on weekends—without buying additional servers or leasing a new datacenter.

Not business as usual

Reimagining and simplifying business processes will give financial institutions the edge they need to compete in the rising digital economy while improving their bottom lines.

According to a survey by Accenture, nearly 90 percent of banking executives agree that organizations must innovate at an increasingly rapid pace just to keep up with the marketplace.2

Save time and money
Digital agents are more cost-effective in dealing with customer requests— plus, they save your workforce valuable time.

Get answers quickly
Engage your customers with faster, more customized service that encourages people to bank more often, which will also increase revenue.

Reach more customers
You can only have so many bankers working to serve more than their top-tier customers. The use of bots means you can reach more customers at every financial level.

Making smarter bankers

Applying what we've learned in bettering the customer experience, AI now allows bankers to be more collaborative and productive without sacrificing security.

By 2021, Gartner estimates that AI augmentation will generate about $2.9 trillion in business value and recover about $6.2 billion in worker productivity.3

Empower bankers
Gain rich customer insights with speed and efficiency to help your employees better understand their clients.

Workplace productivity
By giving your bankers access to real-

time information on whatever devices they choose, your organization can keep costs down and increase productivity by fostering collaboration and faster decision making.

Keep them happy
AI can help you understand how your team is handling its workload and help prevent costly turnover.

TD Bank
With the help of Office 365, TD Bank is looking to the future of banking by empowering bankers to be more productive, which in turn attracts new talent to join the ranks.

The fight against fraud

AI has been on the frontlines against fraud for a while now, but these days, it's more powerful than ever, thanks to machine learning and stronger computing power. "[AI] helps lenders make more accurate decisions more quickly. The loan applications a lender will turn down and … approve are easy to spot. The gray area in the middle, which are the ones they have to manually refer, are much trickier."
- Mark Davison, Chief Data Officer, Callcredit

Quick detection
Give your security team the tools it needs to protect your bank and your people against increasingly sophisticated cyberattacks with real-time analysis for faster threat detection.

Protect and maximize
Real-time screening is simple to use, and, more importantly, it strikes the right balance between detecting violations and processing customer payments without unnecessary delays. You'll also find intuitive alert management tools to help streamline your operations, while graphical dashboards show risk levels.

Stay flexible
Reduce operating costs with flexible screening tools that seamlessly integrate with multiple banking and financial services business systems.

UBS

Based on Microsoft Azure and Power BI, UBS uses an automated screen engine to catch any sanctioned entities trying to slip through manual "Know Your Customer" (KYC) checks.

Manage risk

Machine learning boosts analytical capabilities in risk management and compliance to help you make more informed security decisions.

A recent report by McKinsey & Company estimates that about 50 percent of staff today are dedicated to risk-related operational processes, while 15 percent focus on analytics.4

Real-time intelligence
Optimize risk management by getting risk results as quickly as possible for faster, better everyday decisions. Real-time intelligence also helps you meet regulatory requirements more effectively.

Improve modeling accuracy
Radically improve risk analysis with predictive modeling—and fuel innovation with more simulations and "what if" analyses.

Axioma

Despite the obstacles of a new, highly regulated market, Axioma became a recognized name among FinTech providers largely because, unlike its competitors, it could update equity risk models daily, thanks to Azure.

Looking forward

Artificial intelligence technologies will continue to impact the ways in which banks do business into the future. Learn how AI from Microsoft can play a key role in your organization's transformation.

1. The Future of Bank Risk Management, McKinsey & Company, December 2015.

2. Jim Marous, "Banking Must Move from Mobile-First to AI-First," The Financial Brand, May 16, 2017.

3. "AI Will Create 2.3M Jobs by 2020—Report," FinTech Futures, December 14, 2017.

4. "Artificial Intelligence Is a Game Changer for Risk Management in Finance," Bloomberg, October 30, 2017.

“Everyone here has the sense that right now is one of those moments when we are influencing the future.”

Written by Brian Halligan, Business Advisor, Armstrong Wolfe

“Everyone here has the sense that right now is one of those moments when we are influencing the future”.*

No, those words were not heard on a Zoom call between senior Execs of any one of dozens of global investment banks. They were quoted by Steve Jobs during an interview for a magazine article in 1985! While Jobs was illustrating the universal feeling among Apple employees at the time, the statement is just as relevant today as COVID-19 has forced financial firms to consider strategies that will define the future of work in the post-pandemic era and long after.

Yes, the industry weathered the operational complexities, staffing challenges and market volatility from the COVID storm reasonably well. Business resumption plans were implemented and supplemented with good ole’ ingenuity, long hours and lots of dedicated staff doing what was necessary to ensure the continuity of business and client service, as well as staff safety. But what is next? As companies around the world develop plans to exit the COVID restriction period, firms are evaluating the cost/benefit of leveraging remote working strategies in their go-forward operating models. Longer term cost savings from a reduced requirement for physical space and equipment, in addition to a more attractive work-life balance proposition, will be weighed against potential reductions in staff productivity, team collaboration and the need for enhanced controls and supervision.

One consistent theme that has been echoed during Armstrong Wolfe’s regular COVID-19 response calls is the potential negative impact on staff members whose roles have gone remote. Top of the list of concerns is staff well-being and the potential negative effects brought on by feelings of isolation. In addition, firms recognize that a larger remote work force will create additional challenges when it comes to infusing a consistent firm culture, supporting an environment of inclusion among employees and ensuring remote staff have equal growth opportunities compared to their colleagues who are physically in the office.

Many firms and managers have taken proactive steps toward addressing some of these challenges by holding frequent one to one staff meetings, scheduling regular team video calls, supporting team social events like virtual happy hours, and more recently by conducting staff surveys. But are these measures effective – and even sustainable – in the longer term? What tools are/will be available for managers to supplement their efforts? What existing technologies will support go-forward operating models? What new tools will be required to fill developing needs? What role can Artificial Intelligence (AI) play in supporting the financial markets workplace of the future?

To try and answer some of these challenging questions, I spoke with Harry Toukalas, co-CEO of Galaxy Sciences, a technology and advisory firm that combines AI with behavioral science as a means of helping firms improve performance, drive productivity, nurture wellbeing and reduce risk.

Hi Harry, tell us a little about Galaxy Sciences.

Galaxy Sciences was founded by Dr Peter Gloor from MIT in 2007. As a research scientist, Peter wondered if it would be possible to understand and predict human behavior by analyzing communication patterns found in workplace data such as email. Despite a great deal of skepticism at the time, he proved it can be done and proceeded to spawn the massive industry we know today as organizational communication analytics. Our technology for this is called GalaxyLens. Peter is a creative futurist at heart and continues to push the boundaries of using data to understand human behavior. For example, he’s recently invented a way to incorporate all the computation power and advanced Artificial Intelligence required to measure and predict human behavior into a smartphone app called a “Social Compass”.

What is behavioral science and why is it so relevant today?

Behavioral Science is about understanding, predicting, and influencing how people behave. To achieve this, Behavioral Science combines Economics, Psychology, Neuroscience, and Sociology. Separately, these disciplines do not provide a complete picture of human behavior and the reasons for the decisions we make. When combined, they can deliver a far more comprehensive way of understanding our decision making and the contextual effects on our environment. That is imperative if you want to improve organizational performance.

What is the interconnectivity between AI and Behavioral Science?

The typical way Behavioral Science information is collected is through observation, surveys and interviews. However, large scale manual observation is very difficult whilst survey and interview answers are always prone to bias. This means you may not be getting an accurate picture of the culture and behavior in your organization. How do you ethically and dynamically observe the behavior of hundreds - or thousands - of people within organizations and how do you reduce the effect of bias in surveys and interviews? That’s where Data Science comes in. It allows you to use the computational power of mass data capture with algorithmic predictiveness to achieve a far more scalable and insightful analysis of behavior. When done right, using machines to analyze behavior can also be more objective than asking people what they think in surveys (although machines can also become biased if not trained correctly).

There are various ways to refer to the interconnection of AI and Behavioral Science and the term I think sums it up well is “Behavioral Data Science” – coined by Patrick Welsh from PwC.

Do you feel that Behavioural Data Science can help to support managers in the financial industry wrestle with the challenges of an expanding remote workforce?

This is where the combination of Data Science and Behavioral Science can be a real game-changer. Behavioral Data Science tools can help you understand someone's attitude and emotions in a remote working environment – something that is very hard to do on a telephone and video call. In this way, they fill the gap in remote working between the communication process (i.e. calls and videos) and the communication meaning. For example, when I am being positive in response to something, is it because I genuinely agree with it or because I am afraid to speak up and challenge something I don't really believe in? We usually rely on a person's unconscious signals, facial expressions, and body language to work this out. When this is not as readily available as it used to be, due to remote working, Behavioral Data Science tools can help managers understand factors like the productivity, wellbeing and risk taking of their teams in a predictive and privacy ensuring manner. For example, the scientifically tested predictive accuracy of our enterprise behavioral analysis tool (GalaxyLens) is around 90%, which means it is very difficult to game and provides managers with alerts and actions to proactively empower their remote working teams.

How do you envision AI and Behavioral Science playing a significant role in supporting financial firms' new operating models?

The next decade is likely to involve a dramatic change in financial services as the industry seeks to reduce costs and improve efficiencies. At the same time, financial services firms will need to really embrace innovation and new business opportunities. Technology will be at the center of all these endeavors. For example, Business Process-as-a-service (BPaas) is a new operating model revolutionizing financial services. Similar to SaaS, with BPaaS, financial services firms only pay for the business processes they require and access these on an as-needed basis. At the same time, you should never ignore behavior – particularly in a transformational process. The old saying still applies; "culture eats strategy for lunch". This is where Behavioral Data Science tools can ensure an organization's transformation is not just happening at a strategic and process driven level but also at the attitude and behavior level of every single person, irrespective of their role or geographical location. This is how culture can become a true competitive advantage.

Do you think this approach will cause concerns among staff (i.e. Big Brother is watching) and be ineffective if staff resist?

Yes. For example, there is a lot of discussion at the moment about monitoring and scrutinizing employees with technology. This does not necessarily promote trust and collaboration, which becomes all the more crucial when you are trying to transform your organization and when a large percentage of your people are working from home. Rather than surveil the workforce, Behavioral Data Science tools can actually improve the trust and collaboration between employees. It all depends on how the data is collected and shared. In our case, GalaxyLens provides a personalized dashboard for each employee, which only the relevant individual can access. This ensures the process cannot be used against them. Just as importantly, it gives every employee direct and personalized feedback on their behavioral patterns. We call this "Virtual Mirroring". This enables individuals and/or teams to reflect on their own communication styles, look at their own areas of improvement and perceive themselves from new viewpoints. This leads to increased self-awareness and self-reflection, which creates the conditions for behavioral change. Self-awareness also requires socialization and continuous dialog on the impact that our words and behaviors have on others. To this end, the anonymized team-level insights and recommendations produced by GalaxyLens are fronted by monthly Virtual Mirroring sessions with team leaders, where the aggregated communication characteristics of teams can be shared and debated and interventions planned and tracked.

What steps should management take to gain buy-in from staff?

The combination of personal data privacy and socialization of aggregated team-level data helps to remove the fear or resistance employees may have in relation to technology in the workplace. Privacy is paramount for users and security is critical for the IT department. In our case, GalaxyLens completely anonymizes personal data by turning a person's name and email content into encrypted numbers so no one can see a person's data even if they tried. It then provides the results of the analysis to; a) each person through a secure personal dashboard only she/he can access and, b) the aggregated team-level data only to relevant team members. From a data security perspective, all the data we analyse remains stored on the client's servers – no data leaves the client's business.

Any bold predictions for the future based on the work that Galaxy Sciences is doing?

Currently, everybody is understandably and justifiably concerned about personal privacy. In terms of the future, there is no doubt that data and Artificial Intelligence are going to be an even greater presence in our everyday lives because of the way we will increasingly interact with the world around us. As a result, instead of focusing on the minimization of the data circulating about us, it will be more constructive for industry, government, and society to develop smarter tools for better insights. This will mean creating a future where technology provides everybody with the insight they need – in a privacy-respecting way – to become a better, more creative, and happier individual, both at the workplace and in private life.

Thank you for your time and insights Harry!

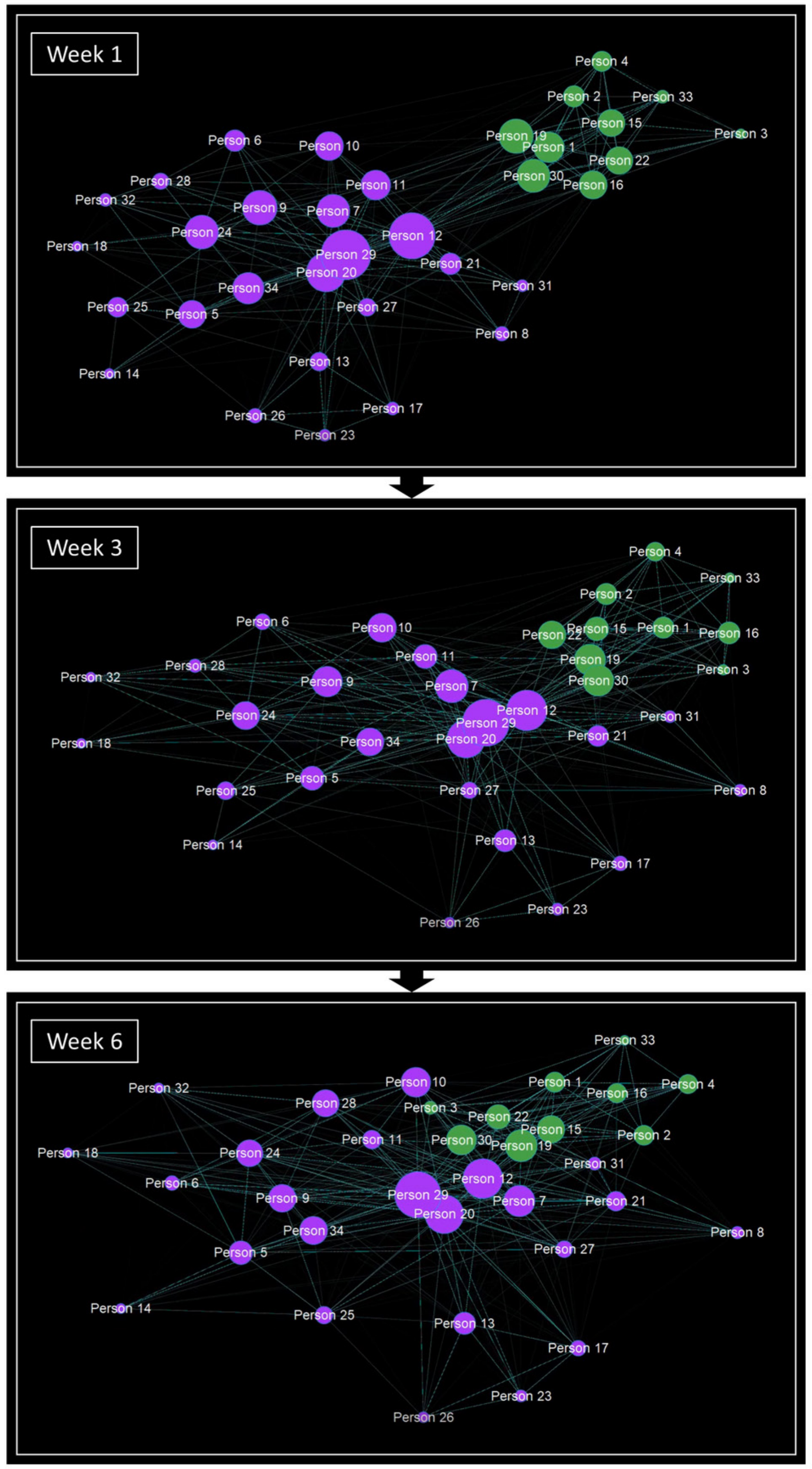
The first two decades of the new millennium have been challenging to say the least; 9/11 and increasing acts of terrorism, the credit crisis, significant changes in regulation, the growing threat of cyber-crime and now a global pandemic. The financial industry has a strong track record of responding well to significant disruptions and I have no doubt it will do so again. Firms will have different approaches and apply different solutions, but remote working will likely become as ubiquitous as email, so new tools and techniques must be deployed to help supervisors manage the productivity and well-being of its remote workforce as effectively as if they were sitting within shouting distance. Regardless of the path taken, I don't believe it's a stretch to acknowledge that this is one of those defining moments in time where the strategies being developed will have a profound influence on the future of work in the financial industry.

For more information about Galaxy Sciences www.galaxysciences.com

Galaxy Sciences turns data into accurate and predictive insight. Backed by decades of MIT research, we pioneered the organizational communications analytics field by fusing Behavioral Science and Artificial Intelligence. This enables our clients to improve performance, drive productivity, nurture wellbeing and strengthen risk whilst ensuring 100% user privacy.

GalaxyLens Case Study.

A banking client was experiencing a problem with the level of collaboration and communication between a risk management team and a sales team. Essentially, the sales team was being very reactive in dealing with risk issues and the risk team was unable to engage effectively with the sales team. This was causing a lack of risk ownership and



accountability on the part of the sales team. The sales team was also constantly reacting to risk issues rather than getting out in front of them in a proactive manner. At the same time, the risk team had given up on engaging constructively with the sales team. The results of this dysfunctional behaviour between these two teams was that identified critical non-financial risk issues were not being addressed in a timely and effective manner. On average, the sales team had 66% of their identified critical risk issues exceeding the resolution date.

Week 1:

We ran a communication diagnosis of the two teams using GalaxyLens and identified a major silo mentality between them. This is like an organizational x-ray that reveals the effectiveness or otherwise of communication. The Week 1 illustration shows how the sales team (purple) and the risk team (green) are clearly separated from each other and not collaborating. Each circle or node represents a person. The larger the node, the more influence that person has in the network. The further apart the nodes are from each other the less they communicate with each other.

Week 3:

Following this diagnosis, we implemented a series of behavioural interventions addressing the lack of collaboration between the teams. We did not identify team members by name to ensure confidentiality of personal data. Instead, we focused on team communication patterns. Some of the measures included:

- Response Time: The longer the average time team members take to respond to emails, the less passion those team members have for the topic of the email. In this case study, the average response time of the sales team to emails from other parts of the organization was 16 hours. However, when they received emails from the risk team, they regularly took over 48 hours to provide a response. If your response time to certain emails is 3 times longer than your average (and you're not on leave or on a special project), it's unlikely you have a lot of interest in that topic.
- Reminders: The more reminders team members require to respond to emails, the less respect the receiving team has for the sending team. If it usually takes 1 or two friendly reminders for you to follow up on an email, but in some cases you need multiple reminders that become increasingly urgent or ominous, it is unlikely you have a lot of respect for the sender.
- Contribution Ratio: The skewness of the email sending/receiving ratio of team members indicates how proactive and engaged or reactive and disengaged that team is. For example, if the average email sending and receiving ratio for a team is 50/50 (i.e. around 50% sending and 50% receiving emails), but when interacting with some parts of the business the ratio for that team is 30% sending and 70% receiving (i.e. mainly receiving rather than sending emails), it is unlikely that team is proactively engaging with the other team.

Week 6:

Our interventions to improve the collaboration between these two teams were very simple. The team members received updated team-level data on a weekly basis and the respective team leaders discussed this data with their colleagues and agreed actions. The focus of the sales team was responding within their average team response time to the risk team and reducing the average number of reminders. The sales team also started proactively sending out emails to the risk team on risk ideas and issues rather than just receiving from them. In return, the risk team focused on keeping their emails under one paragraph where possible (the longer the email the less likely a response) and only sending out emails to the sales team when necessary. These simple behavioural changes resulted in the sales and risk teams improving their collaboration. Most importantly, the sales team's percentage of identified critical risk issues not resolved by the required date dropped from 66% to lower than 5%.

Galaxy Sciences Profile:
Galaxy Sciences (www.galaxysciences.com) turns data into accurate and predictive insight. Backed by decades of MIT research, we pioneered the organisational communications analytics field by fusing Behavioural Science and Artificial Intelligence. This enables our clients to improve performance, drive productivity, nurture wellbeing and strengthen risk whilst ensuring 100% user privacy.

Harry Toukalas
Co-CEO, GalaxySciences

Harry commenced his senior career with the NAB as the Australian Head of Operational Risk before joining Bankers Trust as the Regional Vice President Risk Management for Asia/Pacific. He then returned to the NAB as the Global General Manager of Operational Risk and Compliance for the Group.

Harry subsequently became the founding Managing Director of the Bank of Cyprus Australia (now Delphi Bank), building it into a full service retail bank. He is currently completing a PhD on Behavioural Science and Artificial Intelligence.

Harry is the co-CEO of Galaxy Sciences with Tim Boyle.

Brian Halligan
Business Advisor, Armstrong Wolfe

Brian was the Chief Operating Officer of NatWest Markets in the US. He was responsible for managing the day to day operational support and control framework for the regional business, as well as supporting the development and delivery of the strategic business model against global and regional objectives.

Brian joined NatWest Markets in 2004 and has held a variety of positions across the end-to-end business. Prior roles include: Global Head of Futures Execution & Clearing, Business Manager for NA Prime Services, Business Manager for NA FX, Head of Operational Risk, and VP for Process and Controls.

Prior to joining NatWest Markets, Brian worked at Allied Irish Bank as the Head of Operational Risk between 2000 and 2004 after an 11-year career as a currency trader. Additionally, Brian also holds an MBA from Rutgers University, and a BA in Business Administration from Muhlenberg College.

"It's incredibly exciting to be a part of something that you're passionate about, particularly at a point in time when the paradigm may be shifting.

The combination of AW's position and credibility in the COO and CCO communities, and the depth of experience and talent of this advisory team, gives me a high degree of confidence that we will add significant value during our engagements."

4. A benefit of Lockdown

"Coronavirus may have turned our sense of "me" on its head, and reminded us all that it is "we" that really matters after all."

- Langcaster-James, Psychologist

READ MORE

Source: Honey Langcaster-James, psychologist, Skynews

84 Days Later

It's been 12 weeks since the virus turned our lives upside down. Here are a few musings about the good and the bad of living and working – all from home.

Ben Pring - May 20, 2020

Cognizant

Many of us have now been home for 12 weeks, due to the d-mn virus. I haven't had this long a stretch without business travel for over 20 years. Here's how I'm holding up, where I'm at and what we can learn from this almost surreal moment in time.

If you can work at home, thank your lucky stars.

Apart from the hole in my schedule due to not traveling, everything else about my work is exactly as before. Email, calls, planning, writing. No change there. And Parkinson's Law has quickly kicked in: emails, calls, planning, writing, etc. have expanded to fill the available time. But jeez – seeing the folks who can't stay home, or who are adjusting to working at home (particularly those with young kids), makes me realize (yet again) that long-term work @ home is a rare privilege and not to be taken lightly.

Choose your window onto the world carefully.

If you've been watching Devs during the lockdown (highly recommended) you'll be au fait with the concept of the multiverse. (Fans of the philosopher Leibniz will probably already be living in their best possible world, bug notwithstanding). Check the news, and all you see is chaos, rancor and awfulness, filtered through media lenses driven by partisanship and profiteering. But look (or, suitably cautiously, walk) outside, and (at least where I am), the lilacs are blooming, the lambs are bleating, and the cardinals are tweeting (though they're not on Facebook). Amid the challenges of our times it's still, as Saint Louis put it, a wonderful world. If you care to see it.

The tough are really going right now.

President Kennedy's old man knew about the going getting tough (being the originator of the phrase) and wouldn't be surprised to see the really tough stepping forward in the middle of this scheisse storm. My advice? This isn't the time to sit back and duck for cover; it's the moment to sprint toward the problem. People will remember in the years to come who went in which direction.

Looking good on a video conference isn't rocket science.

It's amazing how many people on TV (no names) and on work calls (absolutely no names) haven't figured out how to hold and present themselves online. Bad lighting, skew-whiff camera angles, miserable backdrops, forgetting to "talk to the light" (er, that's where the camera is, if you're wondering) – the missteps are legion and funny/sad, depending on your POV. Perhaps there's some sort of inverse snobbery going on that's flipped over from tech's "the-richer-I-am-the-worse-I-dress" vibe. If so, I guess that's cool. But I'd hazard a guess it's more that the work @ home newbies (and worse, some of the old-timers) are still figuring out their Zoom from their Webex. Or their a-s from their elbow.

The kids are alright.

As regular readers may know, I've long referred to my two kids as my "at home future-of-work focus group." I've learned a lot about tech from them in the last 10 or so years (probably more than they've learned from me), like how to multitask across three screens (the 70-inch TV with soccer on, the 20- inch screen with Netflix on, the five-inch screen with Twitter "on"), how to create a Bitmoji, how to create an awesome "Dad dance" on TikTok (only sort of joking). If school had been out when I was their age (back in the digital dark ages) and I'd been held hostage with my parents, I would have probably gone up the wall. But in 2020, every aspect of their lives (learning, socializing, chillin') has been so online for so long that, though of course they'd love to leave their cribs, the mountain (the parties, the music, the shows, the food) comes to Muhammad. If the real world is done, no biggie.

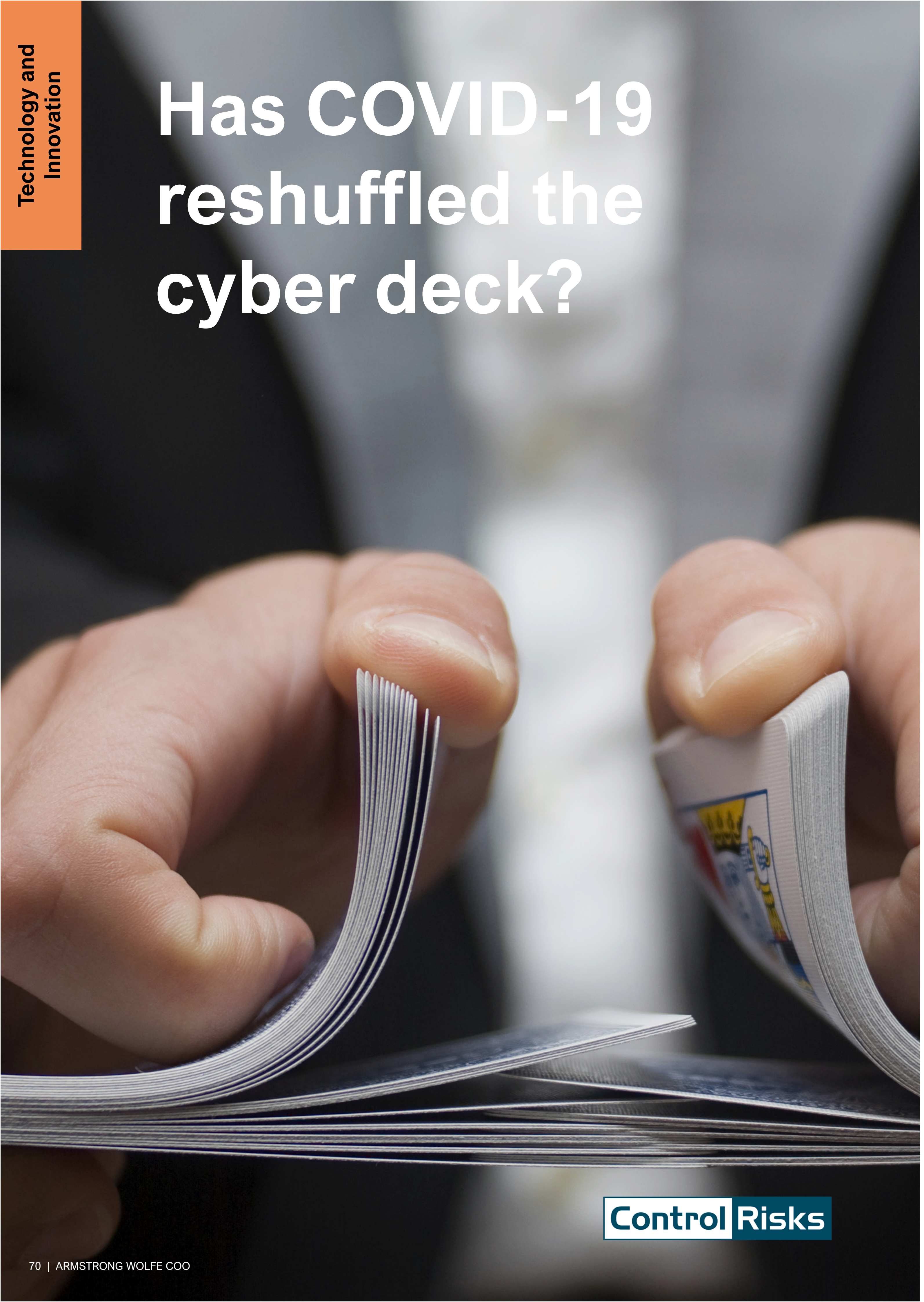
I ain't missing you at all.

I hear and read some people are missing the water cooler and/or the pub, stuck inside their lonely eeries. Much as I like you – yes, you – we seem to be spending so much time on calls and exchanging so many emails that I can't really say I feel isolated and alone. In fact, I'd probably say we've never been as "in touch" as we are right now. I guess we could have a virtual happy hour, but to be honest, I've got to get home for dinner … to walk the dog … to help with the kids' homework (even though they haven't got any – see above) … with the wallpapering … er, help … Oh, I forgot. I am home …

How long can this go on?

Dipping into another oldy-timey music reference, I spend a fair bit of time (as I suspect do you) reading the tea leaves as to when I can get back to my old way of working. Or at least Dunkin' Donuts. As of the time of writing, that's still pretty much up in the air seemingly; unlike me. As a road warrior and someone who sort of likes soggy club sandwiches, heavenly beds and the charming smiles of my local TSA crew, I'm itching to pull out of here (not actually a town of losers) to start winning again. [Really? More 70's music references? -Ed] Don't get me wrong; being home for so long has been great. Despite all the stress and anxiety from seeing the damage the virus is wreaking, I've slept better than I have for years (no jet lag, time difference, strange unheavenly bed, odd noises from room next door), gotten plenty of exercise, caught up with my back-from-college daughter who I'd thought was a real gone kid. [Very, very obscure. -Ed] But you can have too much of a good thing (sorry darling!), and despite the reservations I'll have (hopefully on the right plane and in the right hotel) about hitting the endless grey ribbon again, [That's so obscure. Only about six people in the whole world will get that. -Ed] I'm looking forward to getting back on the road, [Please make it stop. -Ed] this time with some social distance, a Japanese-style mask and a protective bubble of Plexiglass.

Author:
Ben Pring leads Cognizant's Center for the Future of Work and is a coauthor of the books What To Do When Machines Do Everything and Code Halos: How the Digital Lives of People, Things, and Organizations Are Changing the Rules of Business.



Has COVID-19 reshuffled the cyber deck?

COVID-19 has forced all of us to rethink the way our organisations operate. It has also provided an insight into the future of cyber threats and risks.

Criminals have weaponised the fear and uncertainty of the pandemic to commit fraud and extort ransoms; state actors have used the opportunity to launch new espionage campaigns and test disruptive capabilities. These attacks are not new, but their scale, pace and number foreshadow a challenging cyber threat landscape.

Digitalisation and technology have empowered organisations with the skills, culture and insights to enable innovation and growth. Automation, artificial intelligence and cloud infrastructure, among other developments, present huge opportunities and challenges for all sectors. These innovations are underpinned by a fundamental growth in connectivity across the world and within businesses.

Financial services have grappled with the pace of technological change more than most.

Recent years have witnessed the rise of tech-enabled challengers across most segments of the market.

Trade and settlement systems are pushed towards automation and blockchain technologies, customer-centric services towards free and decentralised offerings. The entirety of the financial value chain faces heightened pressures from threat actors and regulators. Emerging technologies play at times the role of friend or foe.

A certainty re-emphasised by the current crisis is that our individual and corporate exposure to cyber threats is expanding at a rapid rate. Digital services and their supply chains have grown and will likely continue to do so at a frantic pace.

The rate of adoption of technology (Figure 1) has increased dramatically in recent decades and is set for much of the same in the coming years.

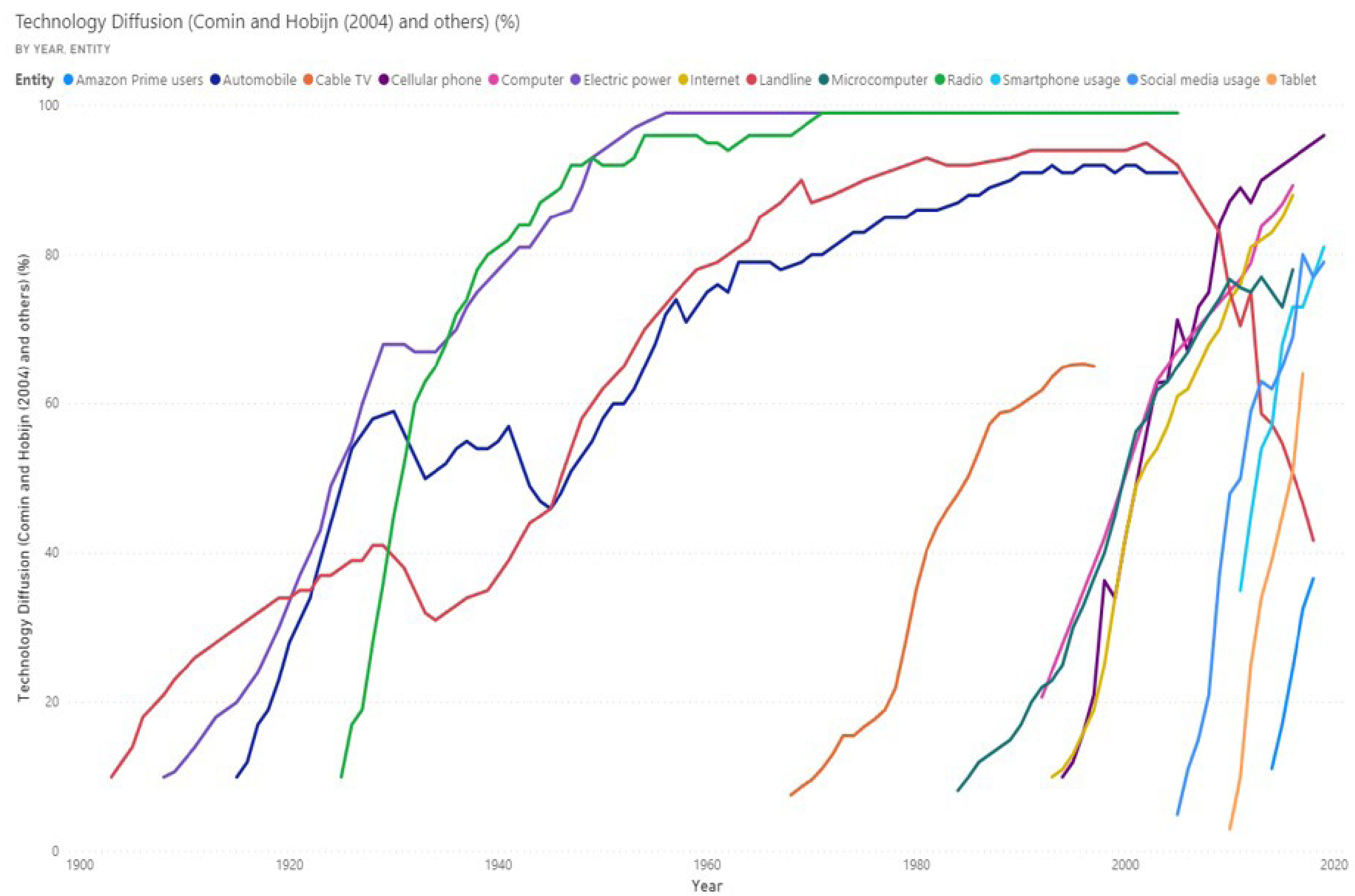


Fig1

Data source: https://ourworldindata.org/grapher/technology-adoption-by-households-in-the-united-states

Tectonic shifts were already rocking the global technology landscape

Technology – including cyberspace – and politics now determine each other's trajectories in a complex feedback loop. Structural changes taking place around the world are likely to be accelerated by the pandemic and will impact everyone's security.

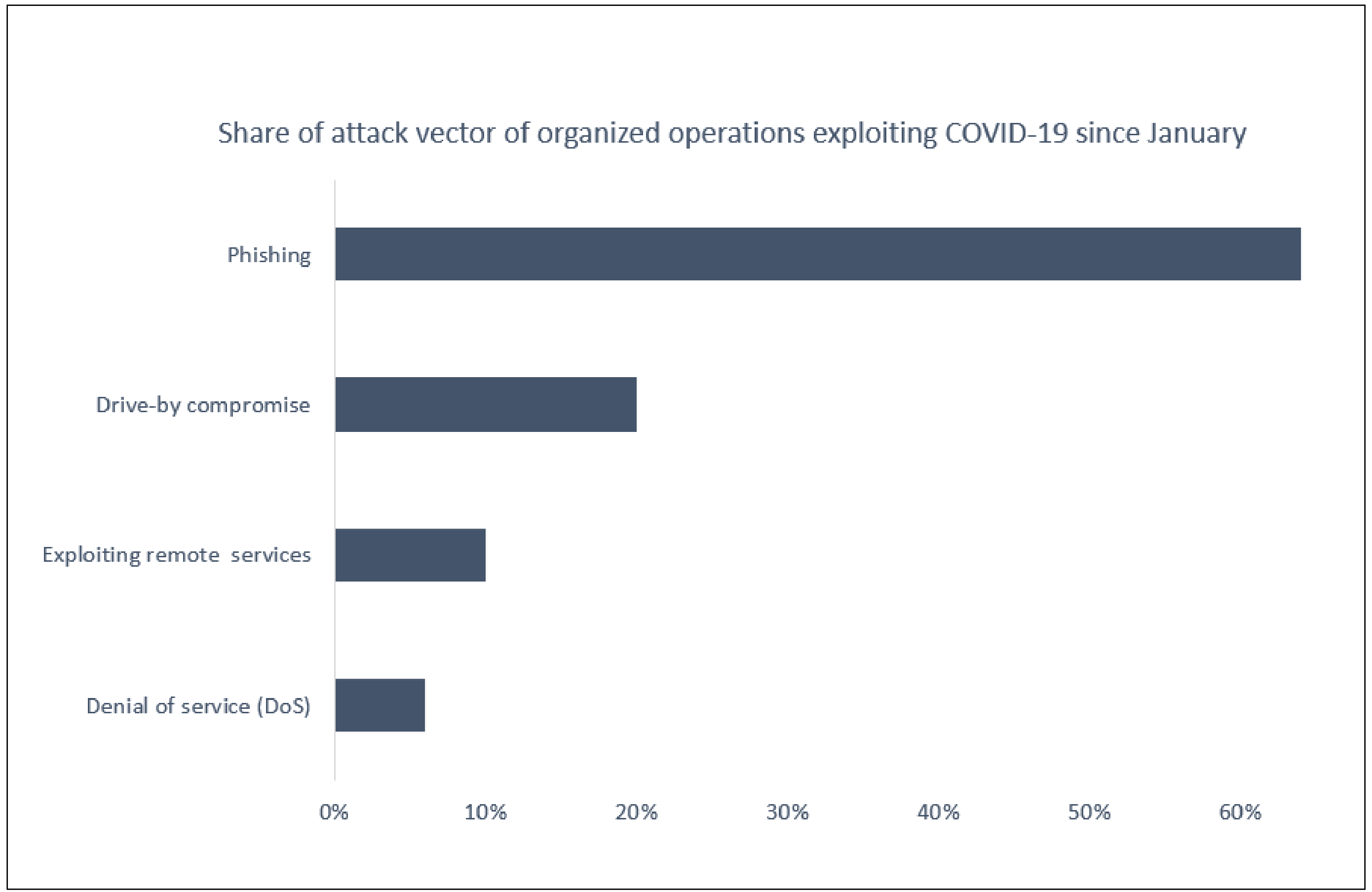
Tensions between the US and China, and the rise of protectionism in the creation and trade of software and hardware, are catching global companies in the crossfire. Organisations across the world are being required to weigh political and security considerations when selecting technology systems and partners in specific jurisdictions. This is posing complex challenges for the roll-out of universal technology solutions within businesses.

COVID-19 will accelerate this trend – the decoupling of US and Chinese technology interdependence – with many governments demanding closer oversight of the private sector's supply chains and procurement practices. Tightening controls over the internet in Russia, China and many African nations is raising the prospect of further fragmentation of a once global resource. The erecting of digital boundaries, a clear expression of a more assertive national self-interest, poses a threat to globally standardised electronic communications. Such boundaries already have an impact on the way global organisations operate.

The world's financial infrastructure has relied for decades on seamless integration and common systems, with many assuming the status quo would be impossible to change. Efforts to build alternatives to the system have in the past been difficult, from an Russo-Iranian alternative to SWIFT to a global payment system operated by China. However, the shifts in business models and services in the sector are likely to bolster new and ongoing efforts to redesign the system. Emerging technology facilitating financial processes will likely make this a much more successful endeavour very soon.

Cyber threat actors are exploiting our new reality

Since the onset of the pandemic, a wide range of criminal, activist and state groups have engaged in cyber attacks. Extortion and disruption are rapidly becoming primary concerns for the resilience of high-availability systems, including for trading, payment and settlement. Intrusion vectors used by threat actors throughout the pandemic closely mirror those that existed before it. Phishing continues to dominate the tools used by all categories of actors, but the targeting of third-party suppliers and cloud services is rapidly becoming a favourite for most actors.



Source: Control Risks' threat intelligence

This targeting of third-party suppliers and cloud providers continues to raise the spectre of cascading attacks that flow through the systems of global companies and their suppliers at unprecedented speed. We have already seen this in the contagion unleashed by several high-profile attacks in 2017, including the WannaCry, NotPetya and BadRabbit campaigns.

The risk of individual companies getting caught in large-scale cyber attacks is becoming more likely now they have become a less covert and more conventional tool for states to project force. Unrestrained by international norms, the militarisation of cyberspace has quickened the commodification of attack tools now available to a wide range of threat actors, not just to national governments. Criminal groups are leveraging tools developed by states, and activist groups are investigating how to do so.

The expansion of the financial sector's digital footprint over the past decade was accompanied by unprecedented targeting of banking networks by cyber threat actors. From core infrastructure such as SWIFT interbanking messaging systems to customer applications, financial institutions are now used to grappling with cyber threats.

Many have invested vast amounts of resources to secure their internal networks and periphery. Improvements have been notable, but have not deterred threat actors who now rely on exploiting entry points into financial institutions through their suppliers and the interconnected global financial infrastructure.

Diverging regulations, trade tensions and global politics complicate multinationals' strategies

Regulatory risk is also a growing challenge for cyber security. As seamless global connectivity has grown in recent years so, conversely, has the emergence of a fragmented regulatory backdrop. This has presented major compliance and operational headaches for international companies, and especially those operating in sectors of critical importance such as finance.

From China's Cyber Security Law to the EU's General Data Protection Regulation, the foundation of a globally unencumbered internet has been challenged. Regulatory emphasis on data localisation and controls on cross-border data transfers are forcing companies doing business around the world to map their data flows and supply chain exposure, often with big implications for their operating models. Emerging regulatory frameworks in the US, Brazil and India will further complicate the global picture.

Beyond data privacy considerations, the future of cyber security regulation is likely to focus on procurement restrictions and system-level security.

Purchase nationalism – governments forcing organisations to use hardware or software manufactured within their jurisdiction – has already affected critical sectors such as telecommunications. It is now highly likely to ripple through other strategic sectors, including financial services.

These regulatory moves follow a significant increase in the level of state activity in cyberspace. From political espionage to more disruptive operations against critical infrastructure – notably the Russian operations targeting Ukrainian critical infrastructure between 2014 and 2018. Most states today have the capabilities to target private sector organisations through cyber attacks. The escalation in tensions between several cyber powers including China, the US, Israel, Iran and Russia is likely to lead to more overt confrontations in the digital space. The risk of cascading effects from these skirmishes is rising quickly.

The growth of interconnectivity means balancing risks and rewards in cyber

The emergence of "sovereign internets" cut off from the rest of the web is a clear test of the open vision with which the internet was founded. However, some perspective is needed. Despite the challenges, the age of ubiquitous global connectivity is here to stay. The proliferation of internet of things (IoT) devices is such that they are predicted to overtake non-IoT connections in 2022. The computerisation of everything from cars to medical devices, homes, factories and cities will only accelerate. The COVID-19 pandemic has reinforced that, as it does organisations will need to build resilience across their enterprise to deal with existential shocks, whether that is a pandemic, supply chain disruption or the day-to-day barrage of cyber attacks. Digitalisation is proving itself as a valuable component of resilience in this new era.

In the financial industry, digitalisation has been at the heart of many improvements in the past decade. Most institutions look to their IT departments to improve efficiency and facilitate game-changing innovation. Simultaneously lowering costs and continuing to support legacy systems has been a constant expectation for the sector. The growth of IoT connections will generate tremendous opportunities to do so. From better automation of manual processes to better data-driven insight for strategic decision-making around existing and prospective services, its impact on all institutions will be significant, but so will the risks associated with it.

Interconnectivity is reliant on devices being able to speak a common language and work together. Emerging technologies, unlike previous generations, are increasingly compatible with one another, facilitating their rapid implementation. Conversely, threat actors do not any longer need to develop very complex and specific tools to navigate across networks. This interoperability, then, runs both ways; as connectivity increases, so will the surface an attacker can compromise. This is being made particularly evident with the recent growth in multi-platform ransomware variants, bypassing their predecessors' limitations to specific systems.

The paradox of growing interconnectivity and fragmentation is likely to challenge the way organisations think about cyber security and technology more broadly in the sector. As COVID-19 accelerates these trends, decision-makers will need to act rapidly and determine how best to secure their new networks, remain compliant with diverging regulations and reap the benefits of a rapid transformation.

How should organisations respond?

Fine tuning risk management strategies to navigate the shifting political and regulatory tides and their impact on operating models is essential. Internal company functions will also need to adapt. In many larger international companies, we are already seeing a blending of security and risk functions, merging once-siloed structures to reflect the growth of attacks on systems whose disruption leads to a direct physical or regulatory impact.

Break down silos. Organisations can prepare for these emerging challenges in the coming years through further investment in highly automated security operations and intelligence centres – not least because mitigating risks and threats such as mass shootings, environmental activism, digital disruption and state-directed disinformation now requires active monitoring of online environments. Cyber-physical convergence is changing the world around us and focuses more light on the need for companies to recruit people with the skills to interpret the noise and chatter of these forums.

Ensure an agile and rapid response. Lessons can be learned from the experience of companies operating in high physical security risk environments. Total prevention of such risks is impossible. Rapid reaction and agility have long been the premise of operating in these environments.

Cyberspace is increasingly a high-risk environment for most businesses. For instance, organisations should conduct due diligence on a partner's security and not just integrity before allowing that partner to connect into an institution's network. Interconnectivity and emerging technologies will facilitate more resilient systems and more flexible operations, but they should not be implemented without careful security and legal considerations.

Put people at the centre. A critical success factor in adapting to the emerging digital environment is to ensure it is focused on people. Technology is a crucial catalyst in the process but investment in skills and culture is a much more sustainable way of building a secure, compliant and resilient business in the information age. Rapidly adapting to the external technological, political, economic and regulatory environment will require quick thinking by multi-disciplinary teams who understand the implications of change across all dimensions.

Promoting such creativity and diversity of thinking will unlock the potential of global connectivity and the agility to navigate uncertain political, economic and regulatory headwinds.

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Why Fintech Investing will become more attractive post Corona

By Susanne Chishti, CEO FINTECH Circle, Fintech Investor & Bestselling Co-Editor of The FINTECH Book Series published by WILEY

Article Summary

With the global economy predicted to fall into a depression and asset values to fall across industries, valuations in fintech companies will be hit hard, too. This will provide those investors with sufficient cash unique opportunities to invest into those fintech firms at attractive valuations which will shape the future of financial services.

As the World Health Organisation warned that the coronavirus may never go away, business leaders started to debate if the resulting economic depression will lead into an extended U-shaped or a multi-year L-shape recovery negatively impacting global GDP for the long-term. So what will the impact of the pandemic be for the future of finance and in particular the previously booming fintech sector? Do fintech investments still make sense in these uncertain times?

The impact of Covid-19 and the speed of its disruption in financial services is unprecedented. I expect this to be worse than the Global Financial Crisis eleven years ago as we have seen a global physical disruption to our lives almost simultaneously globally. No scenario plans prepared us for an invisible virus that would stop our global economy and change our lives the way we saw it unfolding over the last few months. The speed of the recovery will likely depend on medical progress of developing medicines to treat Covid19 successfully and a reliable vaccine to prevent the majority of us getting infected.

As a result it is not a surprise that fintech investments in Q1 2020 severely decreased globally. The CB Insights State of Fintech Report showed that "Q1'20 was one of the worst quarters in 2 years for VC-backed fintech: The economic shocks stemming from the outbreak of the coronavirus have decreased investor appetite for fintech. Q1'20 VC-backed fintech activity dropped to $6.1B across 404 deals, the worst Q1 since 2016 for fintech deals and the worst Q1 for funding since 2017. " No doubt that the investment figures for Q2 2020 will be even worse.

Most investors I spoke to stopped investing in new deals and instead shifted their focus on their existing portfolio companies to help them survive the expected depression. There will be a decline in fintech valuations across all stages. Exit strategies will change. Investors will look to accept down rounds to agree new investments in portfolio companies or to consider how portfolio companies could be merged to save costs and strengthen the business long-term. We are moving into an environment where cash is king and the investors who can deploy it over the near future, will be able to find very attractive deals.

> We should remind ourselves that some of the best tech companies such as Dropbox (2007), WhatsApp (2009), UBER (2009), Square (2009) and Instagram (2010) have been founded during the last financial crises and I have no doubt that we will see many future unicorns be founded over the next 1-3 years.

So why will Fintech investments continue to offer attractive returns in the future? One key reason is that the pandemic will accelerate the move towards digital financial services which are provided by fintech firms. Established financial players need to be more focused on digital partnerships to enhance collaborative innovation, and the implementation of artificial intelligence across the whole value chain as outlined in "The AI Book" (published by Wiley in May 2020). AI's ability to improve the customer experience, while increasing operational efficiency and compliance standards and keeping costs down, makes AI powered solutions critical for processes such as customer authentication/client onboarding, processing of insurance claims, spotting payment fraud, prevention of insider dealing or market abuse.

In summary, the financial services sector requires innovation to survive. As lots of innovation is provided by fintech companies to large financial institutions, the destiny of both is inter-connected. The financial services sector cannot modernize quickly enough without the fintech's sector technology and business model advantage. Therefore, investors in fintech have got the key privilege to further fund these B2B fintech companies which will help financial institutions to remain competitive long-term and invest in those B2C unicorns which will ultimately compete against existing financial players. Both strategies are promising and therefore cash is king, now more than ever to take advantage of investing in soon to be undervalued fintech startups and scaleups which can become "category kings" in their industry.

5. Employee Well-being

WFH “Commit to guiding principles on employee well-being.”

- McKinsey & Co

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Source: Mckinsey

Case Study: Chilean Mining Rescue and Summary

Faculty: Professors Amy Edmondson and Dutch Leonard

Joe Noreña, Business Advisor & WCOOC Ambassador, Armstrong Wolfe

ARMSTRONG WOLFE

1. Introduction

Over the course of three weeks (March 20-April 10), Harvard Business School (HBS) faculty ran a five-webinar series on crisis management through the COVID-19 event. The coronavirus outbreak has disrupted every organization and each of our lives in unexpected ways. For business leaders, managing this specific event risk and confronting the associated uncertainty and change has been complex and all-encompassing.

This paper captures my summary of the fifth and final webinar for the Armstrong Wolfe COO/CCO community. I hope to give you, as leaders, a time to stop, take a breath, and reflect on the powerful guiding principles shared by HBS faculty members and alumni business leaders to help you manage and lead during these uncertain times.

In this session, Professors Dutch Leonard and Amy Edmondson took the HBS alumni through the HBS Chilean mining rescue case study, focusing on how teams who had never collaborated came together to face this crisis event. Professor Edmondson, who studies Teaming, Psychological Safety, and Organizational Learning, led the session by focusing on how groups of people come together to learn, innovate, and complete an impossible rescue. We focused on the ways many leaders brought together a number of teams who did not having ample time to practice interacting successfully and efficiently. For a deeper dive, see the webinar recording link at the end.

2. What is Teaming?

Professor Edmondson started investigating how people work in crisis situations by studying teams in hospital emergency rooms. Here, teams are not static, as many situations will bring different teams together to solve problems. The emergency room is a place where teaming is complex and unpredictable. Quick decisions need to be made, and work can be iterative. In her book, Teaming: How Organizations Learn, Innovate, and Compete in the Knowledge Economy, Professor Edmondson shows that organizations thrive, or fail to thrive, based on how well the small groups within those organizations work. The pace of change and the fluidity of most work structures means it's not really about creating effective teams anymore, but instead about leading effective Teaming.

Based on years of research, this book shows how leaders can make organizational learning happen by building teams that learn. The problem is that teams (and other dynamic groups) don't learn naturally. Edmondson outlines the factors that prevent them from doing so, such as interpersonal fear, irrational beliefs about failure, groupthink, problematic power dynamics, and information hoarding. With Teaming, leaders can shape these factors by encouraging reflection, creating psychological safety, and overcoming defensive interpersonal dynamics that inhibit the sharing of ideas. Further, they can use practical management strategies to help organizations realize the benefits inherent in both success and failure.

3. The Chilean Mining Accident

On 5th August, 2010, there was a massive rock collapse in the San José copper and gold mine, located in the northern part of Chile. 700 metric tons (771.6 US tons) of rock caved in the mine, trapping thirty-three men 700 meters (2,300 feet) underground and five kilometers (three miles) from the mine's entrance. There was a small refuge, approximately 2,000 feet underground, with supplies for two people to survive for 10 days. There was no known technology in the industry capable of drilling 2,300 feet through the rock within 10 days, and no one even knew if the 33 miners were still alive.

To give you a perspective of the distance that had to be drilled to rescue the miners: the Burj Khalifa stands at 828 meters (2,700 feet), the Empire State building stands at 373 meters (1,250 feet), and the Eiffel Tower stands at 300 meters (1,063 feet).

This situation had many unknowns. There were multiple teams, on the inside and on the outside of the mine, that had to communicate, work together, experiment, and innovate iteratively. The teams were faced with unprecedented technical complexity. There were not many rescues like this that had ever been tried before. The only one that had come close is known as the Quecreek Mine Rescue, where 9 miners were trapped 61 meters (200 feet) underground.

The teams in Chile had many resource constraints, with time being the biggest challenge. There were several groups involved, such as the government, public/private companies, and the families of the miners, who wanted a say in how to save them. Along with all of this, there was intense media coverage that made the situation more emotionally and politically reactive. It is safe to say that there was a dim chance of success, as it was high risk and emotionally difficult.

4. The Teams and the Plan

There were three separate, but interrelated teams:

The miners – They were aware there was minimal chance of survival, so they had to team up to survive physically and psychologically. They established routines, prayers, storytelling, and division of food.

The engineers – There were engineers from within the industry involved, but also from outside areas like the oil recovery industry and NASA, to name a few. In total, a dozen corporations from around the world participated in this rescue. Their initial challenge was how to come together, innovate, and experiment, while minimizing risk.

The executives – President Sebastian Piñera, Laurene Golborne, and André Sougarret, were the executives that took the initial lead. Mr. Golborne was a businessman who had become the minister of mining and had a limited background in the field. Mr. Sougarret was the engineer who led the rescue. The plan started with the executive leadership setting the goal, establishing the tone of communication, and bringing the teams together. President Piñera went against what everyone advised, which was that this was not a government problem, and he should step away. His communication to the world was, “We will bring those men home dead or alive, sparing no expense.” What he conveyed with this message was that there was going to be ultimate commitment and support to the miners, their families, the country, the engineers, as well as the world.

Leadership can be lonely when everyone tells you not to get involved, but he led with his principles. He framed a clear goal by saying what to do, but not how to do it, and that it would be achievable, dead or alive. He challenged the innovators to innovate.

President Piñera and Mr. Golborne asked the industry, “Who do we have that can lead this rescue?” André Sougarret, a mining engineer with 20 years of experience, was chosen because he was known for his composure under pressure. He had remarkable technical competence and a strategic approach. He had ample patience and assertiveness, as well as an exceptional ability to listen to all sides and reach intelligent conclusions. He had a tendency to speak frankly with everyone whether they were above or below his authority.

This “unsolvable” problem was then converted into two “challenging” problems:

- **Case A:** to keep the miners alive. The challenge was to devise a way to make a hole large enough to send food, medicine, and communication technology… without causing more damage to the cave. The problem became possible and challenging, but not unsolvable. They set a deadline of 17 days to achieve this.
- **Case B:** to rescue the miners, which became a 50-day ordeal.

Day 17 brought the first major victory. Sixteen days into the execution of the Case A challenge, with no progress in the drilling, the engineers started losing hope. On day 17, when the drill was pulled out of the ground, the engineers saw that the miners had marked it with red paint. This mark told the engineers that someone was alive. They didn’t know their condition or how many, but someone was alive. What factors contributed to this success?

First and foremost, the teams tried many things at once. They did not know what would work, and they kept an open mind. The executive team trusted and relied on the subject matter experts, staying out of their way. The engineers used several drilling pipes and tried several solutions. They also had their minds open to different ways the miners might communicate with them, which is how they noticed the paint mark! This was followed by a note from the miners that read, “Estamos bien en el refugio, los 33.” (“We are well in the shelter, the 33 of us.”) At this point, some miners were near death, but now the supplies could keep them alive.

At the same time, the executive and engineering teams had to deal with many different opinions, conflicts, and disagreements, making it difficult to quickly unite as a team that had never worked together. How did they deal with these Teaming issues?

5. The Research on Teaming in Crisis Situations

The research shows that, first, there needs to be a sense of shared purpose that is profound and motivating. Through President Piñera’s statement, the executive team defined the overall goal, driven by their values: “We will bring those men home dead or alive, sparing no expense.” They then brought in and provided the engineers and subject matter experts everything they needed to achieve the goal. The engineers then set out to divide the problems into small, achievable goals.

Teaming across expertise boundaries requires a willingness to listen to ideas, no matter where they come from, and an ability to assess the situation, independent of formal power or position. In this rescue, some of the ideas that made a difference came from a 23-year-old technician, proving that no input should be discounted.

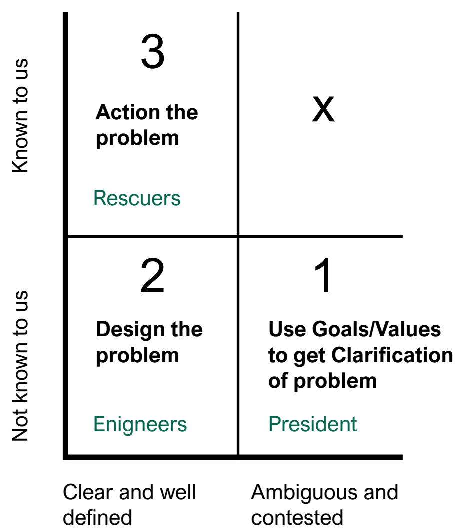
There needs to be a culture of innovation, as teams will be dealing with many unknowns. But an innovation culture may feel chaotic and even playful — how will this culture work in a crisis situation? The answer lies in its other attributes. An innovation culture is also deeply focused. It is spirited but disciplined, values deep expertise and broad thinking, promotes high standards, and tolerates low-risk failures.

The engineers needed to persist through failure, have a disciplined process, and create an iterative routine. They broke down the problem into significant but manageable pieces. Case A, getting a small pipe to the miners, was not easy, but it was manageable. For the teams, this was significant enough to take a step forward. Early success fueled the possibility of succeeding on the overall goal. Throughout the process, people were humble and willing to learn. They also set an end date for Case A to focus on, which was the date past which the miners would not be able to survive.

The engineers and rescuers approached the execution of the rescue as a learning process. They recognized that being agile and iterative was critical. They knew they were going to deal with many unknowns and that they needed to attempt things that had never been done before. Most importantly, they knew they had to act, experiment, learn, and persevere or pivot quickly.

The chart below shows the nature of problems and challenges. The process from 1 to 3 was repeated over and over, at multiple stages of the rescue.

Nature of the Challenge or problem



6. Communication for Leaders During a Crisis

Through a crisis, the most effective leaders communicate honestly about facts. They offer a rational basis for hope and optimism, and they show an emotional understanding and empathy of the situation.

New Zealand Prime Minister Jacinda Arden communicated effectively during the Christchurch crisis. On 15 May 2019, there was a mass shooting at two mosques in Christchurch during Friday prayer. Arden spoke while the event was still ongoing and she did not know all the facts (how many people were impacted, why the shooting was occurring). She was clear in her communication and focused on the facts she did know.

She articulated that this was an extraordinary and an unprecedented act of violence. She conveyed that it would most likely impact people who were refugees and that they were part of the New Zealand community. She also said that the person responsible was “not one of us” and that her thoughts were with those being impacted, the families, and the Christchurch community. She stated that the advice from police was to stay indoors, which she acknowledged may be hard for many, while urging adherence to this guidance. She gave people the assurance that police were actively managing the situation and that hospitals were dedicated to treating all people coming in. Finally, she communicated that agencies were convening as she spoke and that she would meet them shortly in Wellington.

She started off with empathy. She then went to the facts, conveying the gravity but also framing the fundamental values of the country and this situation. She was good at taking over what she was responsible for but deferring other responsibilities to the subject matter experts.

There are four parts to a crisis communication:

1. A statement of what one knows and the basis of that knowledge
2. A statement of what it being done
3. A statement of what others should be doing
4. An understanding, showing empathy and a perspective of the situation’s impact

Another way to look at this is through the 4 M’s of effective communication:

1. Message – What action(s) do we want taken?
2. Member – Who is the target of this message?
3. Method – What communication tool(s) will work best?
4. Moment – When is the best time to convey this message?

Leadership in a crisis requires the process of bringing a new and generally unwelcome reality to an individual, group, or organization. Crisis situations are stressful, and pacing is critical. Leadership needs to move fast enough to get the job done, while being cognizant of the stress people are going through. Time is an adaptive resource; make it right so people learn without getting anxious. Create structure and think about people. Have a process that gives them confidence, ensure there is teamwork, and over-communicate.

7. Closing Comments

Throughout the five-webinar series, the HBS professors took us through their research on crisis management and explained effective processes in dealing with crisis situations. The 2,000+ business leaders who participated shared the challenges they were facing with the COVID-19 crisis and how they were dealing with each situation. The topics covered in these webinars included creating a risk management framework, how to lead in a crisis, coping with immediate cash needs and availability, how to create an effective team in responding to a crisis, managing the supply chain, and ending with this HBS case study on the Chilean mining crisis.

My key take aways from these webinars:

1. **Lead with values** – In the crisis situations we reviewed, all the leaders led with their values and/or the values of the organization.
2. **Innovate** – When innovating, uncertainty goes up, but if done correctly, learning will increase as well. Start practicing now, as you do not want to begin your innovation process during a crisis.
3. **Leadership Traits** – Effective communication is about being direct and honest, while providing hope (The Stockdale Paradox). Ensure that all voices are heard. During certain times, get out of the way and be guided by the subject matters experts.
4. **Empathy** – It was inspiring see that the leaders we reviewed in each case and the business leaders on the call all led the crisis they were facing with empathy towards the people being impacted by the situation.

Harvard Professors

Amy C. Edmondson is the Novartis Professor of Leadership and Management at the Harvard Business School, a chair established to support the study of human interactions that lead to the creation of successful enterprises that contribute to the betterment of society. Edmondson has been recognized by the biannual Thinkers50 global ranking of management thinkers since 2011, and most recently was ranked #3 in 2019. She also received that organization’s Breakthrough Idea Award in 2019 and Talent Award in 2017. Her most recent book, The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation and Growth (Wiley, 2019), offers a practical guide for organizations serious about success in the modern economy and has been translated into 11 languages.

Herman B. “Dutch” Leonard is George F. Baker Jr. Professor of Public Management at the Kennedy School, as well as Eliot I. Snider and Family Professor of Business Administration and cochair of the Social Enterprise Initiative at Harvard Business School. He teaches leadership, organizational strategy, crisis management, and financial management. His current research concentrates on crisis management, corporate social responsibility, and performance management.

Webinar link
https://www.alumni.hbs.edu/events/Pages/crisis-management.aspx

Author

Joe Noreña is currently an industry advisor with Armstrong Wolfe, a board advisor to a healthcare AI start-up, a practicing executive coach, and an investor in start-ups.

Joe is also a mentor with BUILD, an entrepreneurial program for high school students. He has been a Managing Director for over 20 years with major financial institutions in New York, London, and Frankfurt as global head of digital businesses, global and regional Chief Operating Officer, and global and regional FX trading head.

He was also partner and president of a start-up global macro hedge fund and worked at Bridgewater Associates.

Covid-19 - Mission Purposing Organisations Through the Crisis

Covid-19 is a peacetime issue requiring a military grade type of response to bring structure and order to a chaotic and stressful long-term situation

Stuart Tootal led the first UK battle group into southern Afghanistan in 2006, before spending a decade in several global leadership positions at Barclays. He has worked with over fifty FTSE250 companies on the theme of leadership in adversity and is the bestselling author of 'Danger Close – Leading 3 PARA in Afghanistan'. He is now a founding partner in Matero Consulting. Set up in 2019, Matero fuses military decision making with commercial acumen to drive clients' change agendas.

A former chairman of General Motors once said, 'business is much like war.'

- In dealing with the Covid-19 crisis, companies are facing an unprecedented peacetime issue, which has many of the characteristics of a battlefield: fear, uncertainty and extreme risk liability all prevail. Having led a battle group in Afghanistan and as a global head of a large corporate during times of crisis, I believe that there is a compelling argument for businesses to leverage military experience in their responses to the full-spectrum implications of the Coronavirus.

The Similarities between the Combat and Commercial environment

- We face a foe, albeit a health-related one, which is like an enemy in combat. The Coronavirus inflicts loss with multiple impacts on people, both physically and psychologically, as well as on systems and processes. As in combat, teams are forced to disperse for survival, supply chains are vulnerable to disruption making command, control, communications and information critical. It also requires people to have faith in their leaders, how they plan and lead the task, as well as faith in their teams and organisational ethos, behaviours and culture.

Success in combat rests on having a tested construct of flexible structures, principles and processes to make order out of chaos, withstand the shocks and privations of battle to achieve objectives and win. It requires people to overcome fear and to operate collectively under stress with unifying mission purpose and delegated empowerment, if an organisation is to respond effectively to rapidly changing situations with tempo and precision. An army's approach to selection and maintenance of strategic aims, its culture of collective organisational endeavour and empowered execution to adapt to dynamic circumstances at pace, offers a highly relevant learning perspective and a framework for firms seeking to prevail in the Covid-19 commercial environment.

The Coronavirus crisis magnifies the already existing similarities of the operating conditions facing the combat and commercial environments. The rapid proliferation of non-traditional disruptive actors, dizzying spiral of technology and increasing growth of regulatory, media and conduct scrutiny reign in both domains. While business has spent just over a decade attempting to adjust to this exponential change since the 2008 financial crisis, the military have adapted and evolved its response over 150 years of battlefield experience. Recognising that 'no plan survives first contact' with the realities of execution, in 1870 the Prussian General Staff began teaching its junior commanders to ask themselves if a battlefield situation had changed and necessitated deviation from the orders they had been given. It empowered them, by equipping them with agile decision-making principles, processes and tools to use their initiative to achieve the intent of a mission by pivoting appropriately and seizing fleeting opportunities in highly fluid battlefield situations. It is a mission command approach that has been adopted by all successful armed forces ever since.

The Right Tools and Mindset

- The dramatic impacts of the Coronavirus raise the question of whether companies have the right operating principles, process and tools in place to deal with the extent of this crisis and succeed in the face of adversity. Most businesses are set up relatively well to absorb and deal with low-frequency events, such as the credit crunch or terrorism. Impacts tend to be time-bounded; SARS and Swine Flu are examples, and their end marked a return to business as usual with the closing down of war rooms and crisis management teams. The advent of this crisis is necessitating organisations to shift to a war footing for the much longer-term, which is likely to become the 'new normal' and BAU going forward.

There is a myriad of difference between business and the military, but it is a misnomer to think that in the latter getting things done is about rigid adherence to discipline and hierarchy. In combat, command and leadership structures become incredibly flat, as a young soldier does not risk his or her life because of rank and orders. They do so because they have faith in their leadership at all levels, in the way they plan a mission or task and are wedded through mutual trust to their immediate sub-unit and wider unit ethos. The mission command approach is also highly collegiate and harnesses the diversity of thought and motivation of the whole team.

Agile and Adaptive

- Like the crisis we face today, in Afghanistan well-laid plans and assumptions did not always withstand first contact with the realities on the ground. Imperfect information, faulty intelligence, shock events and stress were common. However, the standardised formulaic, well-practiced, but highly flexible decision-making, planning and execution drills of mission command provided the means and the handrails to adapt and adjust with pace and precision. We prevailed in adversity because we could respond, pivot and generate a high tempo cycle of activity of decision making, planning and execution that was far faster than the opposition. We might take three days planning a complex battle group mission involving over 2,000 people and a complexity of airspace management several times busier than a large international airport. But in a crisis, we could launch the same number of troops, aircraft and supporting systems from a cold start in forty-five minutes.

The process was grounded in **absolute clarity in communicating mission purpose**, the outline concept of operations and a one team approach. Running as a single narrative through the entire organisation, **everyone knew their part in the plan and was empowered to achieve it**. If a gap emerged or disruption occurred during its execution they were trained to step up and fill it. People hoovered up additional responsibility and there was no frozen middle or obsession with delegating everything upwards.

The process was also highly collegiate, there were no silos. Mutual trust was a given. People embraced accountability and operated within a defined culture and leadership framework of actions and behaviours within the conduct of strategic intent. Purpose drove performance and permission to challenge, made for better decisions, as it harnessed the best idea in the room and was explicitly coded into the organisational DNA. The processes of mission command operated at all levels, from a colonel with two decades of soldiering experience to a twenty-one-year-old lance corporal, which demonstrates that it is an approach that can be readily taught and ingrained at every level of an organisation.

War is a risky business; we made mistakes, but when we did, we collectively sat down and learned from them together.

As a result of rigorous and transparent after-action reviews we continuously improved our performance as a team, as every event was considered as an opportunity to learn and evolve.

Even with a tolerance for mistakes, tempered by learning, our decision making was also auditable, bred transparency and was robust enough to withstand the scrutiny of the Coroners' Courts, where reputational damage or criminal prosecution could have been the outcome when I had to account for actions in which people lost their lives..

Reflecting on the experience, it begs the question of the extent to which senior business leaders believe that their companies are readily equipped and trained to face the organisation-wide impacts of Covid-19. Do they feel that they have the right systems, processes and appropriately trained people in place to triumph in the face of adversity? To do so will necessitate a systematic all-levels leadership approach, which can respond and adapt quickly with a mission focus that can take its stakeholders, people and customers with them on a journey that will be fraught with uncertainty and risk. As on the battlefield there will be two types of organisations in this new commercial landscape: those that prevail and those that fail.

To avoid being in the latter category, companies need to do six things:

1. Establish clear mission purpose alignment – with a unifying intent running as a single narrative where every employee knows their part in the plan.

2. Empower teams – using decentralised delegation of execution authority, which can be exercised within the strategic intent of an organisation.

3. Communicate with clarity – in a formatted manner to facilitate clear understanding and extrapolation of supporting tasks and activities.

4. Collaborate – in a structured collegiate manner, which cuts across silos, engenders collective accountability and harnesses diversity of thought and permission to challenge.

5. Adopt an agile and auditable decision-making methodology – to generate pace with precision and respond appropriately to rapidly evolving situations and get ahead of the competition, while withstanding external scrutiny.

6. Repurpose Culture beyond word statements – through codified behaviours integrated in a leadership and management culture that rewards bold initiatives and the right conduct, while mitigating risk.

Based on a depth of commercial experience and combined with behavioural science and extensive research, Matero Consulting was set up in 2019 to fuse the partners' corporate and consultancy experience with the military pedigree for decision making, planning and empowered mission focused execution.

Called MECCAR, Matero has developed a blended methodology backed by principles and tools to deliver agile, collaborative, mission focused execution in a disruptive environment where decentralised authority, tempo and innovation are essential for clients who want to think differently, move at pace and achieve effective change.

MECCAR: Mission Purpose, Empowerment, Collaboration, Communications, Agility, Risk Management

Locked down, locked in, time to read?

Order either or both books below and **100% of your monies** paid go to Armstrong Wolfe's charity GCF Bosnia.

Donkey Mail and Bully Beef: The Art of Survival Goražde, Bosnia 1994-1995
Memories of British soldiers on United Nations operational duty in the former Yugoslavia

Donkey Mail and Bully Beef is Maurice's first-hand account of his and his comrades' experiences in Goražde, central Bosnia, whilst on United Nations duty in 1994 - 1995. Written by Maurice Evlyn-Bufton

All proceeds will be donated to Goražde Children's Foundation.

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WOMEN IN THE COO COMMUNITY

WCOOC

Armstrong Wolfe's Women in the COO Community initiative (WCOOC) has been running since 2017 and is now well-established in London, New York and Hong Kong with members from over 30 different organisations.

Led by Armstrong Wolfe, a series of cross-bank events focused on female leadership will take place throughout 2020.

- To inspire women in Financial Services to have no limitations to their professional aspirations.
- To educate 'early stage career women' on business management and the COO role as career destinations.
- To establish an exclusive and confidential networking opportunity with like-minded peers.
- To enable a cross-industry business dialogue to address common challenges.

Lunches

We hold a lunch or a breakfast at a different bank every quarter. Attendees are Managing Director-level females in COO, CAO, CCO, business management or COO office roles, including functional allies of the COO, such as technology, operations and compliance.

At each event, a conversation is facilitated around a pre-agreed agenda. Occasionally subjects are gender-specific, but predominantly a space in which wider industry issues and challenges can be discussed with peers in similar roles at different banks. It's about cross-bank sharing of information and experiences to the benefit of all. Chatham House Rule is followed, so anything said at these events is kept confidential and in line with Competition Law.

Our recent topics include client onboarding, GDPR, Brexit, technology and innovation, data management and strategy, managing the gender pay gap, IBOR, and the COO's role in managing operational risk.

Leadership Evenings

Our leadership evenings encourage more women into senior positions in banking.

Large-scale and cross-bank, each event is sponsored and hosted by a different bank in a different location. At these exclusive events, nominated 'rising female stars' from each bank come together to learn from leading senior females in and out of industry.

An excellent networking opportunity, these events are focused on AVP, VP and junior Director-level females from any banking discipline.

For more information please visit:
armstrongwolfe.com/wcooc

Gwen Wilcox
MD, COO, WCOOC Global Lead

Gwen joined Armstrong Wolfe in 2019. In her role, Gwen leads the Armstrong Wolfe team globally, from Executive Search, Executive Coaching, COO Executive Networks to Women in the COO Community. Gwen spent the early part of her career in the Banking industry as SVP of Strategic Partnerships at Lehman Brothers.

Since 2009, as well as raising a family, Gwen spent the last ten years in the technology and engineering industries as a business transformation lead, building enterprise sales tools and techniques, influencing thought leadership and go-to-market activities in the USA and EMEA.

Ursula Schliessler
WCOOC Ambassador London

Ursula is a senior financial services professional, who has led global teams across multiple functional areas within asset management.

Ursula was a member of Legg Mason's Executive Committee and the Executive Sponsor of Legg Mason's LGBTQ Employee Resource Group and Legg Mason's Global CSR Network.

Ursula has also held leadership positions with Citibank and Citigroup Asset Management in Distribution and Product Development in a number of countries and was Head of International Product Development and Management for Morgan Stanley Investment Management.

Miia Lankinen
MD, WCOOC Head & Career Management Asia

Miia is the APAC Practice Head for Armstrong Wolfe's career management service and its Women in the COO Community initiative in Asia. She is based in Singapore. In this role, Miia leverages her corporate experience which she has acquired over multiple business cycles to relate to clients in different career stages and situations.

Miia has 20 years' of experience in the financial services industry, both in the Wholesale Banking business and in Human Resources.

Experienced in professional coaching, talent management and leadership development, Miia is comfortable engaging with clients at all levels, from technical specialists to C-suite leaders. She also brings with her an understanding of competencies needed and the challenges

Julia Bunyatov
MD, WCOOC Head Americas

Julia joined Armstrong Wolfe in 2018 to lead and develop its Women in the COO Community initiative in New York, alongside supporting the Company's executive search and advisory efforts born from its quarterly COO and CCO 1LOD forums.

Julia has had a successful 25-year Financial Services industry career, with leadership roles spanning Equities Trading, Risk Management, and Finance divisions; also holding positions as Global Equities Trading COO at Lehman Brothers, Global COO of Equity & Funds Structured Markets, and Global Head of Derivatives Infrastructure at Barclays Capital.

Julia serves as a Treasurer on the Make-A-Wish Metro-NY chapter Board of Directors, chairing Finance and Audit Committees; as well as Treasurer on the Board of Directors of the International Dyslexia Association, Long Island Branch. Julia has a BS in Finance & Information Systems from NYU Stern School of Business.

In this issue

Miia asks 3 members of the WCOOC community based in Singapore, from HSBC and TD Securities, for their personal views and experiences on living through a pandemic whilst WFH and the steps taken to transition back to a return to the workplace.

Also in this issue, Gwen Wilcox asks WCOOC Ambassador, Gordon Grant, about his views on Gender Equity and our Collective Response to COVID-19 and Katica Roy, gender economist's view on why now is our time to infuse capital flows with gender equity.

AN INTERVIEW WITH

FATEMA BOOKWALA

COO, HSBC GLOBAL MARKETS
HSBC SINGAPORE

A personal perspective on working from home during COVID-19

Working from home: readjusting to the blending of roles

Flexible working and trading floors are not thought to go hand-in-hand. In a highly pressurized and time-sensitive environment, the idea of working from home seems obscure. Five months ago, I would never have imagined that the 'work-life balance' would be put to its greatest test.

The values I bring as a COO to the Global Markets teams at HSBC Singapore are structure, support and coordination. These are the same key values I also bring to my family at home.

This is the first time in my banking career that I have worked from home for such an extended period of time – and while the road hasn't been without its bumps, I am seeing a number of benefits in efficiency and productivity, at work and at home.

Looking back over the last couple of months I realise there are real benefits to working from home, but it's taken initiative and proactivity to adapt to a new way of working.

At the office, we are reliant on fast-paced technology and infrastructure, but I've realized I can be highly efficient despite not physically being in the same room as these systems. Surprisingly, I am closer to my colleagues now because we have needed to focus on talking a lot more than before.

I struggled with time management at the start; I found myself working all hours due to disappearing boundaries between work and home. Despite being physically at home, my family started to say that I was not present. This comment made me realise I needed to step back and reevaluate my approach to work-life balance to support both roles.

By readjusting I've been able to prioritise and plan my days with limited interruptions, I can be more flexible when it comes to my family's needs whilst also focusing on my career goals, measuring results in terms of quality and output rather than time spent on tasks.

Technology has kept our work and personal lives ticking throughout this unprecedented situation, yet technology alone cannot replace human interaction, which I have missed.

> At home, I plan when to speak to family and friends online so I have something to look forward to. Similarly at work, I've found the need to make a concerted effort in speaking to my team on a regular basis.

Just like at home, this keeps us connected as a team. It has also helped build greater trust between us and enable open and transparent conversations. For example, I encourage colleagues to submit weekly summaries of their achievements, rather than focus on hours clocked.

Retreating to home-life has also brought about a sharp focus on mental well-being. Everyone has differing resilience levels, both within families and in work teams. I have not stepped out of my apartment in three weeks as I support my senior parents, yet that has not deterred me from practicing yoga and mindfulness within the confines of home.

Communication and technology have another role to play in this respect; having regular catch ups makes it easier to get a sense of how people are truly feeling. As we can't speak in person though, we often don't see the signs of people being exhausted, so it's also crucial to encourage team members to take time off.

The 'one size fits all' approach to managing well-being does not work; we should provide options for our teams where possible and ensure we are listening to their needs.

It is impossible to predict how the situation with COVID-19 will develop but it is certain that it will change the way we work going forward. The pandemic has shown me that there are positives to working from home.

The divide between personal and professional life is no longer clear cut; there are many takeaways from both sides that we can learn from to better develop the roles and responsibilities we have.

Fatema Bookwala
Fatema joined HSBC in 2005 and has held a number of positions in Mumbai and latterly in Singapore across the Global Markets division including in treasury finance and business management. In her current role, she is COO for Global Markets at HSBC Singapore and Regional COO for the division in Vietnam, Thailand and Philippines. Fatema has a degree in accountancy from the Institute of Chartered Accountants of India, and is holder of the CFA.

WCOOC

AN INTERVIEW WITH

IMELDA DONNELLY

COO, HSBC SECURITIES SERVICES
HSBC SINGAPORE

Working from home: We are all in the same storm but we are not in the same boat.

Pre-COVID-19, working from home for me was a quiet, calm thinking and doing space.

I found the experience productive and it allowed me the headspace to be more creative and innovative as well as the flexibility to get some wellness-related activity comfortably into my day.

Now, working from home is more akin to a circus!

With schools, daycare and workplaces closed due to COVID-19 my home is filled with noise and activity. My husband, children and I are on video calls overlapping throughout the day. As parents we are also substitute teachers, homework and play supervisors and have had to hone new skills as IT support technicians for the online platforms and devices our children are using.

Juggling these responsibilities along with my role at HSBC, has been the most challenging part of COVID-19.

The human brain makes the best adaptation it can in a situation and this is just another challenge to rise to. And we are adapting; from tools to help organize our space and time as a family, to changing the way I approach my working day and meetings, I'm taking lots of positive learning from this unprecedented situation.

So what are my tips to create success from working from home for both my colleagues, personally and for my family?

Communication is key. A perennial risk for large businesses is falling into silos and focusing on individual priorities; to prevent this we need to keep reaching out regularly.

We are navigating unprecedented times, and it's affecting us all in different ways. ***We are all in the same storm but we are not in the same boat.*** As managers and humans we can support our team in a way that is impactful to them if we understand what matters to them or what's not working for them. We survey often rather than making assumptions. The responses have often surprised us.

In my role, I need to always have my finger on the pulse. COO acts as a nerve center for a wide network of stakeholders. It's crucial to stay informed of what is going on in the industry and maintain relationships, internally and externally.

Simultaneously, communicating with my family and support network is key – sharing frustrations, sharing empathy, sharing fun and noticing that people value the simple things so much more now is the great equalizer.

I do miss popping out with friends in my industry and across my network for the connection as well as the informal updates and debate. I use my usual news apps, podcasts and LinkedIn to stay informed. So many business models have adapted and are offering online or virtual versions of their products and events which I have found useful.

Despite the disruption that COVID-19 has caused, it has rightly prompted us to take stock and readjust. There has been great collaboration and a collective drive to do better, together, during this time – and I've felt this both in my personal life and with my work.

We will retain the muscle memory of this experience and continue to improve and change at pace.

The hot topic is; will we see a permanent increase in numbers working from home? Globally, yes I think it's inevitable for many reasons – mostly because where you communicate and collaborate effectively, this change has been positive for us all.

Break out box:

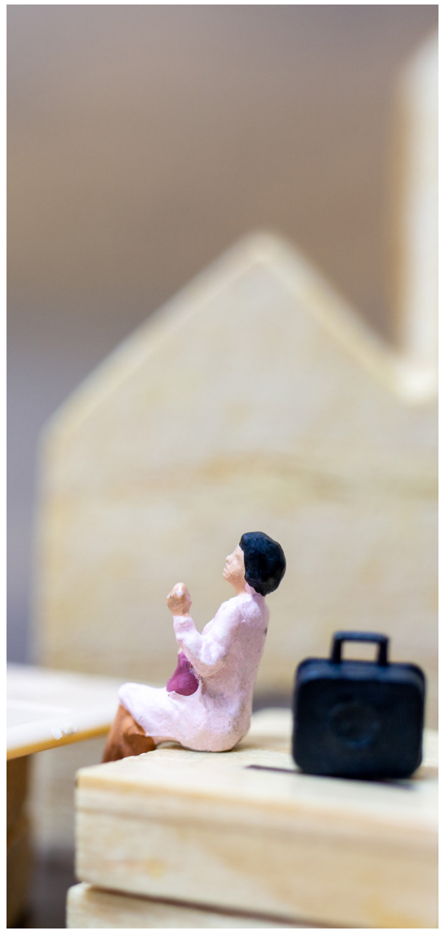
My tips:
Don't underestimate the value of your office chair! Many people working from home will be doing so for some months to come. Take care of your back and the rest of your body. When working from home we are severely movement restricted. We don't even have to walk to meeting rooms, everything is based in one spot now.

Make time to move your body or suffer the consequences later!

And for the mind, meditation. If you feel you don't have time for meditation, you probably need it more!

Imelda Donnelly

Imelda began her career as a Scientist, before making the transition into Consulting for banks. She joined HSBC's Securities Services Singapore earlier this year having spent over ten years in Financial Markets at several international banks. Imelda is a certified yoga teacher trained in meditation, mindfulness and nutrition, and a certified Executive Coach.



AN INTERVIEW WITH

CARRIE FONG

COO ASIA PACIFIC OF TD SECURITIES
SINGAPORE

A view from Asia on the COVID-19 crisis and its impact on everyday work

How did TD Securities manage the collective move to working from home, and what successes and challenges did you face in that transition period?

Our TD Securities geographical footprint in Asia is broad with offices in six different cities. Against a backdrop of cultural diversity, our greatest challenge was managing emerging issues and the timing of those issues as each office was experiencing varying levels of impact with different trigger points.

Certain offices were quick to initiate a full office-wide WFH model, while others took additional planning to balance our business continuity and client needs; government directives; and most importantly, the health, safety and well-being of our colleagues, their families and our communities.

Transparency & on-going communication were certainly key to our success. Our core crisis management leadership was in Singapore but there was strong partnership with management across the regional offices. We were all aligned and focused on ensuring our people understood the decisioning so that we had their buy-in every step of the way.

Our execution would not have been nearly as successful without the support and commitment from our colleagues to make this work. And throughout the process, we have maintained focus on our clients to ensure we have been able to continue to deliver for them regardless of where we were working.

Now, with the majority of the work force at home, what tools are you using for effective collaboration?

We are very fortunate to have a well-functioning WFH model. In terms of technology, applications such as Teams and WebEx have helped ease the transition and enable us to stay connected with our colleagues and clients. Thanks to our technology infrastructure, we were able to get up and running from home quickly to ensure we were able to continue business as usual. We also continue to support our communities in various ways, giving back to those who have been severely impacted by COVID-19. Truly a testament to our culture.

Looking forward to re-entering the world of work, what practical steps have you started taking to bring people back?

In the same way that moving to the WFH model was challenging I can foresee similar challenges in bringing our teams back on-site and social distancing will certainly be a factor. We are considering the necessary steps, appropriate precautions and directives from government agencies across the region. It will almost certainly be a gradual return for all offices. We will continue to focus on our primary objective which is ensuring employee health and safety during that transition and delivering for our clients.

How do you define the new normal – for example, what will you be doing differently?

I completely agree there will be a new normal. COVID-19 has changed so many aspects of our daily lives and how we run our businesses. It's hard to pinpoint what our future state will look like at this stage, but I have no doubt the way forward will involve a more creative and innovative operating model from physical premises, our routines and, most importantly, how we interact with one another.

Maintaining business continuity despite a significant proportion of our employees working outside the office, from client facing roles to support services, has turned traditional arguments about the need for certain roles or functions to operate from an office on its head. COVID-19 has really challenged all of us to rethink our workplace strategies and policies for a start. It's also demonstrated the importance of enhanced tools and technology that enable flexible working arrangements.

The irony of COVID-19 is how it has brought us closer together through segregation, encouraging more collaboration. In some cases, it has broken us out of our routines, challenged us to find ways to connect and strengthened our bond across the organization.

Springtime usually involves recruitment and onboarding of new talent. How are you doing it this year, amidst the constraints?

TD Securities offers a variety of programs in Asia centered around our pipeline talent. Our people are our greatest asset, so this is understandably an important focus for our organization. To the extent possible, we wanted to honour all our employment commitments. We have structured programs for internships, an associate or graduate program and our return-to-work program.

During the first month of the pandemic, our overall people strategy was extremely challenged in Singapore due to travel restrictions and other social distancing measures. We were forced to cancel events such as our campus recruitment as well as defer all in-person meetings and interviews. We had to come up with new ways to manage and execute each program.

We quickly learned it wasn't as simple as switching in-person interviews to virtual means, but adopting ways to ensure the interviews were effective and making sure our people managers were able to overcome some of the more subtle challenges like reading body language.

By tweaking some of the program plans, for example, shortening some programs while extending others and altering our intake schedule we have, by and large, managed to recover and get back on track with our people strategy - albeit under a new normal.

More personally, how have you been feeling in these strange times?

We all experience continuous change to our operating rhythm, but COVID-19 has accelerated the rate of change and there is no denying it is difficult adjusting and landing change at pace.

My biggest adjustment has been in the way I operate. Schedules were the daily stressor and I was overwhelmed with trying to complete everything accordingly. Day one and two happened to be easy wins, but by day three it started to unravel. Zoom classes and lessons for the kids while simultaneously managing home, work and taking phone calls wasn't working too well. The mute button, as it turned out, was not as reliable as I had hoped. By day four it was obvious I had a poor long-term strategy.

I was forced to pause and rethink what were true priorities for the day and then throw schedules out completely. I've accepted that my work day needs to be spread out over longer hours with larger gaps and that sometimes all-day television is perfectly fine for the kids. In some ways, admitting defeat was the win and by doing so I was able to establish a much more effective working pattern that I could carry out for an extended period.

What are some of the positives that you have noticed in this situation?

The pandemic has created opportunities for our organization to develop and collaborate. I have been pleasantly surprised by the creative ways we come up with "meet" one another – we've had team kickboxing, virtual breakfasts and trivia evenings to name a few. Our people managers are really working hard to foster an effective team environment while keeping morale high and promoting personal health and well-being.

Historically our Asia offices have not had an overwhelming take up on flexible working arrangements, so I personally hope this pandemic situation has and will encourage people to review their personal needs and take the opportunity to adjust their routines to achieve an optimal life-work balance. Even as we prepare to return to the work from office mode I, for one, am certainly more in amenable to the work from anywhere concept.

Carrie Fong
Carrie is Managing Director and Chief Operating Officer of TD Securities Asia-Pacific and is based in Singapore. As COO, Carrie is responsible for first line risk and control and the overall operational effectiveness for the region. Carrie's responsibilities also include overseeing the governance and delivery of strategic business and regulatory change initiatives in Asia-Pacific.

Carrie has close to 20 years of capital markets experience holding various roles in risk management, Sales, and Business Management in Toronto, Tokyo, London and Singapore. Carrie is also a Director of Toronto Dominion (South East Asia) Limited, Toronto Dominion Australia Limited, and TD Securities (Japan) Co. Ltd.

Carrie holds an undergraduate degree in Business Administration and Economics and a Masters of Arts (Economics) from Simon Fraser University, Vancouver.

WCOOC

If You Want to Change the World, Change the Way Capital Flows

By: Katica Roy, CEO, Pipeline

Capital is the liquid power that flows through our society. What we spend money on, we value. Where we invest, we value. Who we choose to invest in or lend money to, we value. When we view the world through this lens, we see that women are not valued equitably.

How might that change if we had equitable gender representation among those who make funding decisions—across all fund managers and asset classes? And how might the additional economic benefits of equitable gender representation change the world?

Now is our time to infuse capital flows with gender equity

The economic crisis caused by COVID-19 has been dubbed a "she-cession" due to its outsized and adverse impact on women. Not only are women bearing the brunt of job cuts, they are also bearing the brunt of lost liquidity and inequitable fiscal stimulus allocations. However, the crisis has also been dubbed "the great reset" because it provides us with a massive opportunity to build back a better world.

It's at this intersection, of she-cession and reset, that we have the chance to change the world by changing the way money flows - i.e. by infusing gender equity throughout the entire investment management system.

The focus here is two-pronged:

1. Close gender gaps among fund managers
2. Close gender gaps among investees (who or what receives capital)

In closing these gender gaps, we can improve the velocity of our post-COVID recovery and create a sustainable economic engine that works for the benefit of everyone. Afterall, an inclusive economy is a strong economy.

Gender equity: a smart choice, not a charity case

The case for stamping out rampant gender inequities (we'll examine these inequities later) from the investment ecosystems is not a charity one. It's about maximizing returns, expanding the realm of possibilities, and getting to work on the world's to-do list.

Consider the following studies that establish the financial upside of gender diversity in capital management:

1. Fintech firms with one female founder have more than double the internal rate of return than fintech firms whose founding teams are all male.
2. Actively managed fixed-income funds run by women outperform those run by men. Respective to their sector category, women-run fixed-income funds exceed average returns by .35% annually.
3. Gender-balanced private capital teams outperform firms with all-male leaders by 10 to 20%.
4. Hedge funds run by women generate returns twice as high as those run by men. In 2017, the broader index realized a 7.05% 12-month return, whereas female hedge fund managers realized an 11.9% return.
5. One-third of female-led private equity and real estate funds generate top quartile performance.
6. Compared to all-male teams, startup teams with at least one female founder provide 63% better investment returns.
7. Startups founded by women generate 78 cents for every dollar invested in their companies, whereas startups founded by men generate only 31 cents for every dollar invested.
8. Controlling for factors such as size, GDP per capita, board member experience, and country-specific characteristics, banks with larger shares of women leaders can expect higher capital buffers and fewer nonperforming loans than banks with lower shares of women leaders.
9. The average female personal investor outperforms the average male personal investor by 1.44%.
10. In regards to managing assets during the coronavirus, female-run hedge funds lost 3.5% in the first four months of 2020, whereas the broader index of hedge-funds (including men and women-run funds) lost 5.5% over the same time.

Moreover, Morningstar gender-disaggregated the performance of fund managers and concluded that, while women are just as competent as men in managing funds, "an investor who picks a fund based solely on the manager's gender could see better results with all-female fund teams in both equity and fixed-income asset classes."

However, we must be judicious. These findings should not lead to a battle of the genders. That is not the goal. Instead, these findings should underscore the necessity of diverse perspectives when it comes to investment-related decision-making. Diverse perspectives will play an especially critical role as we work to rebuild a stronger, more resilient post-coronavirus economy.

Women and men view wealth differently

In the US alone, women control 39%, or $11.2 trillion, of investable assets. By 2030, analysts predict women will hold two-thirds of our nation's wealth.

Women's increasing control of wealth corresponds with the shifting of expectations around wealth management. Nine in ten women view wealth as a means to promote positive change, both at a micro level and macro level. This view of wealth deviates from the traditional view of wealth that posits it as a means of financial security and independence. Further evidence of shifting perspectives in wealth is the fact that two-thirds of women versus 56% of men believe impact investing can create opportunities to eradicate some of the world's toughest social issues. And for 72% of female entrepreneurs, owning a business allows them to have a positive impact on their communities; only 65% of male entrepreneurs agree.

It's with this shifting view of wealth in mind, on the heels of a global economic crisis and coupled with the overwhelming evidence of gender equity's financial upside that we must call on our better angels to close the rigid gender gaps prevalent in asset management.

Rigid gender gaps still prevalent among fund managers

When it comes to gender equity, not much has changed since the dawn of the third millennium. Twenty years ago, women were 14% of all fund managers. Today, women are still 14% of all fund managers. They represent a mere 2.63% of mutual fund managers and control a paltry 1.3% of all US-based assets under management.

In some instances, we have even moved backward from gender equity in the past twenty years:

- **Passive fund managers:** women represented 19.4% of passive fund managers in 2000; they represented 13.2% in 2019.
- **Active fund managers:** women represented 13.4% of active fund managers in 2000; they represented 10.7% in 2019.
- **Bond fund managers:** women represented 16.0% of bond fund managers in 2000; they represented 11.0% in 2019.
- **Equity fund managers:** women represented 12.9% of equity fund managers in 2000; they represented 11.0% in 2019.

The situation isn't much better in the startup world, either. Last year, 2.7% of venture capital funding went to female-funded businesses. That means the total amount of venture capital money that went to female-led businesses in 2019 ($3.54 billion) is less than what a single company, WeWork, received in the same year ($5 billion) as a "lifeline." This inequity stings: venture capitalists could expand their projected returns to LPs by $4.4 trillion by committing to equitable investing practices.

Furthermore, for every $1 male startup founders own in founder equity, female startup founders own 48 cents. And for every $1 male employees own in startup equity, their female counterparts own 49 cents.

So what would it take to achieve gender equity in capital flows and unlock the massive subsequent gains?

How to move toward gender equity and unlock massive economic gains

To truly achieve gender equity in capital flows, we must adapt the aforementioned two-prong approach: close the gender gap among fund managers and close the gender gap among investees. Here's how we can make that happen:

1. **Make data-driven resolutions for workplace diversity.** Financial services firms should adopt resolutions to increase their levels of gender equity. Firms should go beyond implicit bias training and use data to audit, measure, and track gender equity KPIs. For instance, starting with the very first promotion, men in financial services are promoted at a 25% greater rate than their female counterparts. Gender-disaggregating rates of promotion, along with other KPIs such as compensation and performance evaluations, can help firms make decisions that move them toward gender equity. It can also help them make more gender-balanced (and profitable) investment decisions because female fund managers are instrumental in connecting female entrepreneurs to capital. In fact, recent research highlights the symbiotic relationship between gender equity among teams of fund managers and gender equity among investees: female venture capitalists are twice as likely as male investors to invest in startups founded by women.
2. **Join the #HerWorth challenge.** The #HerWorth challenge is simple and costs nothing. To participate in the challenge, we should encourage investors to ask their financial advisors, "What percentage of my portfolio is managed by female fund managers?" Then, participants are encouraged to post their results online with the hashtag #HerWorth and challenge three others to do the same. As a corollary to the #HerWorth challenge, we can also encourage investors to ask, "What female-led funds (private equity, venture capital, real estate, hedge funds, mutual funds, etc) can I invest in?
3. **Set diversity goals for capital allocations.** Allocating funds to female founders is not a handout. It's a wise investment choice (as detailed above) and a bulletproof way to pump gender equity into the system. Plus, female entrepreneurs' lived experiences are an untapped resource in the marketplace for innovation, especially since women drive between 70 and 80% of all consumer purchase decisions.
4. **Launch a variant perspective platform to address the growing barriers to entry.** For many emerging funds, the minimum viable asset under management level has risen to such unsustainable heights that few are able to succeed. In fact, hedge funds that launch with less than $250 million in assets under management have a less than 50% chance of surviving. (For context, in 1970, George Soros' Quantum Fund launched with $12 million in assets under management.) Perhaps that's why 10% of hedge fund firms control a full 90% of all hedge fund assets. A variant perspective approach (outlined by the World Economic Forum here) reduces the minimum viable asset under management while increasing returns and diversity among fund managers.
5. **Consider a "feathering-in" technique.** A feathering-in technique gradually replaces outdated, inequitable investment strategies with new, more equitable strategies that incrementally guide firms toward gender equity. We can't expect to achieve gender equity overnight. We can and should, however, take opportunistic steps to narrow the gap.

A higher call to action, our fiduciary responsibility

Investment managers understand the importance of diversification. Now let's apply this principle of sound investment to the creation of our fund management teams. Closing gender gaps in the investment ecosystem has the potential to unleash fresh sources of capital and expand investing frontiers for generations to come. COVID-19, she-cession, the great reset, a game-changer—call this crisis what you will, the call to action is all the same. If you want to change the world, change the way capital flows.

6. Home Learning

“Learning at home does not have to look like school and probably shouldn’t.”

- Paul Ramchandani, Lego Professor of Play, University of Cambridge

READ MORE

Source: University of Cambridge

WCOOC

As we slowly emerge from the coronacoaster of a world pandemic, successful leaders will be the ones who have courage, empathy and are adaptive.

JOIN SIONIC'S WEEKLY WEBINARS

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At the Armstrong Wolfe COO Community Webinar, the topic of how to lead in these unprecedented times was hotly discussed. **Deborah Challinor** (Partner, Sionic) and **Aran Dadswell** (Director, Sonic) engaged with over 25 global COOs to help determine answers to how leadership today and going forward will have to be different.

How are leaders feeling?

There was significant acknowledgement that leadership at the moment is extremely challenging with people shifting across the thriving, surviving, struggling spectrum; keeping projects on track while also looking at how to rapidly adapt the business to a different economic world.

Examples of thriving included mobilising at-home based call centres in under 24 hours. While at a day to day level it was clear that effective leaders have to build in "time for people to respond to urgent items and park their impatience" as team members work varying times across any 24 hour period. It is also clear that at times all leaders are struggling with maintaining connected teams with an emerging disquiet as some people are working really hard and others are just not able to do so for all sorts of reasons.

Re-sizing the triangle

Against this backdrop, Deborah and Aran tabled that one of the major challenges for leaders is re-sizing the organisation triangle: balancing "Commercial Priorities", "People & Teams" and "Clients & Customers". The world economy is continuing to take a massive hit. All businesses will have to revisit their overall goals, evaluate their breadth of services, make cost savings, re-prioritize change: "digital service will be at the heart of Banking but not without significant impact on real estate, risk management and longer term organisational culture".

However **People & Teams** will be key to future success and the necessary focus and investment in People & Teams may have to be at the expense of some commercial goals as new ways of working become the norm but with greater acknowledgement of resistance and the stress that comes with this.

Clients & Customers will have different perceptions of your business and how you have been there for them during this time. For Banks this may extend to a much more holistic view of what a bank is to a client and also require compromised commercial priorities.

How to be a successful leader now

This group of leaders concurred that "mindset is everything!" in leading the re-sizing the triangle. Sionic led a discussion on the core components of a winning mindset: "the attitude you choose to take at work" to deploy your skills and focus on what underpins success. It starts with having the courage to reflect on your own strengths and vulnerability and to use your courage to challenge thinking and act decisively.

Secondly it means combining your courage with empathy to show your human side through caring, listening and acting with integrity.

And thirdly it means being **adaptive.** Starting with "can do" so you are able to demonstrate speed, nimbleness and responsiveness to enable others to successfully manage the many demands of work and personal priorities, while meeting customers' revised expectations within a challenging environment.

Biggest piece of advice to leaders: "Put on your own oxygen mask first"

The neuroscience of the brain points to one major conclusion on being a successful leader. To have a winning mindset requires you to take care of yourself first so you can be "your best self". The limbic system involved in motivation, emotion and learning influences other systems, in particular the prefrontal cortex which guides behaviour and though the right nurturing impulsive and counter productive leadership styles can be moderated.

"Putting on your own oxygen mask first" means being fully aware of how you are feeling and taking time to manage both negative and positive feelings. This is where mindfulness can be so helpful even just 10 mins a day focusing on clearing your mind can help with the most stressful of days. Which leads to also acknowledging the importance of resilience and developing your own strategies as a leader so you can keep going and manage an end to the current "blurring of the working week into the weekend and establishing clearer boundaries between work and play"

So coming out of this current pandemic and establishing a new norm in many cases is not going to be easy but the leaders that take the time to think about courage, empathy and being adaptive, starting with looking after themselves will be the leaders with the biggest impact on people, teams, clients and the organisation.

Deborah Challinor, Partner, Sionic

Aran Dadswell, Director, Sonic

WATCH VIDEO

AN INTERVIEW WITH

GORDON GRANT

BUSINESS ADVISOR
ARMSTRONG WOLFE

Gender Equity and Our Collective Response to COVID-19

Despite the many challenges presented by COVID-19, the COO community is well placed to ensure that the drive for gender equity within the financial services sector is not derailed.

In fact, in leading organizations at a time when fundamental and far sweeping changes to operating model and work practice are implemented, the COO community has the direct ability to ensure that impediments to gender equity (and broader diversity and inclusion) are removed.

COVID-19 has had a devastating effect on gender equity in the broader community. The US Bureau of Labor Statistics reports that of the 20.5 million jobs lost in the US in April, 55% were women. Female unemployment rose to 16.2%, while male unemployment rose to 13.5%. Women of Hispanic (20.2%), Black (16.4%) and Minority Ethnicity origin were most impacted. The heaviest job losses have occurred in leisure, hospitality, education and medical sectors.

It will take some time to determine the gender equity impact of COVID-19 on employment rates within financial services. Multiple factors influencing financial services gender equity are still being worked through. Return to office strategies continue to be devised. Remote vs. physical rosters are being drawn in parallel to broader locational questions. Rapidly embraced technology and collaborative tools are being integrated. Change programs agreed pre-pandemic are undergoing re-assessment. Data simplification, automation and Cloud programs will accelerate. Volumes and work drivers post normalization are yet to be understood. In recognition of these challenges, several institutions have gone so far as to state that they will not be making further redundancies in 2020.

While it is not possible to determine the final impact of COVID-19 on gender equity at this time, there are a number of key areas where the pandemic is adversely impacting women now:

1. Uneven Impact of Working From Home (WFH).

The implementation of WFH has disproportionately impacted the amount of unpaid domestic hours worked by women relative to men. A survey by LeanIn reported that women working full time who have both a partner and children are now spending 20 hours more per week than their partner in domestic work. The impact on single mothers is higher. As schools re-open, some of this additional burden may ease for those with children of school age. It may not help mothers with children of pre-school age. In the UK, 50% of child-minders, daycare centers and nurseries report that they will not re-open, eliminating 150k spaces for children of pre-school age.

2. Inflection Points for Non-Primary Income Earners.

Non-primary income earners and / or employees who are on an income band less than or near to the additional costs of home care and transport arrangements etc. post COVID-19, may elect to leave the financial services sector. Statistically, the bulk of non-primary income earners are female. An outcome in which women leave the financial services sector is contra to the collective effort that has been made across the industry to increase diversity in the workplace. It will place further pressure on talent pipeline, especially at Director and Vice President bands, and directly impact the progression rate of women into senior roles.

3. Potential Impact to Female Promotion Success.

In a WFH model, promotion candidates no longer have the same natural opportunity to network and to build relationships as they do in an office environment. There is no longer the ability, for example, to gather pre and post meetings in conference room doorways, nor to walk and talk with senior leadership as they move through the office. Instead, candidates must engineer contact remotely and work to establish presence via conference and video calls.

This amplifies the legacy state challenge, well known and documented, of unconscious bias impacting women (and other diverse groups). It then goes further by overlaying that bias with the challenge of mass remote connectivity and the need for female candidates to have their voices heard over stereotypically louder men.

The COO community can mitigate some of the above by:

1. Optimizing WFH Experience:

a. Ensure that leadership is engaged, supportive and mindful of need for potential homelife flex.

b. Be mindful that WFH time zone clashes may be different to normal (e.g., as a result of home schooling).

c. Corral high performing teams around business goals and common purpose.

d. Authentically connect with people – ramp up personal engagement.

e. Consciously leverage the different skills and work styles of team members.

f. Make a point of calling upon people who have not spoken and encourage them to do so.

g. Guard against the same vocal individuals dominating dialogue.

h. Keep note of who you have / have not connected with – purposefully manage against unconscious bias.

i. Consider using an Experience Sharing App to keep abreast of current team mood.

2. Consciously manage talent and pipeline – ensure WFH does not disrupt promotion process

a. Ensure that pre-existing pipeline plans remain in place – specific programs of delivery may change as a result of COVID-19 but overall platform, profile and development should continue uninterrupted.

b. As and when practical, transfer pre-existing development training for pipelined talent to virtual learning modes. Adjust offering as required in response to any newly identified opportunities.

c. Pre-existing forums to assess promotion candidate legitimacy may no longer be possible. Establish clear guidelines as soon as practically possible as to any model changes.

d. Ensure that promotion candidates are connected to managers and key stakeholders via 121 meetings at appropriate intervals.

e. Develop virtual forums to allow future talent to establish networks both with peers plus with those who have influence over progression. Examples include video forums by gender, ethnicity or diversity group, or by corporate title, with divisional leadership.

f. Leverage technology and increasing comfort in disbursed teams to create new virtual pairings and agile relationships, maximizing talent exchange and growth opportunity.

These points are a subset of what would be required to optimize work experience and to progress gender equity. **As a WCOOC Ambassador and Business Advisor with Armstrong Wolfe Solutions, I would be happy to discuss any of these topics further.**

Gordon Grant
Business Advisor & WCOOC Ambassador

Gordon is a senior Operations leader specialising in business enablement, transformation, client experience and regulatory delivery. Working with Morgan Stanley, BNP and Bankers Trust, he has held leadership positions in New York, London, Hong Kong and Sydney.

He has been directly accountable for successful strategy design, execution and BAU management across a wide range of financial products and sectors, including Institutional, Retail and Custody. Gordon has been engaged in industry advocacy for technology adoption, regulatory change and market development with representation on various AFME, ASIFMA, AFMA, DTCC & EuroCCP committees.

A firm proponent of talent development, diversity and inclusion throughout his career, Gordon is currently an Ambassador to Armstrong Wolfe and its Women in the COO Community (WCOOC) initiative. Immediately prior to this, he sat on the EMEA Diversity Action Council at Morgan Stanley.

‘Character to Fight Covid’

Ivey Business School
WESTERN UNIVERSITY · CANADA
Ian O. Ihnatowycz Institute for Leadership

Dr. Mary Crossan is a Professor of Strategic Leadership at the Ivey Business School and a Distinguished University Professor at Western University in London, Canada.

Bill Furlong is an Executive-in-Residence with the Ian O. Ihnatowycz Institute for Leadership who writes, presents and lectures on character based leadership to students and business leaders across North America and the U.K.

“What lies behind us and what lies before us are tiny matters compared to what lies within us.”
- Ralph Waldo Emerson

The devastation of Covid-19 contagion demands an equally massive response of positive character contagion by everyone. Whether you are on the front line, as a first responder, or on the sideline in isolation, what you do now matters! We all own this responsibility. Time is of the essence and it requires “all hands on deck.” Covid-19 reveals that when we activate on character we can do the impossible and imagine the previously unimaginable, and in contrast, weaknesses of character undermine our capacity. So why and how does character matter in the Covid-19 crisis? What can and must we do to exercise our character in crisis?

Anatomy of Character – How does it work?

Character – “it’s in you to give” – borrowing from the famous blood donation tag line. Character is a set of virtuous habits (see framework here) that can be identified, measured, managed and developed. All of the dimensions of character are important to our well-being and judgment, even though many individuals and organizations inappropriately privilege some dimensions over others. The following foundational underpinnings help to explain what character is.

1. Each of the 11 dimensions of character have a set of habits/behaviors that can be activated and developed such as being patient or calm (Temperance).

2. At the center is Judgment, or what Aristotle referred to as “practical wisdom.” Judgment has its own set of behaviors that underpin it, such as being situationally aware, cognitively complex, and a critical thinker, but great Judgment relies on the other 10 dimensions that support it.

3. All virtues can operate as a vice when not supported by the other dimensions. For example, Courage without Temperance becomes recklessness. Even Integrity, which few would imagine could operate as a vice, could be dogmatic and self-righteous without Humility and Humanity to support it.

4. Character is not something people are born with – rather it can be developed or atrophy. We are always “becoming while we are busy doing” — becoming more or less accountable, more or less courageous, etc.

5. Not attending to weaknesses in dimensions of character can foster imbalances where a virtue operates like a vice – Humanity without the needed Temperance leads to burnout, for example.

What can you do? - Activate the Character that Lies Within You

Judgment – Covid-19 demands solid and swift judgment in a rapidly changing situation. Notably, situational awareness is not bound by your current context or current time. Focusing on just the here and now has left many ill prepared. The information has been available to us, but we have often failed to act in a timely manner. Judgment is ultimately about agility and there are other dimensions of character heavily implicated in this.

Some politicians have been dismissive of the Covid-19’s destructive power. However, none like Jair Bolsonaro, the far-right President of Brazil who has defiantly labelled Covid-19 a “measly cold”. His call for Brazil to “get back to work” is a gross misjudgment in direct opposition to overwhelming evidence. Brazil’s fragile social and economic institutions are almost surely to be devastated by the rampant spread of Covid-19. In contrast, strong Judgment is demonstrated in the foresight shown by many countries around physical distancing and isolation to “flatten the curve”.

Humility, Humanity and Collaboration – Crisis leaves no room for ego to dominate (lack of Humility), or heroic attempts to solve things in isolation (lack of Collaboration). Having empathy and compassion for others (Humanity) informs situational awareness but allows us to connect with one another in ways that are not simply transactional. Collaboration combats the silo mentality that tends to prevail in daily life. But at the same time overweighting these dimensions can lead to burnout as many health care workers are finding.

New Zealand Prime Minister Jacinda Ardern has been heralded for her handling of the crisis that exemplifies humility, humanity and collaboration. She, her cabinet ministers and public service chief executives agreed to 20% pay cuts for six months providing the inspirational example the country needs to endure and overcome the COVID-19 crisis.

Temperance – Is a huge antidote to burnout as it brings the patience and calm to deal with demands. It is also incredibly important to deal with the fear and worry that can overwhelm us in this time of crisis. Temperance has a heavy physiological basis and the reliance on fundamentals like breathing, perhaps through yoga, mindfulness and meditation help to activate Temperance.

Whereas, the lack of Temperance is revealed by many individuals failing to self-isolate, Dr. Maskalyk, a Toronto-based ER doctor, activates Temperance through meditation to cope with the enormous stresses of the Covid-19 pandemic - “It gives you space when you thought there was none.”

Transcendence, Drive and Courage – Acting on Transcendence helps us unite around a common purpose. It gives us hope. Drive for excellence does not mean drive for perfection, however. Operating in a crisis means living with uncertainty, ambiguity and lack of control with many pieces of the puzzle not sorted out as we move forward, which also requires Courage. Drive relies on physical vigor, which requires a lot of self-care.

Bauer, better known for making hockey equipment, switched production to make full-face, single-use visors for front line medical workers. Bauer joins a growing *list of businesses that are innovatively repurposing their production equipment and expertise to engage in the challenge of Covid-19. Such innovation is rooted in Transcendence that seeks out new solutions, supported by Drive and Courage to urgently bring these innovative ideas into reality.*

Justice and Accountability – Elevating our individual and collective accountability is paramount, while keeping in mind vulnerable groups and having a clear understanding of what is fair and just. Failing to self-isolate, hoarding, and breaching rules are evidence of weaknesses in character. But equally problematic, there are individuals who are taking a huge burden on their shoulders at a crushing personal cost, without the strength of humility, humanity and collaboration to lighten the load.

What do you do when you are told to stay home, but you don't have one, or it is too dangerous for you to return to? This is the tragic reality facing tens of thousands of Canadians during this pandemic. Fortunately, the Canadian government is providing $157.5MM through its Reaching Home initiative to support Canadians experiencing homelessness during the Covid-19 outbreak. This funding is evidence of the dimensions of Justice and Accountability extending to Canada's most vulnerable citizens.

Integrity – Crisis challenges our core beliefs and cognitive maps about the way everything works and thus our integrity is destabilized around core principles. For example, many people are struggling with their prior beliefs around what they could control, what they could protect, and what they value.

Dr. Anthony Fauci, director of the U.S. National Institute of Allergy and Infectious Diseases, who provides status updates on the pandemic, has found himself having to correct or contradict the U.S. President, who has a well-earned reputation for punishing dissent and disloyalty. Yet, Dr. Fauci, who demonstrates an abundance of Integrity, clearly also exercises the dimensions of Temperance and Humility, which has allowed him, for the time being at least, to remain at his post.

Activating and Developing Character

Character activation and development relies on four anatomical systems – physiology, affect (emotion, feeling and mood), behavior and cognition (PABC). Individuals can become more self-aware of these systems and how they operate. In crisis, physiology can become overwhelmed, thus compromising Temperance, hence the recommendations around breathing, for example. Emotion, feeling and mood can be disrupted, and there is a high risk of mislabeling them. For example, you could simply be tired, and misidentify fatigue as feeling sad. Feeling sad can then lead to beliefs about being helpless, that can in turn lead to a vicious cycle of lethargy.

One practical way to exercise the PABC systems and the dimensions of character is through music. Consider your current playlist and imagine what songs might activate each dimension of character, something we have written about in our article "Using Music to Activate and Develop Leader Character". As Plato noted: "Music is the movement of sound to reach the soul for the education of its virtue." Activating and developing character means we bring our best selves to this crisis, doing our part, whatever that may be, to fight Covid-19.

What can groups do?

Take the initiative to encourage conversations and the development of character in one another. When we find ourselves and others sliding into counter-productive or even dark places, that don't represent our best selves, have the candid conversations, relying on strength of character to pull it back and reign in the fear, negativity and helplessness that can prevail. Rely on character to address realistic concerns and deal with them effectively.

When we see others being overwhelmed or experiencing burnout, provide support and encourage their self-care. It is often that very same person, who would be supporting and advising others in better times.

A basic strategy is to role play conversations around the advice they would give to someone in their situation. This reflects that we are often great at advising others but often struggle with what we can/should do, particularly in a crisis. Where we have time, capability or resources to support one another - share them. Go through your list of family, friends, neighbours, community, country and the world to see where you can add value.

What can organizations do?

Provide leadership that enables the activation of individual and collective character and remove long standing organizational roadblocks, whether that be rethinking compensation or enabling new ways to work remotely. Lead the way with solid judgment rather than waiting for edicts, as we saw with the Canadian Olympic Committee taking a stand on not attending a 2020 Olympics. Many organizations have already invested in character leadership and now is the time to rely on it.

Conclusions

Life as we know it demands that we all activate our character. Countries need to cooperate like never before. Politics need to be set aside to do the right thing. People need to refrain from pointing to outdated policies to defend why something can't be done, and instead cut through red tape that should have been cut through years ago. We are finding and must continue to discover new ways to work, live and collaborate, at a pace that no one ever thought possible. Weaknesses of character underpinning reckless actions imperil us all. Weaknesses of character that undermine inspired collective action imperil us all. Weaknesses of character that limit our sense of accountability, justice and humanity, imperil the world.

Once we have fought the good fight with Covid-19 there will be no turning back, as we will be forever transformed. Discovering the strength of character that lies within us will create fertile ground to address the many pressing problems of humanity that had previously – in the pre-Covid-19 world - seemed impossible.

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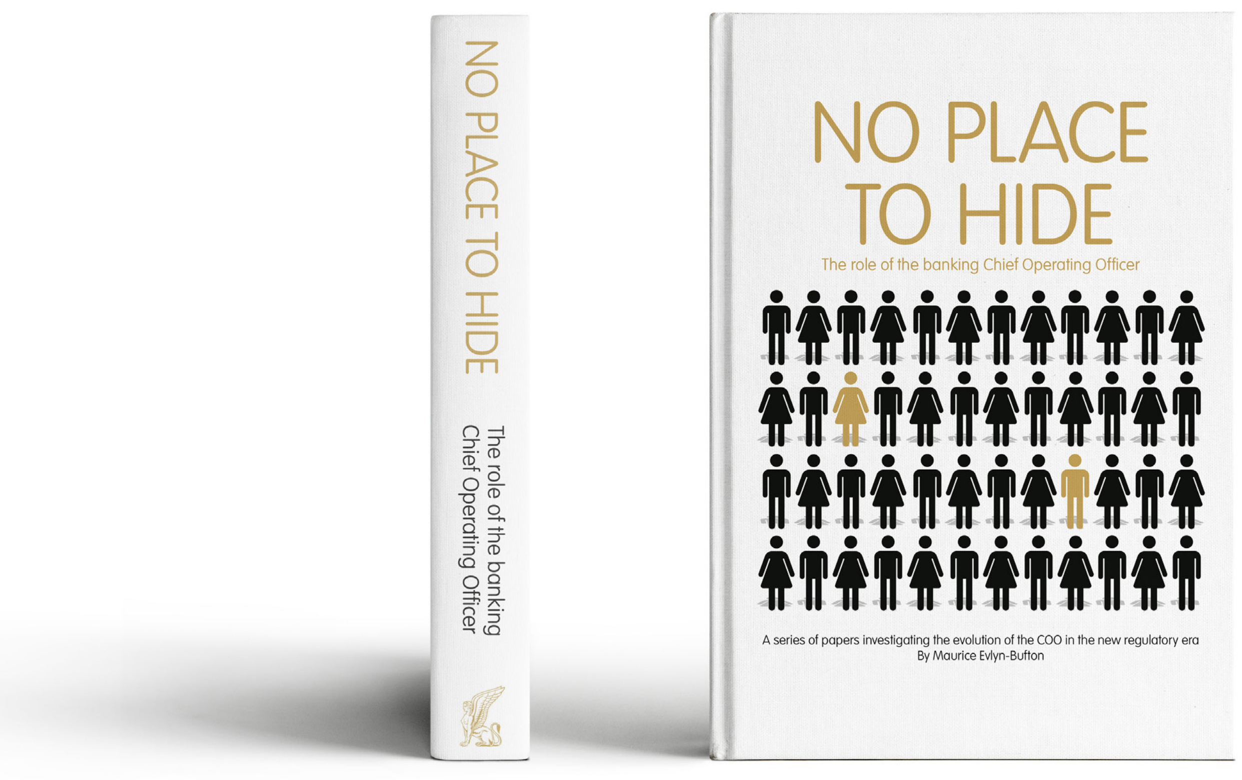
Order either or both books below and **100% of your monies** paid go to Armstrong Wolfe's charity GCF Bosnia.

No Place To Hide: The role of the banking Chief Operating Officer
There is no definitive answer to the question 'what does a chief operating officer, the COO, actually do?' Every COO's role is different, and more so in banking. It is to understand this exclusivity that Maurice Evlyn-Bufton has written the series of papers that are brought together in this book.

If you are an established COO, aspiring to be one, seeking to hire one, or are generally interested in the subject of executive management and leadership, this book offers an informed analysis of one of the most important and yet largely misunderstood leadership roles within banking today. Written by Maurice Evlyn-Bufton



All proceeds will be donated to Goražde Children's Foundation.

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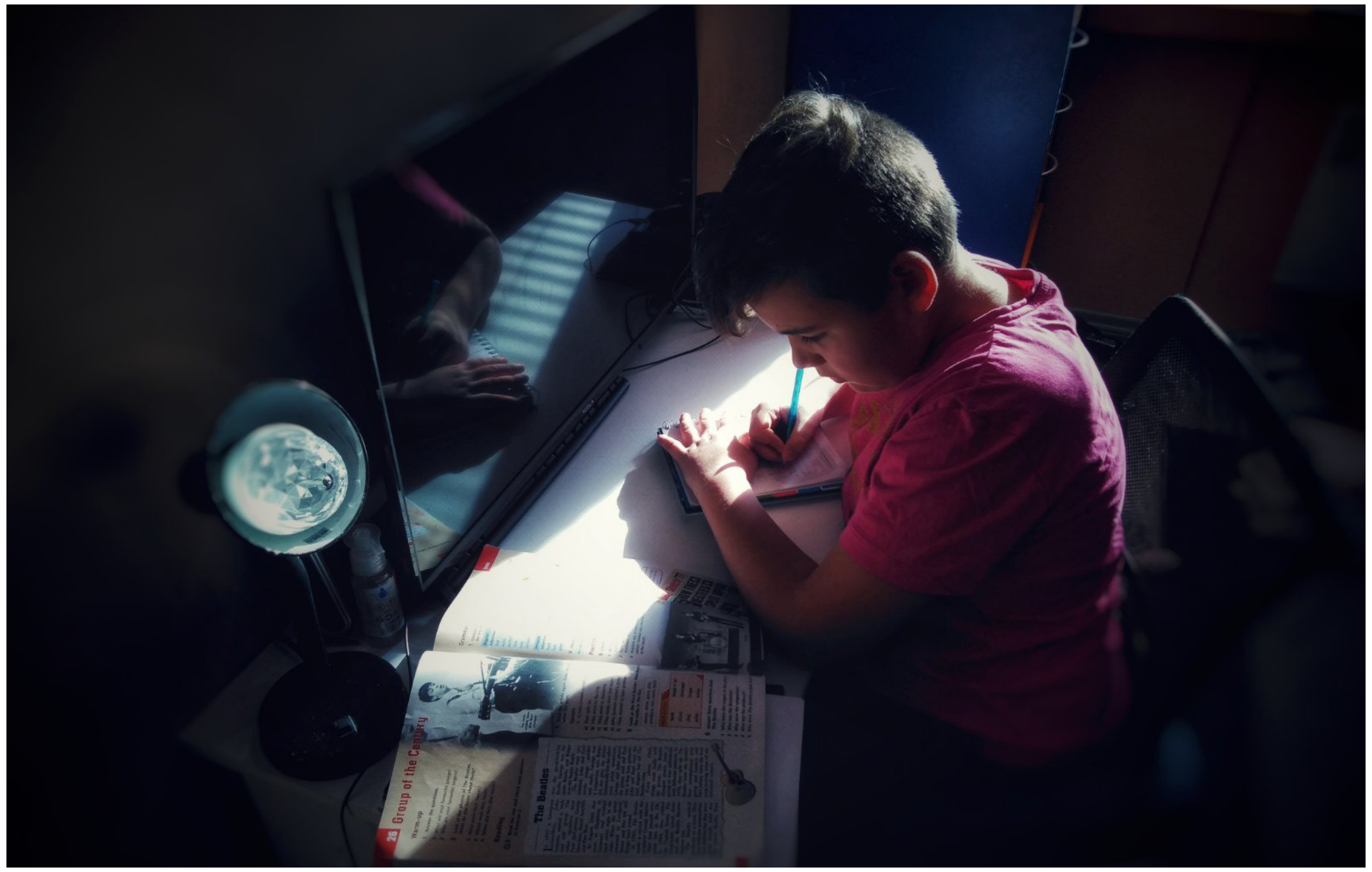

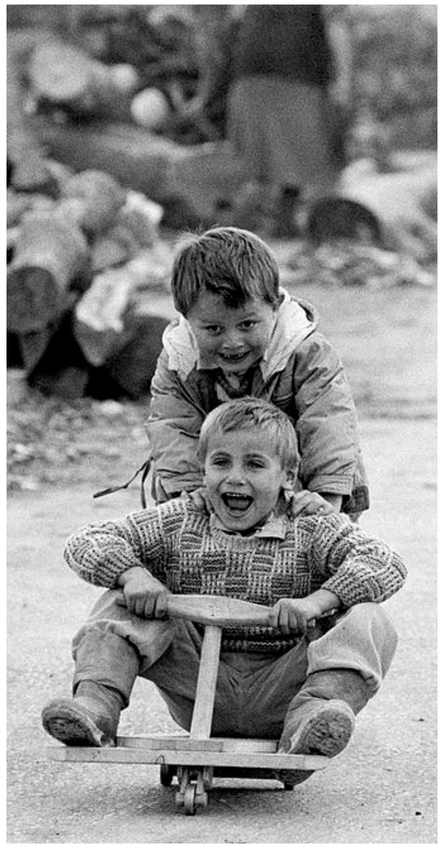

GCF Bosnia is a UK-based charity founded by Maurice, which is committed to helping rejuvenate the previously war-torn town of Goražde in Bosnia. The charity specifically supports Goražde Primary School and seeks to provide a brighter future for its students.

To date, an English Language teaching centre has been established and the school's previously battle-scarred playground has been refurbished into an all-purpose astro-turf for the children to play sport on. We also regularly send books and educational materials.

Our next project is to build the school its first fully-equipped science classroom and refurbish a further six classrooms which are in dire need of modernisation.

Maurice was previously a captain in The 1st Battalion The Royal Gloucestershire, Berkshire and Wiltshire Regiment (1RGBW) in the Bosnian conflict (1992 - 1995). He set up GCF Bosnia in memory of four of his comrades who were killed whilst on United Nations' duty in the eastern enclave of Goražde.

Your kind donations are vital for the development of the children's academic and personal well-being.

To donate, please visit:
gcfbosnia.org

Updates from Goražde primary school

"There has been two weeks now how we got the warning of Corona virus spreading through our country, and the first patients with the symptoms of the virus appeared in our town.

It was 12th of March when we as employees got the official notice that the teaching process is going to be stopped, in order to avoid the virus. Our students did not have classes on Friday 13th and that continued until Tuesday 17th of March. During that time teacher organized the teaching process following the instructions of the headmistress and our Ministry of Education. From the Wednesday, March 18th , consultative teaching has been established. This type of teaching is being held through Viber and Messenger groups.

We tried to find the easiest and the most understandable way for both students and their parents. Teachers and parents were not prepared for this type of teaching. So, we are still trying to find out the best solution for everybody.

We send reports every day to school management. These reports consist of the materials student get for each subject on daily basis. That is, we follow the school schedule for particular class, and we send the materials for the subjects they have on that day. It functions for now. In addition to the materials, we send the parents' notice, that is, what they think about this type of teaching, and do their children find it hard to understand. We did not have problems so far.

In the beginning, a lot of our students did not have proper equipment for this type of teaching, that is, computers or tablets. And some of them did not have the Internet access. Thanks to our school management and local companies, all of the students now have the proper equipment and the access to Internet. So, they can follow this type of teaching process.

Our school is still closed for children, and we do not know until when it is going to be like that. School management works every day four hours, because they have to make everything possible regarding the process. And they are doing great job every day."

Dženana B
Head Teacher

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CONTRIBUTORS

Special thanks to:

Aishia Snider, US Capital Markets Sales Director, Microsoft

Bill Furlong, Executive-in-residence, Ian O. Ihnnatowycz Institute of Leadership

Brian Halligan, Business Advisor, Armstrong Wolfe Solutions

Carrie Fong, COO Asia Pacific, TD Securities

Daniel Cohen, Senior Vice President-Banking, Finance, Securities, Cognizant

Dr Mary Crossan, Professor of Strategic Leadership, Ivey Business School

Fatema Bookwala, COO, HSBC Global Markets, HSBC Singapore

Gordon Grant, Business Advisor, Armstrong Wolfe Solutions

Gregory Daco, Chief US Economist, Oxford Economics

Harry Toukalas, Co-CEO, Galaxy Advisors

Imelda Donnelly, COO, HSBC Securities, HSBC Singapore

Joe Norena, Business Advisor, Armstrong Wolfe Solutions

Katica Roy, CEO, Pipeline Equity

Nicolas Reys, Global Head of Cyber Threat Intelligence, Control Risks

Philip Biber, Partner, Sionic

Siobhan Dunn, Industry Advisor, in association with Armstrong Wolfe Solutions

Stuart Tootal, Partner, Ex British Army Colonel, Matero Consultant

Susanne Chishti, CEO, Fintech Circle

Ted MacDonald, Advisor, Wholesale Bank Supervision, Financial Conduct Authority

Thomas Campanile, Partner, EY

If you would like to contribute to the next edition of the COO Magazine please contact: info@armstrongwolfe.com

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For general enquiries: info@armstrongwolfe.com

For Armstrong Wolfe Solutions enquiries: aws@armstrongwolfe.com

For advertising enquiries: G.Wilcox@armstrongwolfe.com

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