

Operational Continuity Through the Pandemic and Beyond

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Featuring:

Jeff Kuhn, BNY Mellon Global Head of Enterprise Resiliency

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Moderated by Brenda Tsai, BNY Mellon Chief Marketing Officer

Brenda Tsai:

Through times of calm and crisis, BNY Mellon's perspective has made us the trusted steward of the financial system. To help our clients make stronger decisions, our experts explore the many angles of the financial markets, investing and business. Hello, I'm Brenda Tsai, Chief Marketing Officer of BNY Mellon. Welcome to BNY Mellon *Perspectives*.

Brenda Tsai:

As the world has been dealing with this fast moving global health crisis, COVID-19, BNY Mellon's Enterprise Resiliency program has helped to ensure business continuity across our company, our partners, our clients, and the industry as a whole. To get the behind the scenes on how one of the world's most significant banks maintained operational resiliency during one of the worst pandemics in history, I am pleased to be joined by Jeff Kuhn, BNY Mellon's Head of Enterprise Resiliency and Carol Andrews, Head of Client Experience. Both will share their frontline view on managing operations through a global pandemic. Let me start first with the words of our BNY Mellon CEO, Todd Gibbons, who had to say this about business continuity, "Throughout the coronavirus, we remain focused on providing continuity of service to our clients and maintaining our balance sheet. Despite the unprecedented global market disruption, we have stayed fully operational, demonstrating our resiliency, commitment, and capacity to support our clients when they need us most." We've often heard Todd say that BNY Mellon's preparedness, responsiveness, and execution, particularly in this crisis, demonstrates our commitment to delivering more value for our clients. Jeff, these recent events haven't taken us by surprise. In fact, you wrote a resiliency blog in September of 2019 about BNY Mellon's extensive business continuity plan. Looking back, it's heartening to know that we were prepared for just about anything. Can you tell us a bit more about the office of Enterprise Resiliency?

Jeff Kuhn:

Sure. Thanks, Brenda. BNY Mellon has really had a long history of making sure that we're able to be resilient in a lot of different events. We've also managed very well through floods, and monsoons, and fires, and hurricanes, and other financial crises that may happen in the world. And so resiliency is kind of at the core of what we do. In fact, we think of it as job number one. And in preparing us for this, we have a really excellent set of people and organizational frameworks and organizational structures that are established to really allow us to have an effective business continuity institution, business continuity plan. We have great incident and crisis management teams, and we have good technology that really supports a very, very highly resilient organization. Lastly, I would say that about two years ago we stood up the Enterprise Resiliency Office. We didn't do that because we didn't have a set of business continuity professionals, but we really wanted to emphasize and invest even more based on the importance of this for the markets and the clients that we serve. So it's really just our doubling down on the importance of resiliency and making sure that we are prepared for these types of events.

Brenda Tsai:

It certainly explains how we've been able to stand strong for over 235 years. It's great to know. Now, we know coronavirus was fast moving and ever changing and if we go way back to the very start, like mid-January 2020, in response to the coronavirus outbreak in China, BNY Mellon had already executed business continuity plans in Beijing and Shanghai by having staff work from home. Then you fast forward a couple of months to mid-March and the coronavirus was declared a global pandemic. Carol, can you take us back to that time? What was the mood like with the leadership team as you realized that you had to move from a regional plan to a global one?

Carol Andrews:

Well, Brenda, we're a phenomenal team and of course there was concern and a real sense of urgency, but genuinely and very honestly everyone stayed calm, very focused. This is a scenario that we planned for and we have pressure tested. As Todd said, we do have responsibility to clients and to our other stakeholders to make sure we continue operating and we were genuinely confident we would. It's all about the people, so of course that meant first and foremost, making sure our people were protected and able to do their job safely. Our teams in Asia had been in a tough situation for a period of time and we were all, and our leadership team specifically, keeping a close eye on the situation. There was a genuine sense early on that we might have to activate our business continuity plans across more of our global organization. And as we knew how hard this would be for our people and our clients, who were looking at a lot of disruption, a lot of uncertainty, so we prioritized communication and being really transparent at the outset. These were fundamental to how we manage the process.

Jeff Kuhn:

Brenda, I would just add that obviously as you mentioned, the Asia PAC region had about two months advance experience related to the COVID virus. In fact, in the middle of February we ran out of Hong Kong a "complete out" test where we conducted all of the business that's

performed in Hong Kong outside of Hong Kong for one business day. In addition, at the beginning of March before WHO declared a pandemic, we were actually getting ready and in fact started in the first week of March a program where 50% of our most critical functions were to be work from home.

Brenda Tsai:

That's terrific. Now, with this massive employee migration to work from home, you managed in a relatively short amount of time early on when the World Health Organization declared this a global pandemic to get more than 90% of our staff working remotely in just the first couple of weeks. How did you accomplish that with minimal business disruption?

Jeff Kuhn:

From a technology perspective, it really was quite an effort and quite a feat. We were always testing to have staff work from home but never on the scale that we have here. So we rapidly were able to acquire laptops and other technology devices and get them deployed to our key staff all around the world and get them set up working from home. We also had an infrastructure that allowed for remote access into the bank systems already in place. So the combination of the infrastructure and the laptops and the additional equipment necessary, we were able to get the technology provisioning completed in very, very short order and get close to 95% of our staff working from home over the first couple of weeks of this pandemic.

Brenda Tsai:

Incredible. Now, we aren't out of the woods yet. This continues to be a highly, highly uncertain time. Carol, I know your team has instituted a broad range of new client and operational touch points like the client command center. Can you tell us some more about these new programs?

Carol Andrews:

Sure. So you know at the outset, when we started to implement business continuity and move the majority of our people to remote working arrangements, we really needed to ensure that we centralized our coverage and provided ways for client facing teams to share, to funnel queries, and obviously to escalate any issues. So all of our clients were in various different stages of implementing their own contingency plan and dealing with their own staff concerns, which is totally understandable. But we knew that BNY Mellon had to be responsive. So we created a client command center, which in effect is a hotline for our client coverage and support teams. We also had a custom email box, that meant that we had this fabulous central repository for issues and it helped us to expedite the resolution of the queries, but also genuinely helped us to see what queries were evolving or what issues were evolving and it really helped us to identify areas of focus for our support teams.

Brenda Tsai:

I love the always on concept. It's so needed at this time. What else have you found works?

Carol Andrews:

So as I said, it is really genuinely our responsibility as strategic partners to stay connected. We've seen a lot of market volatility and we were seeing record high transaction volume spend

as you said earlier. And we saw this through our production sites across the world globally. Our operating model includes global utilities and centers of excellence for activities such as trade capture, reconciliation, and we can apply cross-regional support in line with local regulatory requirements. So it was really important to remind clients of this. We have to reassure them that we were managing the load, we had proper controls in place, and we could pivot as they needed to keep their own operations running well. We were able to share our perspectives on markets and we were also seeing quite significant challenges in terms of liquidity and we were able to provide that level of support.

Brenda Tsai:

Now as we're also very operationally connected with our clients and our partners, did we have to shift our mode of connection, particularly from an everyday transaction perspective?

Carol Andrews:

So just as we've seen right across the market, leveraging our digital capabilities to reduce manual process and inefficiencies has never been more important. We've continued that journey but in many cases we've actually accelerated that digital journey we were on. So we looked at how to engage our times very specifically around training. So that was instructor led group sessions that helped our clients understand what digital capabilities they might have or have not, and what they needed to learn or to see to do something differently. And they may not have been actually using them or taking advantage of them today. We wanted to show them what we had and the breadth of the scope of what we had. A lot of the feedback we got around certain parts of the NEXEN training that we did was around instruction capture, Brenda. Which is one of those processes which are very specifically operational, but they do help very much focus on the manual trade instruction process. These aren't efficient for us or for our clients and we are able through NEXEN to provide capabilities with reporting and real time inquiries. That's only one example of a great time to transition away from manual processes that we were used to, to really thinking about the digital enhancement and journey. Another one was a manual process we had around e-signatures. For many documents that previously required wet signatures, we were able to, when we got employees working from home or in alternative sites, to use this process to allow for e-signatures as a matter of contingency. And that also obviously was subject to additional mitigating controls, but it was a super way of very quickly bringing us into this digital platform.

Brenda Tsai:

For those who may not be familiar with NEXEN, can you please explain what NEXEN is?

Carol Andrews:

Sure. NEXEN is our technology portal. It's our portal that interfaces with our customers to provide a seamless and really smart solution to our technology.

Brenda Tsai:

This has been a great accelerant for our digital agenda. Carol, what other programs do we have in place to drive our digital agenda?

Carol Andrews:

Our technology and digital capabilities will define our success and our future, and it will also pave the way to continue growth for our company. We've done so much in this area and with such a successful track record of delivering change, we want to continue to do that. As I mentioned, controls are at the center of what we're doing, so we're accelerating digitization of manual process. And you can appreciate at a time like this, this is a key focus for us, not just because it makes business sense but genuinely because it's the right thing for us all to do. We're focused on client transaction capture, how we receive data, how we deliver instruction such as facts, trade blotters, and we genuinely have a significant focus on that from an operational perspective.

Brenda Tsai:

That's a good example of how we further collaborate with clients, and I'd like to explore the area of collaboration a bit more. The global pandemic is really an unprecedented challenge requiring new forms of collaboration, not just with a couple of different partners, but also across the industry with regulators, with clients and other partners. Can you share more about how collaboration has been central to the rapid and resilient response to this crisis? Carol, do you want to start?

Carol Andrews:

Yeah, sure. First of all, what we did was think about how we would have work strength from a client perspective. So we talked to our clients as I mentioned earlier, really genuinely understanding, how if they came together with us we could think about what the future might look like. So first of all, to get ourselves settled, what did we see in terms of our work from home ability? What did we see in terms of what we could do around contingency and how to help them get ready for that? So we looked at our own talent. Were our teams open, running safely? Were they okay? Do they need any support? What do we need to do? And in certain jurisdictions we needed to do different things for different groups of people. From our perspective, then we split operations between sites and we're lucky to have that global resiliency. So we had a lot of solutions from our internal perspective where we could help get people up and running and get them up and running quickly. We've seen a lot of liquidity pressures on our clients' perspective and we were able to utilize that feedback on a more global basis to help feed back to clients what we're seeing, what we're recommending. Also we're able to have very strong conversations with regulators relying on what we're seeing from a market perspective.

Brenda Tsai:

What about you Jeff? What have you seen?

Jeff Kuhn:

I have been so impressed by the collaboration that has been coming across the entire industry. On many of the early calls in the beginning of March, many of the leading industry banks and providers all agreed that this was really beyond a competitive issue. This was an industry issue. We were interested in making sure that there was collaboration for best practices, approaches

to addressing the COVID crisis that we would work together. And in fact, that's exactly what I've seen. I belong to various industry groups ranging from SIFMA as well as a New York resiliency roundtable that consists of about 30 or 40 different banks globally, some European groups, some Asian groups, and across all of these institutions, we are actually sharing best practices. We are meeting multiple times every single week. We're available on a bilateral basis to have conversations on any issues that may come up. And so we're doing exactly that and taking advantage of the opportunity to actually share what we're doing and how we're approaching it and how we're dealing with problems. And last but not least, we've also been working very, very closely with the regulators. This is new for them as well, and so we from the very beginning of this process have been communicating to the regulators almost on a daily basis. We started for the first month, literally every single day with about 30 regulators around the world and that's now come to twice a week. But we're providing a transparent view around how the bank is doing and some of the challenges and approaches that we're following.

Brenda Tsai:

That's great. So as we continue to move forward and think about, "Hey, what's next?" I've already heard as you have that many companies are grappling with that very important question of, "How do I safely return my employees back into the office?" Jeff, can you share some of the top considerations for this next step?

Jeff Kuhn:

Thinking about the return-to-the-workplace is really the center of most of my group's work and most of the senior managers of operations and the business. We are building a framework in the planning process for going back. That framework consists of really what are the governments and medical authorities recommending, and in fact possibly putting out there as orders? This in and of itself is pretty challenging because every country, state, city, municipality may have a different view on when to restrict and or loosen up the work from home guidelines. We then are very, very focused on our facilities. How do we make sure that we have the proper access controls such as temperature screening and potential testing in the future? How do we ensure that we maintain social distancing within the workplace, have the proper PPE, make availability of masks, things of that nature, gloves if necessary? So all of that information is really key to our planning process. We then worked very hard in understanding, what are the priorities for the business? Now, we're very fortunate to actually have, as I've mentioned before, about 95% of our staff working from home. We're able to deliver our services. We have a very successful work-from-home process. But there are some areas that might be experiencing a little bit more strain. And those are going to be the areas that we look at first for our stage one return-to-work policy and approach. Lastly, but really most important, is everything that we're doing is helping to ensure the safety of our employees and the ability to ensure the continuity of our business and our operations.

Brenda Tsai:

It sounds like a very thorough approach and there's certainly a lot of considerations. As we're discussing returning our staff to work once this current wave is over, there are a lot of people who believe that the COVID-19 virus outbreaks will be kind of like the new normal. And we may have waves of stay-at-home orders issued again and again in the fall or even in the winter. How

can companies think about maintaining operational resiliency amidst a very fluid and potentially ever-changing situation? Jeff?

Jeff Kuhn:

Well, I think the protocols that I kind of described before in terms of a framework is helping to ensure that at least within the workplace and the staff coming to work, are somewhat maintaining the social distancing approach. It is likely that most organizations are going to have a new normal. They're going to have less than a hundred percent of their staff working in the office. They're going to ensure social distancing. They're going to ensure some form of screening as people come into the office. But then what's really important, which is something that we've done from the very beginning of this virus, is ensuring that we have proper protocols when somebody gets sick and that we actually are able to make sure that the staff, potentially around that person who was sick, also then is instructed to quarantine and head home for a two week period of self-quarantine. We've taken that approach very, very seriously from the beginning. And as a result of that, I think we've maintained among our employees a very low percentage of illness, which is good news for our staff.

Brenda Tsai:

It sounds like every action you're taking really has people at the center of it. Now, as we draw to a close, I have one final question. There are many companies that may not have resiliency groups or client experience teams, and they may be asking, "What should I do as a smaller business to move forward?" If I had to ask you to leave them one or two key takeaways, what might you say?

Carol Andrews:

Mine, Brenda, is I love the concept of thinking about your digital fitness. So I think it would be to focus on digitization. We've seen some terrific examples of the benefits of the digital system and the process. It gives you better control, better operations, and moreover happier clients. The feedback from our clients has been phenomenal on digitization and the speed to which we were able to do that over the last number of weeks. So I would say go for it, keep going for it and really, really think about your digital fitness.

Jeff Kuhn:

Yeah, I love that. I think technology and the digital fitness is something that's going to absolutely make sure that it's easier to maintain a work-from-home or remote strategy. I think that's key. The new normal, it's going to be a little bit of time, maybe a lot of time before we see a hundred percent of staff for any company back working in the office. So the digital side of things allows us to have a very robust work-from-home strategy. I would say communicate, communicate, communicate. It's so important to your employees as well as to your clients. When you think you've communicated a lot, communicate more. And that's a really, really important piece of the puzzle here. I think those two things are super important. Maybe if I would just add one last thing I would say, don't depend on a single strategy. Part of what I think has allowed us to be successful is that we have multiple strategies. For us, once things start to settle down, as I think we're starting to see some early indications that it is, make sure that you have multiple strategies. For us, it's obviously the digital strategies that we've talked about on this call. It's the

ability to have cross-regional capabilities so that if there's future waves in one part of the world, maybe the work could be picked up in another part of the world. Consider different options, different approaches. Don't count a hundred percent of your plan for one particular strategy.

Brenda Tsai:

Some great tips. Thank you. Our clients put their trust in us and we've worked hard to fulfill their expectations, particularly during this pandemic. And while we've gotten lots of positive feedback on what we've done, we know there are always more ways to help them tackle challenges yet to come and we look forward to meeting those head-on. Jeff, Carol, thanks so much for what you do and thanks for taking time to talk to us today.

Carol Andrews:

Thank you. Really enjoyed it.

Jeff Kuhn:

Thank you.

Brenda Tsai:

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