

Beyond the storms of COVID-19: Steering Asset and Wealth Managers through uncertainty



The outbreak of the novel Coronavirus (COVID-19) has no doubt placed additional pressure on the asset and wealth management industry. At the time of writing, financial markets are in freefall with increasing market volatility and investor confidence shaken.

We have prepared some general guidance on responding to COVID-19 for business leaders:

- ✓ [Global Crisis Centre](#) - provides holistic viewpoints helping you to prepare for, respond to, and recover from the challenges ahead
- ✓ [A quick guide for staying in business during the coronavirus outbreak](#) - addresses issues in relation to preserving key talents, workforce management, legal, taxation and IT infrastructure
- ✓ [Succeeding in uncertainty: Responding to COVID-19](#) - key principles to consider in managing the impact on business operations
- ✓ [Asset management firms staying connected and operating remotely](#) – considerations for asset and wealth managers in regards to staying agile during remote working

While the present situation are uncharted waters for all, an effective response starts with staying vigilant and responding quickly. In this update, we highlight additional considerations **asset and wealth managers** may face beyond the considerations already identified in our other general guidance on COVID-19.



Business



Accounting & Finance



Operations and Technology

Setting up your COVID-19 response: considerations



COVID-19 response strategy: Implications to consider and actions to prepare



Business

Client jitters - Market volatility and investor panic could see fund redemptions leading to significant portfolio sales at unfavourable prices and tax ramifications.

- ❑ **Have you assessed your valuation policies and liquidity management?**
- ❑ **Have you performed various 'what if' scenarios to assess the impact?**

Active managers: a defining period - Passive strategies have been fruitful in recent years but we are now entering very different times.

- ❑ **Have you assessed the changes in investor behaviour which will impact traditional and alternative asset classes?**

A look again at alternative assets - Asset and wealth managers should re-examine their approach as investors re-think the importance of allocating capital away from public markets.

- ❑ **Do you have a clear view of the changes that will affect alternative assets?**

Declining sales and impact on profitability - Fewer products distributed or sold where productivity of workforce is hampered.

- ❑ **Have you reassessed your distribution models to align with your workforce options?**

Approaching the hard 0% on interest rates - Accessibility on credit and evolving lending standards will have ramifications in all verticals; from operations to risk management, to investment strategy and contract remediation.

- ❑ **Have you established a process for analysing the exposure to aggressive monetary policy?**

Product launches on hold - Response times in regards to product applications may be longer and filing deadlines may be extended.

- ❑ **Have you liaised with relevant parties to set expectations on service levels?**



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Asset valuation and impairment - Besides appraising asset values, it would be prudent to assess the likelihood of triggering events.

- ❑ **Have you considered the impact on your liquidity management?**
- ❑ **Have you reviewed forecasts, models and assumptions?**

Debt covenants - Pressure on profitability and liquidity measures could put debt covenants at risk.

- ❑ **Are you reviewing debt covenants more frequently in light of the fast moving situation?**

Going concern - Asset and wealth managers should consider whether developments subsequent to the reporting date have any implications for the going concern assumption.

- ❑ **If applicable, have you reviewed your situation and initiated discussions with your auditor?**

Subsequent events review and disclosures - Asset and wealth managers should assess the effect of COVID-19 on business operations.

- ❑ **Have you considered if the outbreak is an adjusting or non-adjusting subsequent event?**
- ❑ **Have you considered relevant disclosures within financial statements or other filings?**

Provisions and contingent liabilities - Asset and wealth managers should assess any contractual obligations and potential contingent liabilities and their financial impact.

- ❑ **Have you taken into account economic circumstances that affect any contractual obligations which may impact your provisions?**



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Employee engagement - How an asset and wealth manager responds to a stressful event can shape employee attitudes far into the future. It can be a defining moment for your corporate culture.

- ❑ **Are you providing reassurance and consistent messaging to staff and showing a duty of care?**

Working remotely - Verify that technology infrastructure can support remote operations and a large change in the scale of people working remotely.

- ❑ **Do you have the right tools in place to maintain an "in-person" feel between team members?**

3rd parties and vendors - Most functions within an asset and wealth manager are outsourced or have some reliance on external parties so liaising at regular intervals is paramount.

- ❑ **Have you created an external stakeholder map (custodian, prime broker, fund administrator, regulators, etc.) for key communications?**

Data retention policies - Existing remote working policies may need to be revisited as employees work from remote locations or use their own devices to access firm resources.

- ❑ **Do you have the necessary infrastructure in place to optimise working remotely?**
- ❑ **Is your system ready for the potential cyber security threats?**

Digital transformation strategy - The skillful use of digital technology to improve efficiency and responsiveness will be tested as mounting online traffic puts pressure on IT systems.

- ❑ **Have you performed an operational assessment to identify gaps that need to be plugged?**

Travel restrictions - Participation in conferences, networking events, gatherings, training and site visits have all been curtailed.

- ❑ **Have you formed a coherent client communications plan to keep clients updated on insights?**
- ❑ **Are your employees abroad exposed to any tax implications working remotely outside of its work location?**

Sailing stronger together



What's Next?

Whilst the near future may not be “business as usual”, many day to day operations will not change despite the lingering doldrums. We urge the industry to be more focused around the longer-term implications of the crisis. As uncertain as these times may seem, markets and economies will survive and recover, emerging as stronger than before. We believe that asset and wealth managers have an opportunity to distinguish themselves in the difficult environment ahead.

We highlight some key focus areas for asset and wealth managers to consider.



Focus on strategy - Investor behaviour will take time to normalise, but with this, spells a need to consider appropriate diversification as priorities change for asset owners. Revisiting firm strategy to better align with the changing interests and expectations of investors is paramount.



Accelerate the digital journey - Greater strains on a firm's IT infrastructure has put the spotlight back on creating a resilient digital business model.



Sharpen productivity and upskill - Asset and wealth managers need to ensure that they have the necessary equipment, tools, working practices and technology in place which will “future-proof” their business.



Redefine purpose - Business leaders have an opportunity to look beyond the crisis and take bigger steps to build trust with asset owners, create positive social impact and promote stewardship, while looking beyond just profits and be purpose driven. Now is an opportune time to reset priorities.

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If you would like to discuss any of the considerations in this guidance, please reach out to your PwC contacts.

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