



Operational Resilience for Asset Management post COVID-19

1 May 2020



Who's with you today



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Agenda

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The impacts of COVID-19

The impacts of COVID-19 will be long, possibly enduring, and will magnify certain pre-existing trends and could completely disrupt existing business models



Low growth and depressed financials

Rapid declines in countries' economies and likely slow global recovery / growth suggest that asset prices will take a long time to attain 2019 levels. The combination of rising operational costs and fee compression is driving down margins toward historical lows for the industry. Product strategy and the pace at which countries recover will determine where revenue and flows are likely to come from, post-crisis.



Trading methods & liquidity stress testing

Money markets are facing a lack of liquidity in short-term instruments, putting pressure on MMFs investor outflows

Reviews by policy makers of systemic risk implications will likely focus on particular types of trading methods and product types. Rules on stress testing, leverage and funds liquidity management tools (including redemption gates) used by open-ended funds will be enhanced. Needs to travel in line with regulatory requirements



Focus on ESG investment

On the flip side of the devastation of the Covid-19 pandemic is much reduced travel pollution, a greater sense of local communities and support mechanisms, and acceptance of the need for strong governance. This could magnify the trend towards ESG investing.



Remote working & operational resilience

Fully remote working has put unprecedented pressure on firms' technological infrastructure. The upside is that firms have had to advance very quickly their capabilities. The downside is increased risks of cyber, AML, fraud, data and asset protection etc.



Client & investor communications / expectations

The need for instant and dynamic communications during the pandemic highlights questions about whether current disclosure requirements, which largely presume the production and delivery of "physical" documents, are fit-for-purpose in the digital age.



Physical vs virtual meetings

With fully remote working, existing governance structures, procedures and controls have proved inadequate. Also, many laws require physical meetings in the jurisdiction, e.g. board and shareholder meetings. This needs to be carefully considered in light of regulatory and substances matters



Risk & regulatory

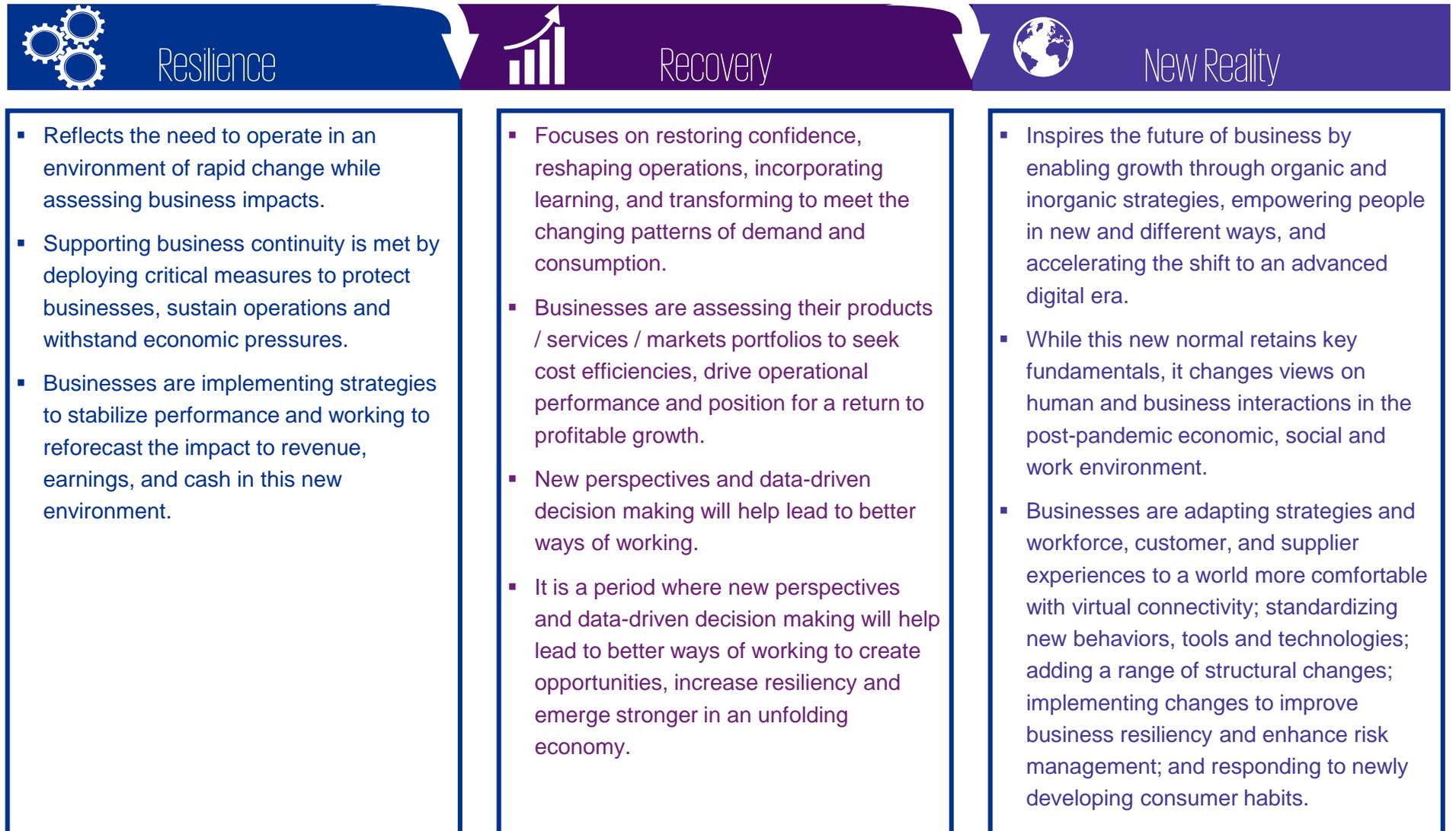
With increasing business connectivity, complexity and risk, regulators are focusing on the operational resilience of firms, including cyber security, business continuity planning, data privacy and client asset protection. They are also increasingly engaged in efforts to tackle climate change and deliver social objectives.



Technology enablement

Investment managers are leveraging emerging technologies to evolve business and operating models. Agility is also key to future adaptation. Digital transformation is a key competitive requirement. The need to update and replace legacy systems and software is coming to the fore with cloud solutions on the rise

COVID-19 Planning Phases



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Asset Management Regulatory Outlook

Operational Resilience in a C-19 context

Operational Resilience has been described as “The ability of firms and the financial system as a whole to absorb and adapt to shocks, rather than contribute to them”. Operational resilience has rapidly moved up the regulatory agenda with an initial focus on technology issues (e.g. *transformation, optimisation through digitisation*), supply chain (e.g. *passporting and third country equivalence as a result of Brexit*) and cyber concerns (e.g. increased sophistication of cyber criminals and successful).

C-19 Impact: Recent events are likely to see regulators utilise EWOR as a supervision tool for financial services firms when facing symmetric (as well as a-symmetric) macro economic shocks that impact the firm as well as the eco-system within which it operates.

It represents a fundamental shift in how financial service firms should approach **disruptive incidents** and in future will mean that firms are assessed by regulators **not only in terms of financial but also operational resilience**.

Catalyst was as a response to the increasing number of high profile and **high impact incidents** which have struck the financial sector across the globe, from **cyber-attacks to IT failures**.

Firms need to adapt and develop approaches which focus on managing disruption, whatever the cause, and **ensure the continuity of “critical services”**.



Operational Resilience is not a new concept, firms will be familiar with planning for disruption through business continuity planning (BCP) and operational continuity (DR) in resolution (Recovery &

However regulators are concerned that the financial services industry has **not adapted quickly enough to the challenges of a more connected world**.

Challenges of a more connected world include:

- Increased system complexity
- Enhanced Digitalisation requiring Optimisation and Transformation agendas
- Vulnerabilities due to interconnectedness
- Competitive pressures and the increased risk of cyber-attack

CBI Approach to Regulatory Flexibility

Extensions in Regulatory Remittances - under:

- Regulation 8 of the Central Bank Investment Firms Regulations
- Regulation 98(2) to (4) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019 (the Central Bank UCITS Regulations 2019)
- Regulation 117(2) to (4) of the Central Bank UCITS Regulations 2019
- Chapter 3, Section (i) of the Central Bank of Ireland AIF Rulebook
- Chapter 4, section (ii), paragraph 3 of the Central Bank of Ireland AIF Rulebook
- Chapter 5, section (ii), paragraph (f) of the Central Bank of Ireland AIF Rulebook
- Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

RMPs, ESMA announcements and updates to the domestic policy framework

- RMPs: Extensions to RMP timetables will be on a case by case basis, on application to and after due consideration by a firm's supervisor.
- The Central Bank will delay updates to its domestic regulatory policy frameworks in respect of investment firms, fund service providers and investment funds. This will include a delay in the publication of the CBI's feedback statement on CP 130

Extensions on the filing of Financial Statements:

Regarding the filing of financial statements with the CBI, details on the extension timeframe are specified below

- Relevant legislative provisions in respect of these Return Types are:
- Regulation 88(2) European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011
- AIF Rulebook Chapter 1, Section 5, part (i), paragraph 5
- AIF Rulebook Chapter 2, Section 5, part (i), paragraph 4 (in respect of RIAIFs).
- This is provided that the authorised investment fund (or its management company or AIFM in respect of the investment funds managed by it):
 - promptly notifies the Central Bank and informs investors as soon as practicable of the delay, the reasons for such a delay and to the extent possible the estimated publication date (Where it is normal practice to publish financial statements through the medium of a website, notification of delay should also be made through this medium)
 - submits the relevant regulatory return within the timeframe listed in the "Extension Period"

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Operational Resilience

Areas of considerations by firms to tackle the COVID-19 challenge



Crisis Management

Emerging from the Crisis

Protect our Workforce

Well-Being

Communication

Social Distancing

Triage

Support Parents

Maintain Vital Services

- Scenario planning
 - Early stage
 - Italy/Spain
 - Lockdown
- Service continuity by criticality
- Remote working
- Operational capacity
 - Demand spikes
 - Retraining
- Facilitate bank-level staff redeployment
- TPM risks assessments & BCP
 - Tracking service continuity

Support our Customers

- Customer strategy by product
 - Investment Funds
 - UCITS
 - Alternative Funds (AIFMD)
- Investor Disclosures
- Impact on
 - Capital
 - Liquidity
 - Pricing & Valuation of Funds
- Policies and procedures
 - Tracking of key financial measures
 - Stress testing and impact analysis

Fund Performance

- Liquidity Management
 - Redemption Gates
 - Suspension of Redemptions
- Liquidity Stress Testing
 - Scenarios
 - ESMA Guidelines
- Technology
 - Reporting
 - Digital enablers
 - Workflow
 - Digital Control Frameworks
- Data
 - Categorisation
 - Dashboards

Meet Regulatory Obligations

- Short term control measures
- Regulatory reporting and aggregation
- Risk frameworks
- Updated risk categories
- Front-line training
- Second line support
- Fast tracked, streamlined credit assessments
- Call recording
- MiFID market abuse controls challenged

What's next?



Crisis Management

Emerging from the Crisis

Capitalising on Learnings

Many organisations are engaged in “war-gaming” activities to consider across multiple lenses what’s next and how to take strategic advantage

1

Refreshing Business Continuity Plans and Transitioning to Operational Resilience

2

A clear focus on liquidity management, stress testing and Investor Disclosures Requirements.

Outsourcing also critical for the sector

3

Doubling down on Transformation opportunities unlocked from the crisis to sustainably drive out costs

4

Further focus on the importance of data, streamlining to support insights, reporting and lineage

4/ Cyber

COVID 19 Emerging Threats



- Volume of crime activity is the same but the targeting has changed
- Visibility of security posture may also be reduced

Tactical actions to remain safe

Aspects to consider:



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Finance Transformation

The CFO agenda for operational resilience

Leading finance organisations are developing an agenda to deal with operational resilience



Supporting strategy, liquidity and capital allocation

Increasing role in innovation

Trends and economics behind disruption and recovery

Approaching disruption at the organizational level

Maintaining an innovation portfolio

Disciplined portfolio process and structure



Insights and analysis

New insights through:

Enhanced speed and capability around scenario planning

Automated **descriptive and diagnostic** analytics

New **predictive and prescriptive** analytics

Local decision support



Organizational simplification

Changing finance work:

Fewer people

Less hierarchy

Fewer offshore locations and replacing outsourcing with automation

Focus on **Cost Transparency & Management**



Report Rationalisation

Changing requirements:

Moving to **digital reporting**

Focus on **timely** data and **visualization**

Reduction duplication, focus on **single version of the truth** and supporting decision making.



Risk management

New Control requirements:

Response to disruption impacts how governance, risks and controls are managed in an organization and the need to **continuously evolve**.

Need to consider **active monitoring**



Extreme automation

Integrating new technologies:

Cloud ERPs

Utilise EPM tool

Artificial intelligence

Blockchain

Mobile & Digital Platforms

Finance as we know it will be radically different in the future

Finance will...

Think like venture capitalists

Monetize internal and external data

Employ 70% less transactional labor

Integrate cloud technologies and AI

Work in real time

Integrate external signals and analytics

Evolve enterprise risk management

Embrace technology disruption



The art of the possible

Pipeline of potential unicorn opportunities

Continuously generate new revenue streams

Touchless processing and planning

Agile operations and decision making

Instant insight into results and decisions

Fully integrated enterprise

Secure environments across latest technologies

Digital talent is the norm



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Closing

Thank You!



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