



An Operational Risk Perspective

# Key questions to ask your investment managers during volatile times

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# #SingaporeTogether: Manage COVID-19. Your Action Plan For A Quick Recovery

## Executive Summary

COVID-19 is relentless in its global onslaught. This webinar discusses some of the key questions that investors should ask their investment managers, as they brace themselves for the impacts of COVID-19 and assess their investment managers' operational readiness for COVID-19 outbreak.

Business Continuity (BC) and Disaster Recovery (DR) are two main themes around which investors should base discussions with their investment managers. Most participants (56 percent) in the webinar focused more on investment returns during these disruptive times instead of operational risks associated with managing the client portfolio. However, this trend is quickly changing as participants (57 percent) consider it critical for investment managers to have a robust BC/DR plan to minimize the risks for clients, employees and businesses.

Several investment managers have been proactive in enhancing their telecommunication capabilities, reviewing their

IT budgets and IT infrastructure including VPN network capacity, and continuously testing and reviewing their BC robustness. However, most participants (57 percent) believe these measures are a work-in progress and still need regular review due to the volatility and unexpected timeline of this contagion. COVID-19 could pose a potential threat to the operational continuity of investment portfolios such as a non-functioning trader and limitation of remote working capabilities including cybersecurity; and liquidity concerns, redemption terms, fair value valuations.

A dedicated crisis team with in the investment management firm could assess and remedy identified gaps in their BC plans. Irrespective of the preparation, unexpected barriers could arise, such as higher internet bandwidth requirements to support work-from-home and the immediate practicality of their BC plans. Proper governance, agility, robust systems, increase frequency of monitoring of critical service providers and review of the response system are measures that investment managers can adopt to counter the growing impact of COVID-19.

As investors, the next steps should be to identify investment managers whose operational processes might potentially be impacted by COVID-19 through enhanced operational due diligence. Once the operational risks have been identified, investors should ensure these gaps are discussed and engage the investment managers to address them at the earliest. At this critical time, investment managers play a vital role in ensuring that the expectations and interests of investment portfolios are duly protected.

Please contact us with your queries about operational risk readiness.

Shireen Kwan, Growth Leader  
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# Agenda

- Introduction
- Learn about Business Continuity (BC) and Disaster Recovery (DR) principles when assessing investment managers
- Common operational risks identified concerning BC and DR
- Key questions investors should ask their investment managers in times of operational disruptions
- Live Q&A

# Guest Speakers



**Matilde Segarra,**

Chief Risk Officer Asia Pacific, Fidelity International

- Responsible for holistic risk oversight and challenge across Fidelity Asia Holdings Limited and all its subsidiaries within the Asia Pacific Region.
- Works in partnership with senior stakeholders and 1st LoD Risk owners; support the implementation of Fidelity International's global risk framework in APAC.
- Nearly 20 years' experience in the Financial Services industry working for various large Asset Management companies in Europe, US and Asia.



**Kenneth Lim**

Chief Operating Officer Asia ex-Japan, Nikko Asset Management Asia Limited

- Oversight & responsibility on Operations, Information Technology, Risk Management, Performance, Business Management and Office Administration.
- Prior role as Head of Investment Services, Kenneth was responsible for improving the operational aspects of the investment process for investment teams based in Singapore.
- Over 15 years of global finance industry experience; worked with UBS AG, Acadian Asset Management and Government of Singapore Investment Corporation Pte Ltd (GIC)

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## Moderator

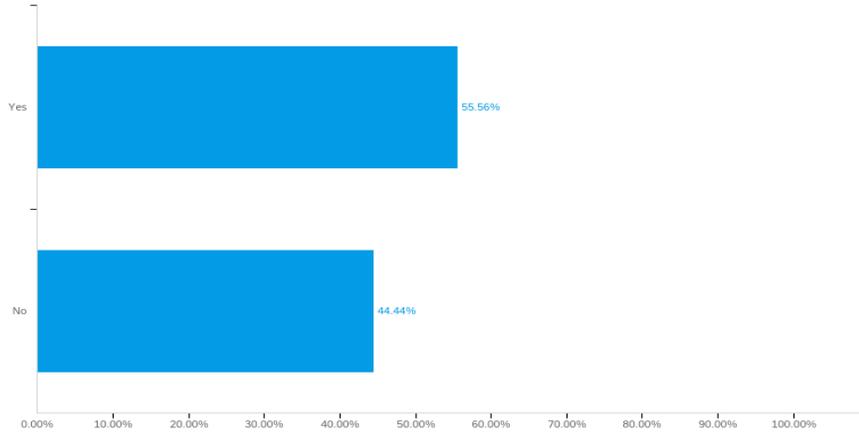


**Igor Evangelij**

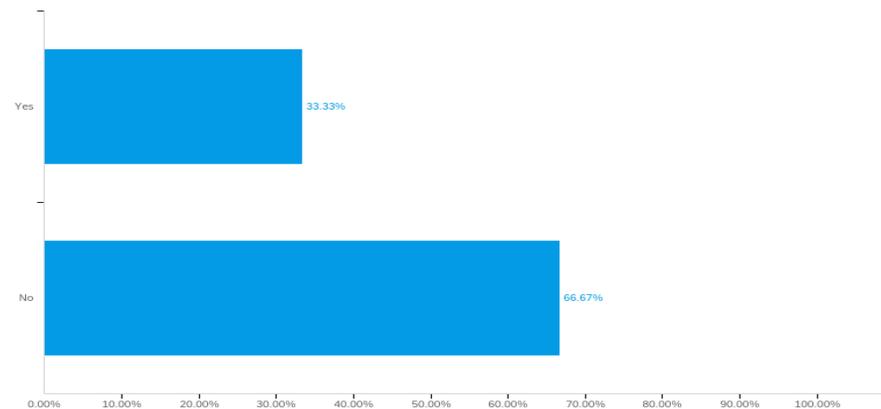
Senior Consultant, Mercer Sentinel Singapore

# Time for some audience participation!

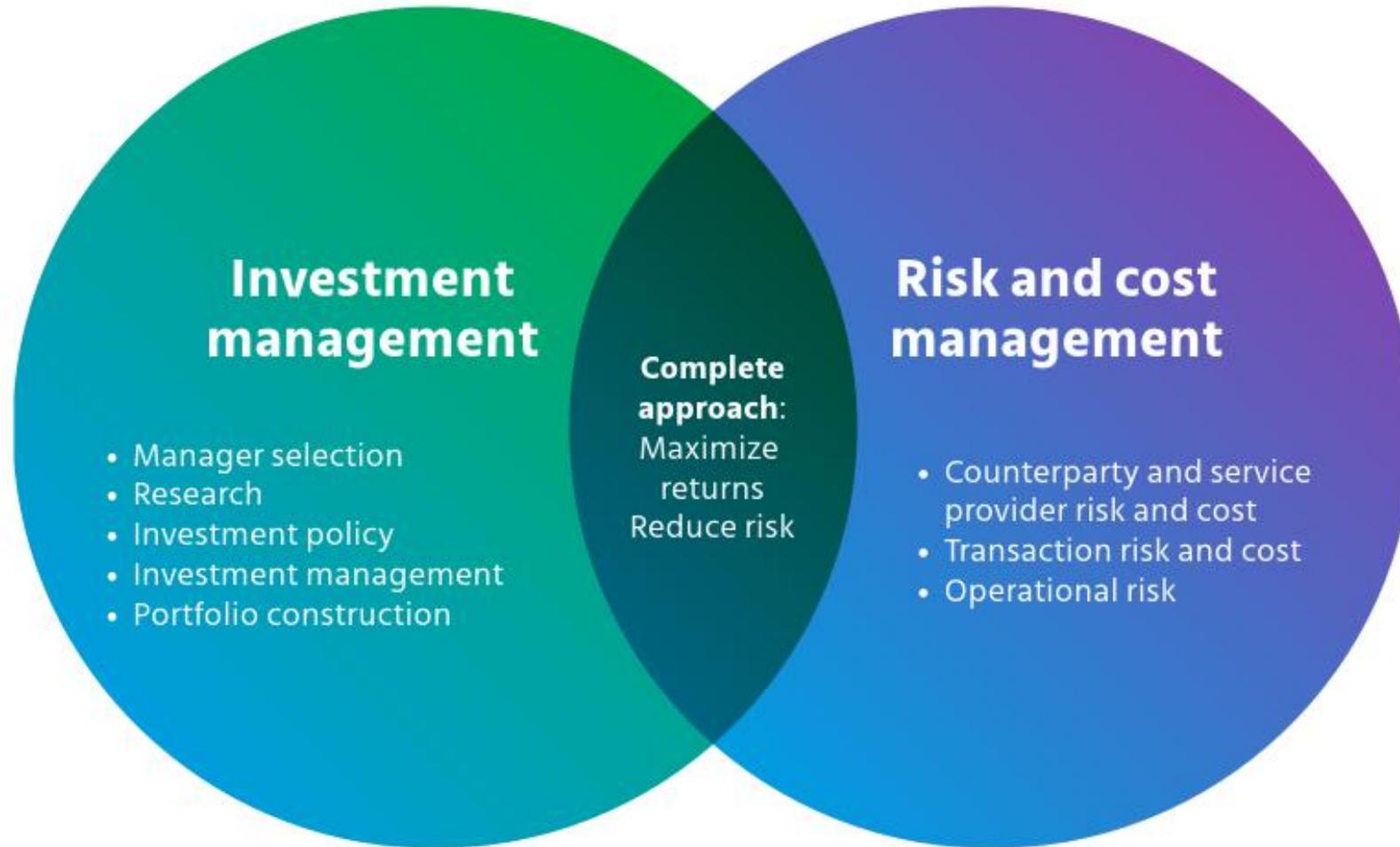
Qn 1: Have you discussed the investment impact of COVID -19 on your portfolio with the investment managers ?



Qn 2: Have you discussed the operational impact of COVID -19 with the investment managers ?

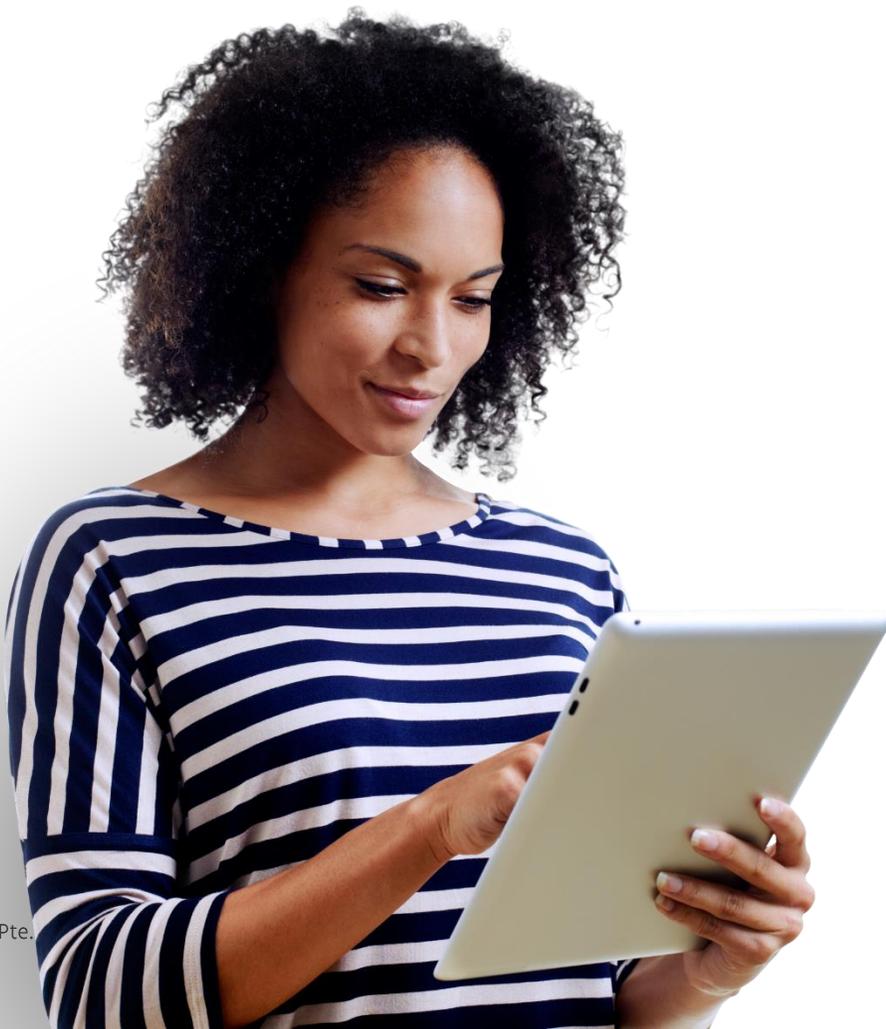
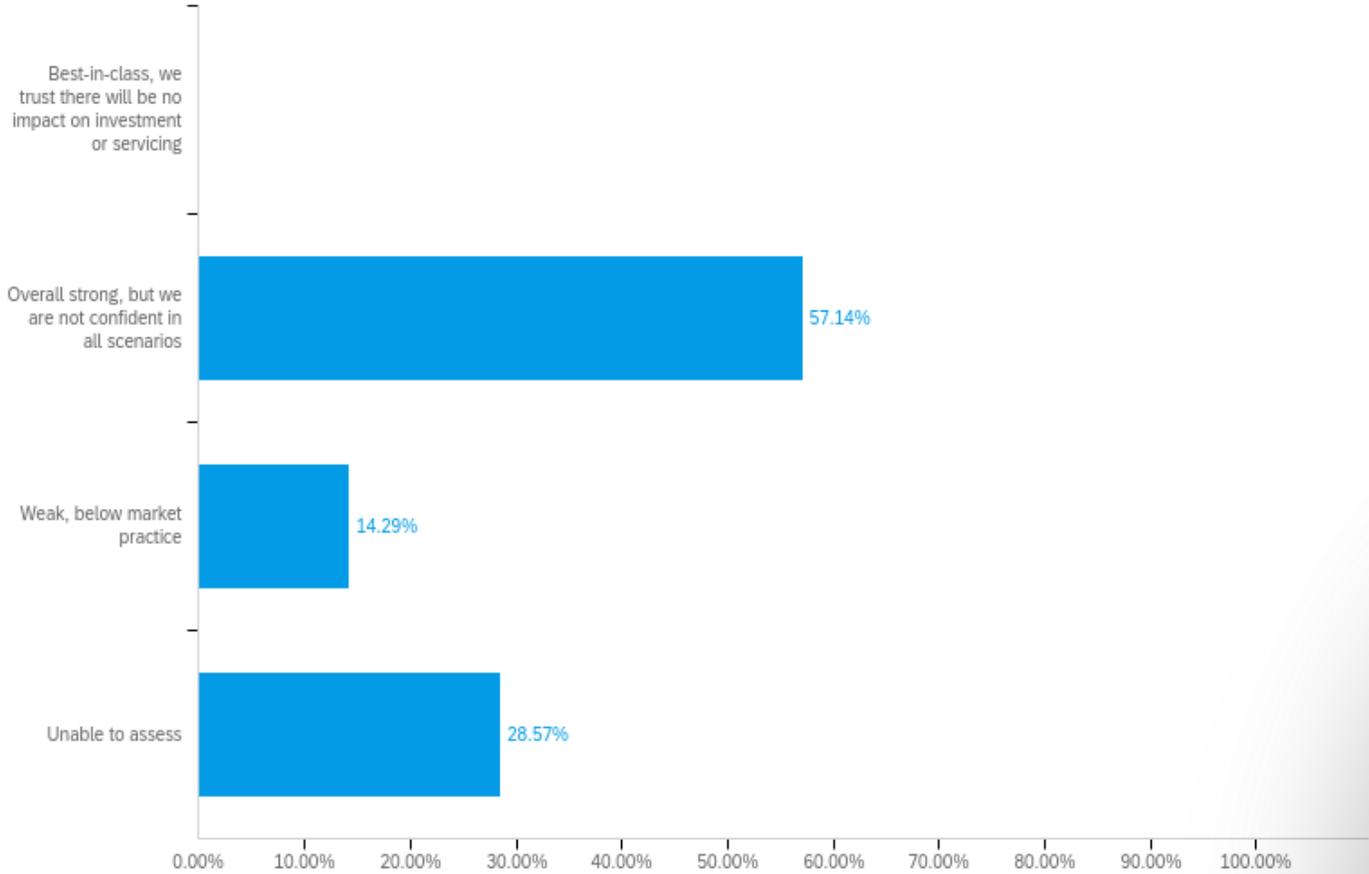


# A comprehensive approach



# Time for some audience participation!

Qn 3: Are you comfortable with the BC and DR readiness of the investment managers to address the COVID-19 outbreak?



# Business Continues and Disaster Recovery Strategic Priorities



**The welfare of employees**



**To honour regulatory commitments**



**To protect the Manager's clients**



**To minimise disruptions in  
business operations incl. robust IT  
infrastructure**



**To maintain the reputation of the  
Manager**

# Business Continuity (BC) and Disaster Recovery (DR) Principles

## Clear Defined Plans

- The investment manager has clear plans for BC/DR approved by the governing body.
- Involvement of third parties vendors.

## IT infrastructure /System and Data Backup

- System and application data are backed up frequent and appropriate with the manager's trading pattern and number of positions.

## Effective Communication

- The investment manager has effectively communicated the BC/DR plans to all staff.

## Testing of BC/DR plans

- The investment manager properly and regularly test BC/DR plans.

## Off-site BC/DR sites

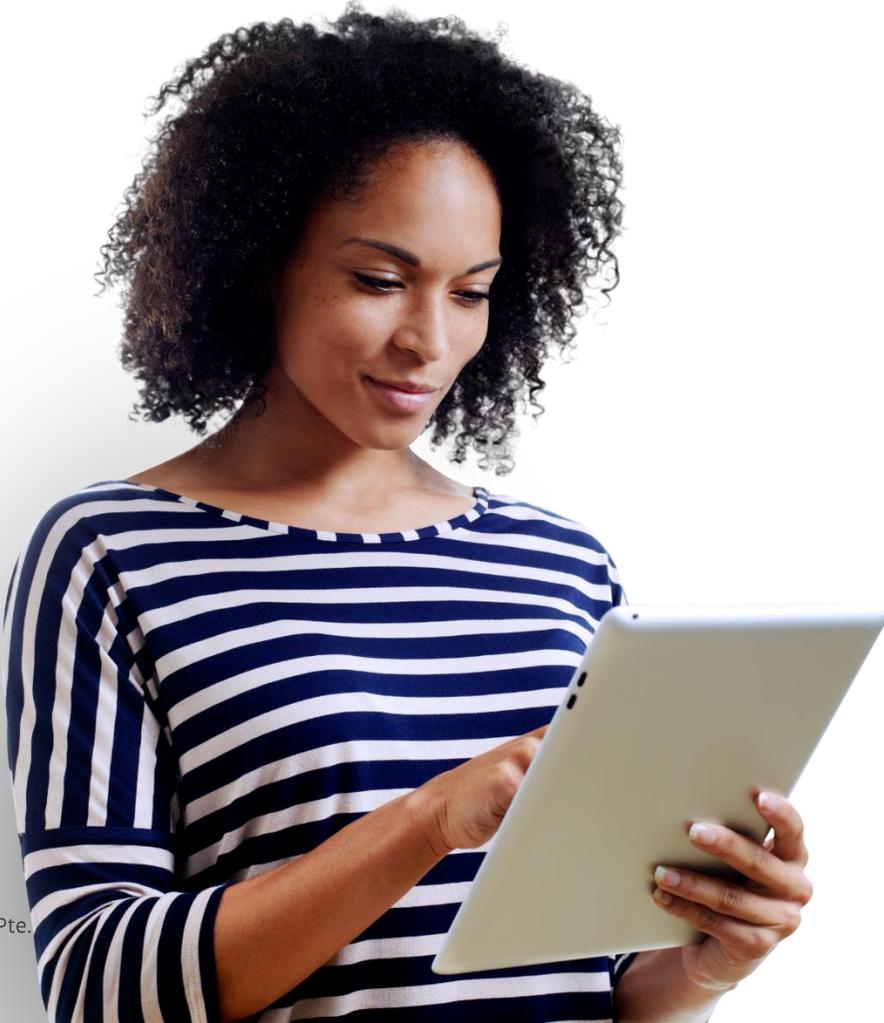
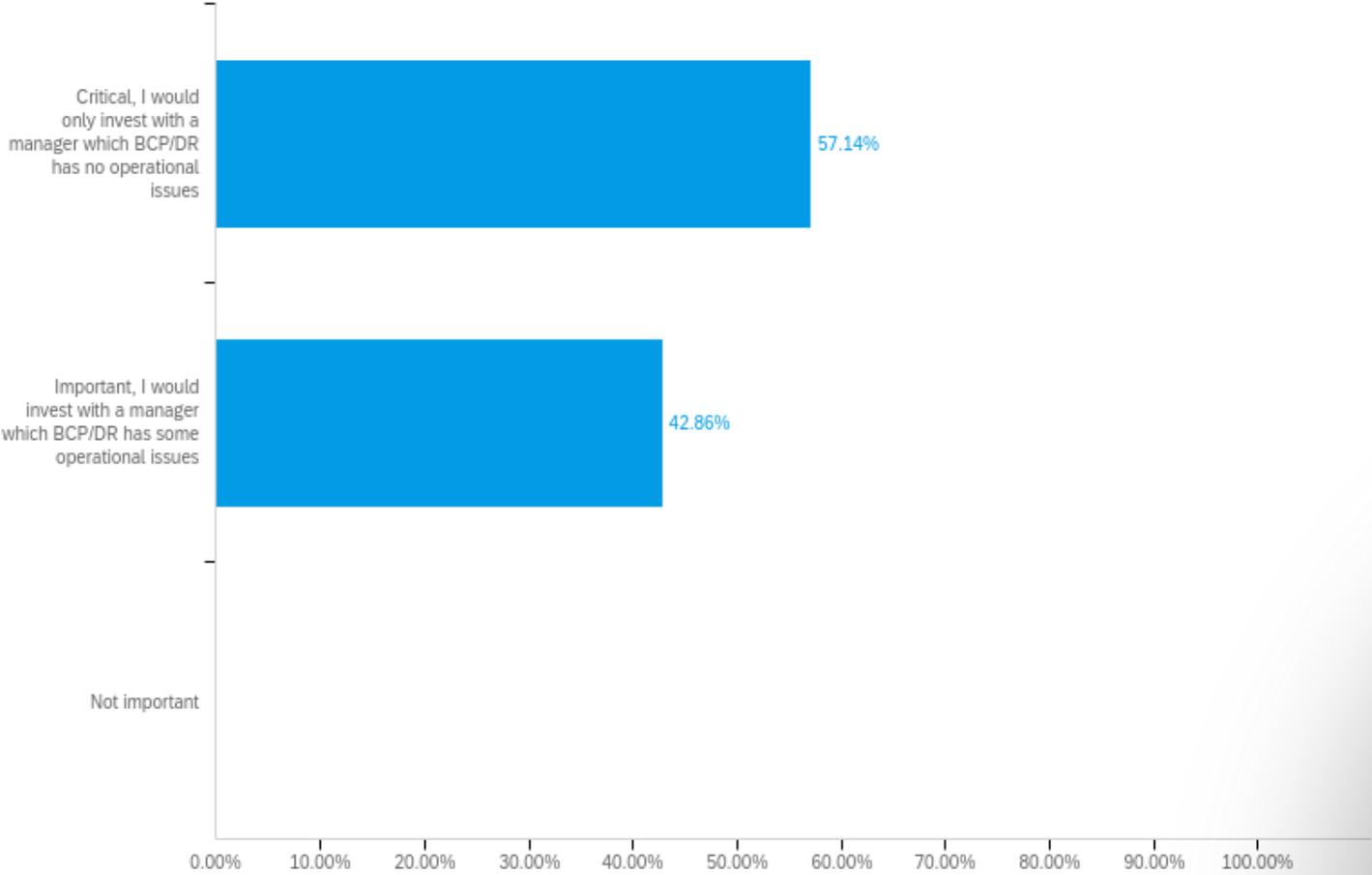
- The BC/DR off-sites are appropriately located and catered for the mission critical systems and associated key staff.

## Review of testing results

- The investment manager has processes and procedures for reviewing test results.
- Processes are adapted accordingly to ensure that the BC/DR plans work effectively in the event of a disaster.

# Time for some audience participation!

Qn 4: How important is an appropriate BCP/DR to your manager's due diligence process?



# Mercer Sentinel Operational Risk Assessment\*

Lack of a **full failover testing**

**Inadequate testing** of BCP/DR incl. off-site locations

Lack of **timely replication** from primary to secondary data centre

Long Recovery Time Objective (**'RTO'**)

Common operational risks identified concerning BCP/DR

**Disaster Recovery Plan lacks details** and does not include the pertinent instructions and key role assignments

Lack of **formal communication** of BCP/DR

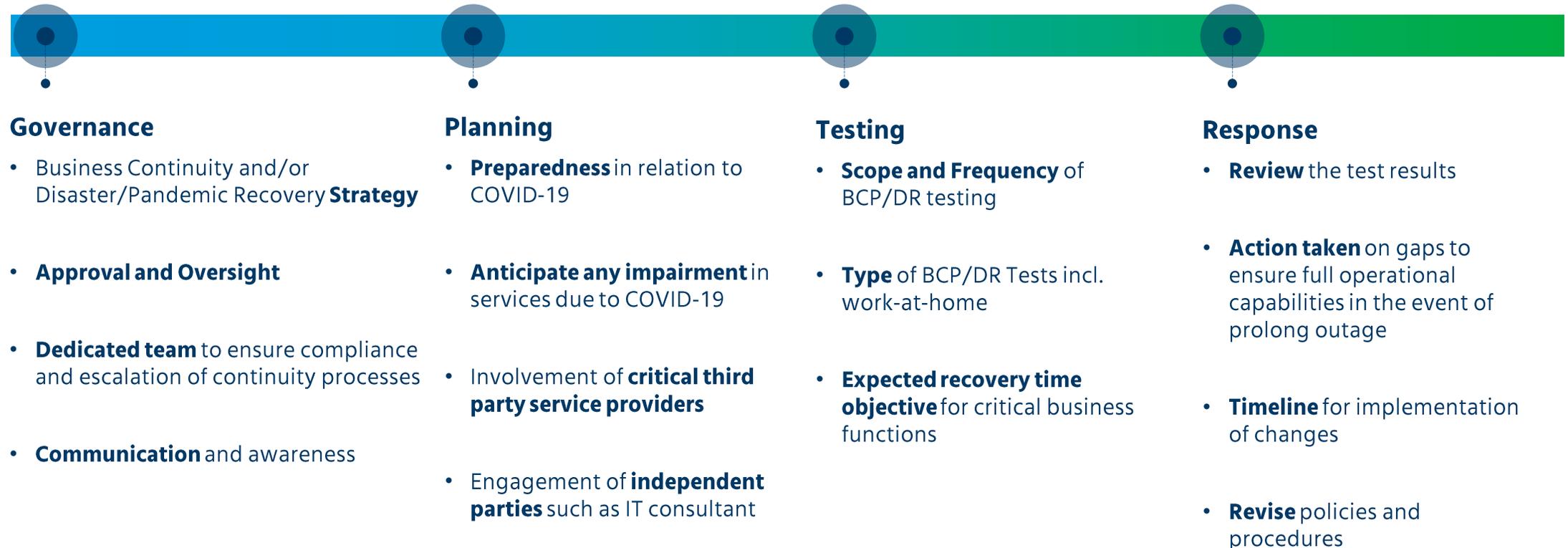
Lack of **regular business continuity testing**

Firm does not maintain **dedicated hot seats** at offsite locations

\* 1000+ Investment Manager reviews since 2010

# Key Questions to think about and ask your Investment Manager

## Business Resiliency: COVID-19



# COVID-19 measures undertaken by Investment Manager



## IT Infrastructure

- **Additional testing** and purchase of equipment
- **Expanded VPN network** capacity
- **Additional remote working** access point



## Third Party Vendors

- **Review critical service providers' BCP** to assess operational readiness
- **Increase frequency of monitoring**
- **Regular contact** with key service provider



## Investment Management & Client Servicing

- **Tested remote working** capabilities
- **Split** teams & travel restriction
- **Transition to** full remote working
- **Increase communication** with investors

Q&A

# What's next step?



## Identify investment managers

who could be exposed to COVID-19? (e.g. China, Germany, UK etc.)



**Analyse Due Diligence results** on your investment managers. Do you know which managers could have operational risks that potentially could affect business continuity plans?



**Enhance your due diligence.** Approach your investment managers to obtain information and evidence about **appropriate policies and processes to address** COVID-19 preparedness.



Did the investment managers **activate their BCP** (e.g., remote working, travel restriction, split teams, IT infrastructure, third party vendor BCP review, trading, portfolio management, client service & reporting).



Discuss with the investment managers the **COVID-19 implications on your portfolio?** ( e.g. liquidity concern, redemption terms, fair value valuation).

**Agree on an appropriate action plan** with your investment managers - how to protect your investments and provide investment management service



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