

## Corona Covid-19 | Challenges and Fixes

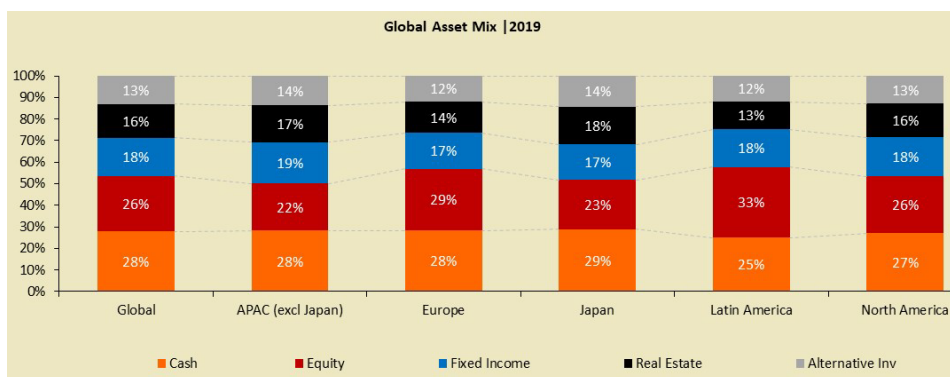
### Wealth Management Perspective

#### Background

The Covid-19 situation has impacted revenues and margins. Investors are facing margin calls on instruments linked to market performance. The asset and wealth management industry can be considered a bellwether for the overall economic environment, given how closely revenues are tied to the capital markets.

Publicly traded asset managers have seen their share prices fall 20% to 30% or more since their February

market highs. Large areas of fixed income markets, such as corporate credit, are showing growing signs of stress. The potential for significant market volatility could be in play for weeks or months, and predictions of a downturn are increasing. The M&A and IPO markets may contract until markets stabilize. It's a challenging time to be an investor.



#### Wealth Management - Key Challenges & Implications

From a Wealth Management standpoint, there are several key challenges due to the Covid-19 pandemic:

##### 1) Investment sector impact

Industry sectors including travel, tourism, aviation, real estate, automotive, hospitality that are weathering a larger impact amongst its peer group. Investment advice being made to customers will need to be calibrated and related impact on their current portfolio determined and advised accordingly

##### 2) Calculation of NAV (net asset value)

Valuation of less liquid and private investments become more challenging with increased market volatility, uncertainty and illiquidity. It's also possible that one will have trouble calculating NAV given COVID-19-related volatility, which could create issues with NAV determination.

##### 3) Liquidity and AUM reduction

The overall reduction in value of investments and AUM will see put a premium on liquidity and the need to ensure adequate management and preservation of the existing liability book

##### 4) Transactions & Fee Income

A natural consequence of the lockdown across economies is the reduced transaction volume across customer segments, leading to a corresponding dip in the fee income. Barring e-commerce and digital transaction volumes, the overall reduction in buy-sell transaction volumes will have an immediate implication from a fee income standpoint

### 5) Workforce regulation impact

People are asset/ wealth management firms’ biggest strength, serving the needs of clients, managing the portfolio, running operations and more. Firms have developed backup and work-from-home plans for employees. Social distancing may require employees to work remotely for long periods of time. This could leave asset management firms with a workforce more prone to control breakdowns, errors and other risks that could lead to regulatory exposure.

### 6) Volume & Infra

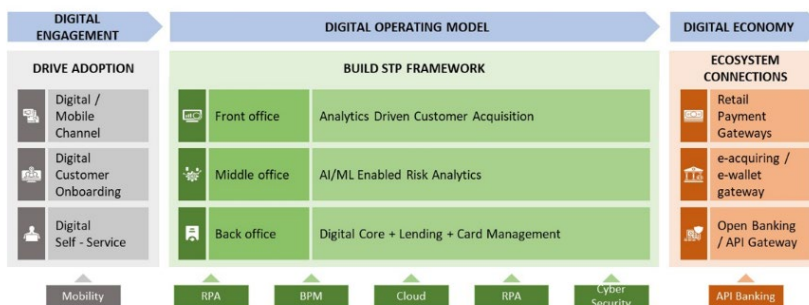
The volume of customer questions and concerns regarding asset exposure to affected regions, asset classes and sectors could continue or even increase. Adding new technology components to deal with outsized volume could create new cybersecurity risks. Phishing attacks related to COVID-19 are on the rise.

## Wealth Management - Key Fixes

There are 5 key areas in banks that will require fixes and how Cedar Consulting can assist:

### 1) Go Digital

An increase in digital and online usage, digital account origination, service features, coupled with incentives to use mobile and online banking as opposed to RMs and call centers can go a long way towards helping Wealth Management teams cut service costs along with reducing transaction pressure on RMs and call centre staff.



*Cedar Assistance: Fast-track strategy for design of a digital banking model and identification of quick-win areas for improving fee-income. Develop framework for on-boarding of customers and remote model for sales and service team.*

### 2) Risk management framework:

Asset and Wealth management firms handle market volatility and assess market-related risks better than non-financial firms. However, they need to strongly consider re-evaluating the enterprise risk management framework to address the new and enhanced risks that COVID-19 is creating.

*Cedar Assistance: Diagnostic review of the existing risk management framework in place and development of fast-track enterprise risk management framework addressing risks such as technology (e.g., IT capacity, stability and connectivity as well as cybersecurity), operational (e.g., workforce planning, changes to internal controls), and reputational risks (e.g., communication to key stakeholders).*

### 3) Cost Optimization

Considering the current situation, reduced revenue opportunities and pressure on the AUM portfolio, banks need to ways to trim costs quickly. Some of the ways are:

- **Headcount:** Headcount planning and rightsizing requires detailed analysis of the business and long-term impact on the business and future growth.
- **Sales/ Service centres:** Look to close low volume/ value centres while ensuring there is optimization of coverage and serving requirements
- **Projects and Initiatives:** Review ongoing/ planned list of initiatives and capex projects and optimize based on criticality and future need. Cancel/ put-on-hold all non-critical initiatives

*Cedar Assistance: Quick diagnostic review of the headcount and key cost drivers. Identify quick cost optimization opportunities across the 3 levers of people, process and technology. Recommend short & medium-term cost reduction initiatives that are high impact, low effort for fast-track execution.*

#### 4) Refine staff performance indicators:

As staff transitions into work-from-home work conditions and social distancing guidelines, there is need to redefine their performance criteria with regards to business and service goals and targets.

*Cedar Assistance: Diagnostic review of the existing individual performance measures (IPMs) and targets. Reassess the current unit goals and develop the IPMs that are more in tune with existing market conditions and account for adaptation to a change in work locations processes and anticipate a dip in overall productivity*

#### 5) Operating model

- Evaluating areas where non-critical processes can be outsourced to specialist organizations
- Use of cloud technology and its use in various environments
- Use of intelligent chatbot capabilities

*Cedar Assistance: Diagnostic review of key operating/ technology areas requiring assessment. Conduct a deep-dive analysis, develop clear and executable strategy and roadmap for implementation*

### Cedar Consulting | Fast Track Programs

In quick programs of 4-6 weeks, Cedar will conduct a deep-dive analysis of any of the identified areas that are critical to the bank. With a 20+ year proven track record of working closely with banks and wealth management teams, each program can be of tremendous benefit to banks in these difficult times in order to manage and sustain their cash flows and revenues effectively.

In today's dynamic market and economic environment, the bank that acts prudently and quickly will be able to protect its revenue, manage its portfolio and costs efficiently and stay competitive.

Cedar can also assist in the implementation of the various cost saving opportunities that get identified during the program.

