

The background of the slide is a photograph of a man with a beard and glasses, wearing a grey shirt, sitting at a desk in a dimly lit office. He is looking at a computer monitor and typing on a keyboard. On the desk, there is a laptop, a keyboard, a mouse, a smartphone, and an open pizza box. A pen holder with several pens is also visible. The overall atmosphere is professional and focused.

COVID-19: The Response from the Financial Services Sector

Navigating the crisis with 4 types of
action plans

Covid-19 has impacted all industries across the globe, and financial services sector is no exception. The sector is enormously affected due to its correlation with the broader economy and its activities, and link to all other sectors' activities, oscillating from financing to spending to savings.

With a widespread and diversified clients base across sub-sectors including banking, securities and capital markets, and insurance; the industry is in numerous ways responsible and aligned with overall activities related to individuals, communities, and regions. The crisis has impelled financial services sector to strategies in order to respond proactively on its business resilience and preparedness for the bewildering circumstances.

To navigate through this predicament, numerous actions have been strategized and implemented across the value chain. Impact of some of these actions are instantaneously discernible through market and client fronting functions, whereas rest of the efforts are focused on aligning and managing the support functions, captives and vendors; subsisting through business solvency; strengthening risks and stress monitoring, regulatory adherences; and protecting shareholder's worth. These actions, crucial to sustainability, are in the industry's priority list.

How financial institutions are responding to the COVID-19 crisis

Like other industries, financial institutions are facing a broad range of issues related to operations, employees, client servicing, stakeholder's management, business efficiency, profitability, business resilience, and preparedness and viability for COVID-19 like scenarios. Varieties of actions are being taken by financial institutions globally to navigate through these challenges and to curtail the impact of the crisis while protecting business continuity and solvency. Assortments of these actions are comprehensive and predominantly dependent on the country / community level situations and lockdown policies implemented by authorities, depending on the severity of COVID-19.

After observing the variabilities of challenges and responses across financial institutions, we have bucketed their actions under four headings (Figure 1).

Ongoing, immediate, short term and medium term actions

01 Business continuity planning and taking care of workforce related / operational issues and risks

Employees and business continuity plans

- Reviewing BCPs, enabling AWA (Alternate work arrangements like WFH, virtual meetings, rotations etc.)
- Regular communications with staff - reassuring well-being, productivity and efficiency
- Activating and reviewing BCP at business divisions / segments, global operations and offshore centers
- Preparing management endurance, deploying stress testing to anticipate diverse scenarios

02 Responding to clients, ensuring clients that their financial institutions are strong and stable

Proactive client communication and support

- Communicating clearly and regularly with clients; helping in resolving issues and putting across self-help tools (i.e. Asset Allocation, Portfolio Management, Account / Financial Information, Financial Planning)
- Discussing innovative financing solutions - helping clients in ease out their financials (i.e. principal moratorium, extending loans maturities, reduced service charges)
- Proactively engaging social media in communication, brand building and community engagements

03 Taking strategic decisions to counter the impact of potential downturn and lower revenues

Preparing to preserve stakeholder's trust and value

- Preparing for a potential downturn, lower revenues / profitability scenarios and exploring cost reduction alternatives
- Engaging in active dialog with public stakeholders, supervisors and governments
- Analyzing risks, monitoring liquidity, security and compliance procedures, and business efficiency measures
- Funding / capital management in amid and post crisis period
- Protecting market perceptions

04 Preparing and rethinking business models while looking for opportunities arising out of crisis

Rethinking / revamping business models and potential opportunities

- Robust framework and preparedness for the events of low probability but high and/or prolonged impact
- Accelerate the move toward digital sales and service, rethinking business models - determining which segments of the value chain to keep (sales, business development), which parts to outsource (back office and IT), and where to take hybrid approach of off-shoring (mid office, business enablement services)
- Stronger, resilient and cash rich businesses are screening for potential consolidation opportunities

Figure 1: Short term and medium term action plans categorized in 4 segments

Activating business continuity programs and responding to clients with services and support enablement are immediate priorities and are getting addressed through ongoing and immediate action plans. Protecting business profitability, solvency and restoring efficiency in existing setup are short-term action plans. Exploring opportunities and alternative / more resilient business models are seen as strategic actions and getting explored in the medium term.

Business continuity planning and taking care of workforce, operational issues and risks

Need and actions on activating business continuity planning / programs vary as per the location of operation. Employee's well-being is reflecting as utmost priority for financial institutions, and unprecedented level of efforts and actions are visible in deploying business continuity programs and alternative work arrangements. Financial institutions are assessing situations on a real time basis and enabling continuity and cross

leveraging resources across global / multi location operations, business divisions, offshore delivery centers and captives. Also, they are aligning with business partners and technology vendors on stepping up the supply and support to meet, at least, the necessary and valid expectations of clients. Figure 2 represents financial institutions action across key segments of business operations including employees, global / multi location operations, business divisions / segments and offshore delivery centers.





Employee engagement

- Ensuring employee well-being, motivation, quality of work and productivity
- Activating alternative work arrangements through flexible / rotating schedules, work from home and BYOD (Bring Your Own Device) options
- Access management, data security compliance, necessary and secure technical infrastructure (VPN connections, security tokens, bandwidth, and laptops) are key enablers
- Clear communication and prioritization of projects, workflows, and deliverables, providing appropriate tools and employing relevant tactics to maintain quality of work / productivity



Global operations - multi location operations

- Reduction in branch hours, partial opening of client facing branches
- Routing of activities to alternative offices, locations and 3rd party, which are operational (partially or through AWA)
- Continuation of non-client facing back / mid office for operation management
- Enabling digital channels, wherever possible and feasible
- Assessment of global / country specific entities / offices operational resilience, planning and prioritization of critical activities, compliance and security monitoring and adherences to local / country level laws / procedures are some of the key enablers



Business divisions / segments

- Cross leverage of business segments / functions in employee engagement, client communication, resource mobilization, resource utilization and leadership alignment
- Open communication, sense of shared responsibilities, common approach and messaging towards organization's vision and priorities towards customer, employees, stakeholders and communities



Offshore delivery centers

- Activate BCP for offshore delivery centers including IT services and call centers
- Enable alternative work arrangements (WFH, Partial / Flexible / Rotating Shifts) depending on availability of infrastructure, while adhering to local / country level protocols
- Maintain frequent / regular communication schedules, develop appropriate contingency plans if they are not yet in place

Figure 2: Business continuity management – invoke and review of business continuity programs

Responding to clients, and support and service enablement

Financial and capital markets across the world are impacted heavily and so are the clients' financial health, portfolios and savings. Investments are in stress and have moved southwards for a large number of retail and institutional investors. Full or partial closure / halting of non-essential services and business establishments have limited the income flows to a material universe of earners. Financial institutions globally are proactively supporting and servicing clients to their maximum accessible and workable capacity and capabilities, this includes, but not limited to, regular client communication, transactions and trade enablement, providing and educating clients on self-service tools.

The governments across the world have announced a good number of stimulus and recovery measures and financial institutions are playing a vital role in implementing and

distributing that to the targeted beneficiaries. Many financial Institutions have stepped up in enabling these measures, along with additional initiatives like waiving of service charges, extending loan maturities, moratorium of principal repayment, enabling portfolio solutions etc. Increased level of client and community engagement activities like spreading awareness about COVID-19, health and well-being tips, etc. have been observed across financial institutions with extensive use of social media and in-house service platform.

Financial institutions are adjusting to the new normal and leveraging digital channels to enable sales campaigns, client services and client support. They are proactively developing capabilities and getting involved with technology partners and other vendors to enable solutions that are valid across business scenarios. Figure 3 explains key financial institutions' client propositions during COVID -19.



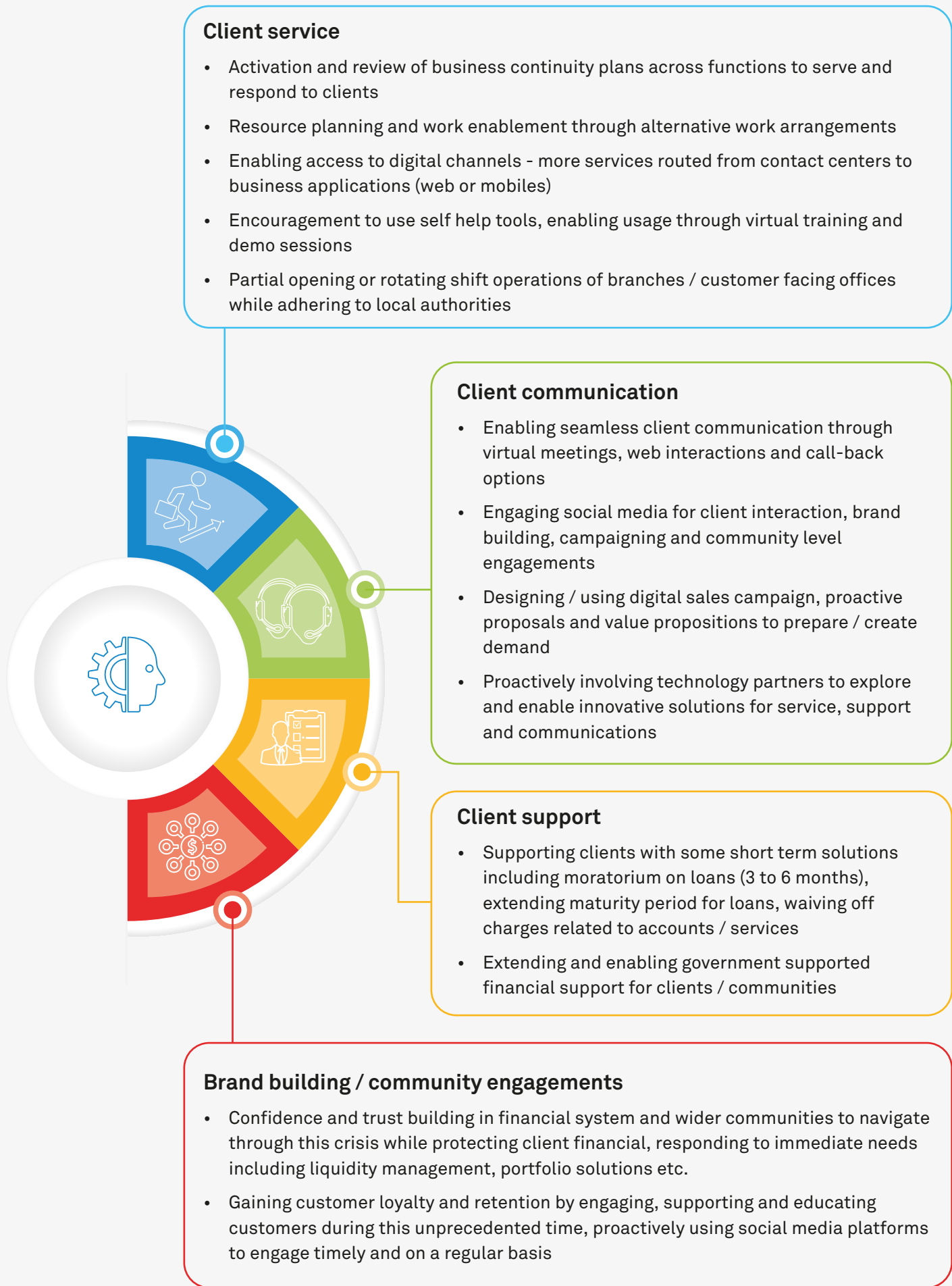


Figure 3: Client communication, service, support and brand building amid COVID-19

Preparing to preserve stakeholder's value through measures on risk, funding, liquidity, efficiency, profitability and perceptions

Ongoing economic stress, bearish capital market along with unprecedented level of volatilities, falling interest rates, increased risk aversion and spreads, and rise in delinquencies have started building pressures on revenue-generating abilities and going forward, solvency of financial institutions.

Measuring of risks, liquidity monitoring, adherences to security, compliance and regulations, managing and protecting revenue, costs efficiency, profitability and solvency, chalking out short term and medium term capital and funding plans, and protecting market perceptions to preserve stakeholder value are some of the key actions plans of the financial institutions (See Figure 4).

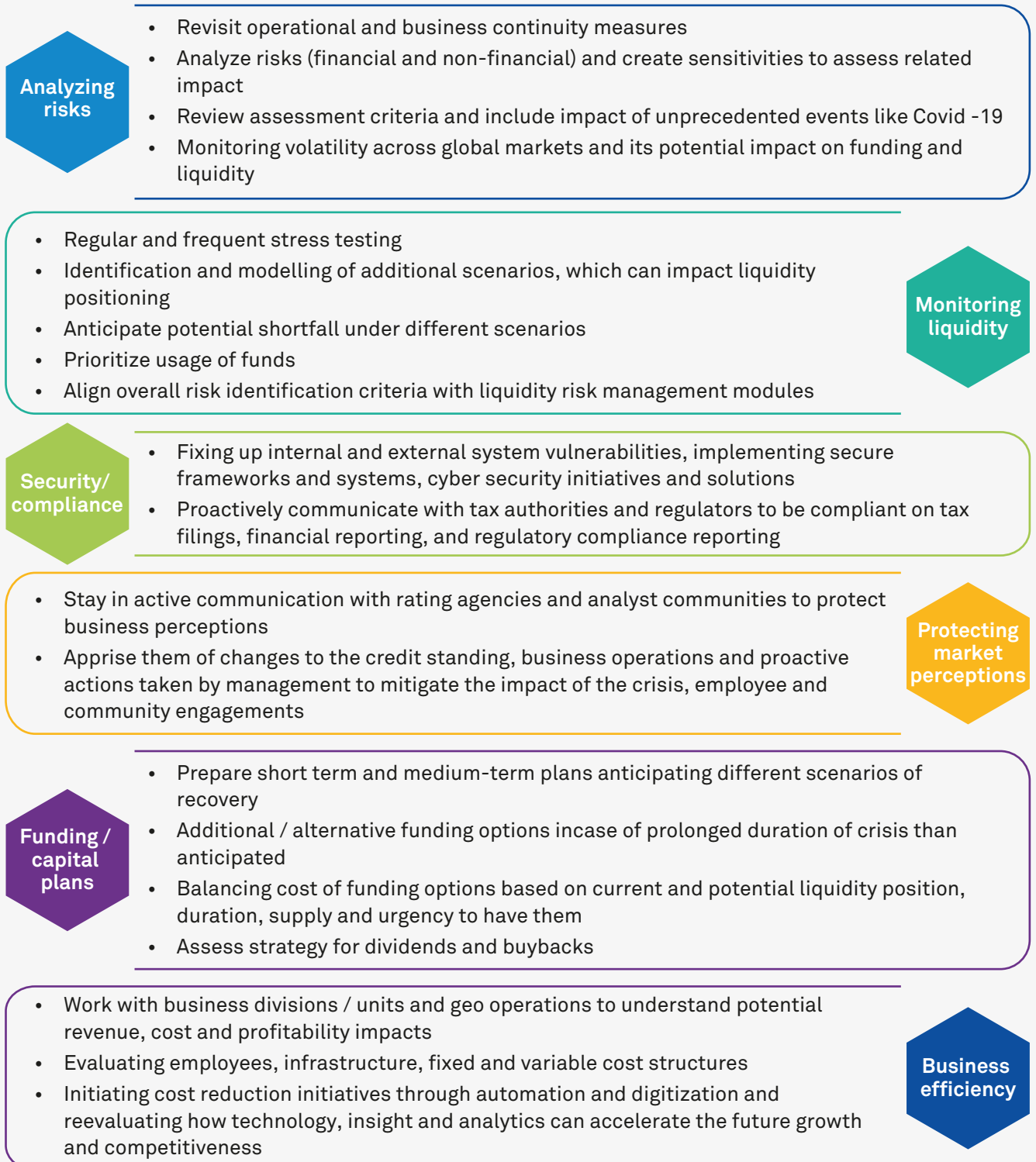


Figure 4: Key actions across risks, liquidity, security / compliance, efficiency and profitability, funding, and market perceptions

Preparing and rethinking business models while looking for opportunities arising out of the crisis

COVID-19 has forced financial institutions to explore new ways of working. Building business resilience, driven by digital agility and technology adoption; developing robust

framework and preparedness for events like COVID-19; and preparing / hunting for new opportunities arising out of specific needs and sector wide consolidations themes are the resultant key considerations (See Figure 5).

Robust framework and preparedness for the events

- Leverage learnings from current crisis and prepare for events which are of low probability but can cause high impact / damages
- Reinvest / reinvent business models and thoughtfully decide on value chain segments
- Building contactless systems (Online channels / platform)
- Segregate activities which can be managed without physical network / resources
- Hybrid model - virtual / physical / outsource (mid office)
- Complete outsource (i.e. trading / back-office)

Robust framework and preparedness for the events

- FIs are showing openness and pursuing the opportunities to leapfrog in adopting cutting edge technologies and digital transformation to achieve / increase customer reach, scale, speed, cost efficiency, customer sophistication and business resilience
- Building capabilities that can be offered easily and securely through digital and automated channels
- Personal financial management and financial wellness tools

Consolidation opportunities

- Prepare / start hunting for new opportunities
- Financial institutions will look at collaboration with the new entrants and Fin-techs to drive innovation and jointly reap the benefits of the large customer base of the FIs and the new technologies of the Fin-techs
- FIs with stronger / healthy balance-sheet are preparing for potential consolidation opportunities in post crisis period
- PE firms, with significant dry powder in hand, will go for investing in existing portfolio companies and bargain hunting



Figure 5: Building resilience and exploring opportunities

Multiple scenarios are getting modelled and forecasted for concerns and damages arising out of the COVID-19 crisis including recession, socio-economic tension, V/W shaped recoveries or even economic fallout. Under all possible scenarios, the business that remains committed and proactive to stakeholders tends to recover faster.

Staying connected

Amid the widely prevailing uncertainties and assumptions across the stakeholders, the top responsibility for an organization is to connect and communicate. Financial institutions have managed this well and majority of them have been proactive in maintaining transparency, keeping communication and announcements ongoing by using all accessible channels

including customary corporate memos to contemporary social media.

Figure 6 lists out the key communication related requirements financial institutions address with some related topics relevant from the COVID-19 perspective.

Internal

Employees

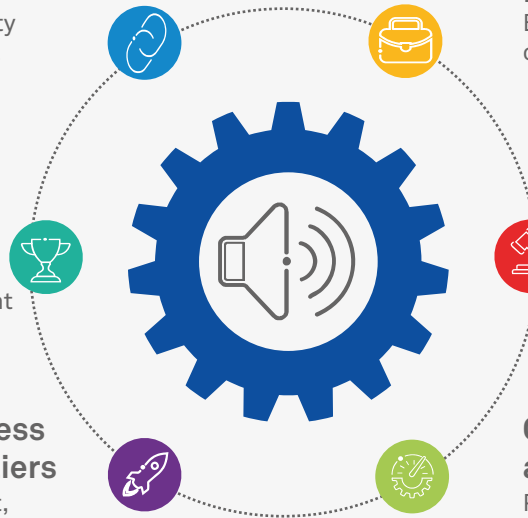
Wellbeing, productivity and work enablement

Customers

Business continuity, service support, commitment

Vendors / business partners / suppliers

Business enablement, supply chain management



External

Investors / shareholders

Business resilience, capital / value preservation

Regulators / authorities

Compliance, concerns, solutions, preparedness

Credit ratings / analyst community

Protect perceptions, understand best practices

Figure 6: Maintaining regular communication / announcements of key decisions, solutions and adherences to internal and external stakeholders

Towards a resilient future

The nature of COVID-19 is similar across countries but depth of severity is making it different across the board. Accordingly, authorities are deciding the action plans and most of them have proactively implemented the prevention, cure and closing measures while

working around stimulus to minimize the impact on individuals, communities, markets and in total, on economy. Financial institutions have responded well so far and are increasingly innovating and working towards solutions, which can / will help them to adjust to this new normal; while building a business model which is resilient and future-proof.

About the Author

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Pradeep Agarwal leads the Securities & Capital Markets (SCM) and Swiss Universal Banking (SUB) verticals in the Wipro Insights team. Pradeep has over 12 years of experience in Financial Services sector. Pradeep is skilled at performing sector research, forming go to market strategies, capital advisory, M&A origination and execution. You can reach him at pradeep.agarwal2@wipro.com.



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