

# Operational Certainty in Uncertain Times



**With the unprecedented scale and reach of the current COVID-19 crisis, asset owners globally have been impacted leaving many struggling to cope with reduced workforces, limited access to normal workplace infrastructure and continuing uncertainty.**



IAN MARTIN

Head of Asset Owner Client Segment

**At State Street, our purpose is to help achieve better outcomes for the world's investors and the people they serve. We are proud to deliver essential products and services for our asset owner clients of all sizes around the world.**

As your strategic partner, we want to share **four priorities** that we have focused on during this time to ensure the health and safety of our team members, and help maintain business continuity for our clients. We hope you will find them useful as you seek to provide the best possible support to your members and employees during this time.



**Communication is Key**



**Prioritize Your People**



**Building Resilient Operations**



**Providing Liquidity**



## Communication is Key

Longstanding responsibilities to provide frequent, relevant information to members reinforces the importance of communications. Results from one of our recent surveys<sup>1</sup> revealed technology investment to improve member communications was a top priority for approximately one-third of institutional asset owners worldwide. The COVID-19 pandemic creates an additional burden and opportunity for you to provide critical information and members. A few things to consider:

- **Reassurance:** Your members are likely dealing with uncertainty in many areas of their lives as a result of the crisis. Older members are reliant on your organization for their income, while younger ones recognize that you are a vital part of their future financial security. For all members, the knowledge that their pension providers are continuing to act as responsible fiduciaries and doing everything possible to safeguard their wealth can be a considerable relief.
- **Clarity:** Ensuring that member communications and related financial information are as simple and jargon-free as possible makes your messages easier to understand.
- **Effectiveness:** Establishing the right balance of information flow. Members are being bombarded with information from a variety of sources right now. They want to hear from you how you are handling the situation and any impact to them.
- **Listening:** Addressing members' questions and concerns and responding to them promptly is as important as the ability to proactively provide them with information.

# 31%

**of institutional asset owners worldwide said that investing in new technology to improve member communication is a top priority<sup>1</sup>.**

<sup>1</sup> 2019 State Street Growth Readiness Study



## Prioritize Your People

In addition to your members, you're prioritizing the safety and well-being of your employees during this time. Here are a few of the ways we've been doing that at State Street.

- **Safety Above All:** Both locally and regionally, we were proactive in moving staff to work-from-home models, testing our technology and communicating public health guidance and updates.
- **Keeping in Touch:** The lack of regular contact with colleagues can be disorientating and potentially upsetting. We have been working to ensure frequent communication across teams, whether through conference calls or video chatting to help eliminate feelings of isolation. If you don't already have a service for this that is easily scalable across all team members, there are likely to be a number of free, App-based, solutions available to your operating platform and in your region. If you have a corporate instant messenger service, this is another venue to host a virtual get together and your intranet may enable groups to host virtual social activities like coffee breaks and society meetings.
- **Flexibility:** Individual staff members will have specific needs at a time like this. Those with children, or other care responsibilities, or particular mental or

physical health circumstances, might need additional support or flexibility. As with the 'Listening' point above, it is as important to be able to hear what employees want and need, as it is to be able to reach them with information.



## Building Resilient Operations

Along with the safety and security of our employees, ensuring 'business as usual' for our clients is our top priority. At State Street, we maintain business continuity plans for all functions globally that are activated as part of our Business Continuity Program (BCP). We hope some or all of these processes will be a useful guide to your organization:

### Our BCP

One critical area we immediately identified is the need for added capacity to improve internet bandwidth by IT teams. There are a number of solutions available to businesses in different circumstances, including capacity needs and budgets, varying from increased Cloud Capacity across regions and companies, to 'MiFi' hotspots for specific staff members with extra bandwidth requirement.



Our Enterprise Continuity Program requires each business line and location to identify recovery solutions for several potential outage scenarios. This enables timely resumption of critical business functions and appropriate mitigation of risk. We test these solutions routinely, and adjust where we see opportunity for improvement.

Cyber security is also a heightened risk at this time, so it's more important than ever to underscore with employees the role they play in the front-lines of defense. At State Street we use the **5 Cs of Cyber**:

1. **Click** only if you are sure the email is safe
2. **Credentials** (e.g. passwords) should remain private and secure
3. **Change** your passwords
4. **Check your connection** to ensure you are on a secure network
5. **Communicate** with your Cybersecurity team if you see suspicious activity, or report it to the relevant IT service provider

### Providing Liquidity

We understand that you have particular liquidity needs, unique needs that require specific solutions appropriate for your scenario, that are being challenged by the current market circumstances. Heightened sensitivity to liquidity issues is highlighted in our recent research, which shows asset owners consider regulation of liquidity risk to be the second biggest medium to long term threat they face. These vary by institution type but included Defined Benefit plans' need to pay member benefits in cash and Defined Contribution plans' requirements to provide daily asset pricing and NAVs. In an environment where demand for usually liquid assets is subdued and deals in illiquid assets have stalled, pricing and cash flow can become constrained.

Know that our cash reinvestment pools are all at or near par at this point and have ample liquidity.

In the event of a closure of one or more stock exchanges around the globe, State Street would continue to operate and remain open to provide its other financial services not impacted by such closures to clients. We would be able to continue to support clients whose services may be dependent on one of the closed exchanges. Finally, despite instability affecting the Short-Term Investment Fund market, State Street Global Advisors have remained liquid during the crisis.

We can work collaboratively to establish a [set of liquidity solutions](#) to fit your needs.

#### **Cash Access, Securitization and Repo**

Short-term cash investment options include a State Street deposit, centrally cleared repo, or accessing a range of money market funds via our investment portal, Fund Connect. Additionally, State Street Global Advisors, specializes in cash strategies. For cash borrowing needs, we offer a unique set of

securities financing structures, including a custody-based prime brokerage model, access to cash raised in our lending program and centrally cleared repo. Also, our Global Credit Finance Team offers committed and uncommitted credit lines.

#### **Outsourced Trading**

The difficult business environment means that crucial staff, systems and locations may not be available to all institutions. In these instances, where organizations have lost their ability to conduct their own trading operations as normal, State Street can step in quickly.

Our [outsourced trading offering](#), supported by strong infrastructure and experienced professionals, may help reduce costs and access diverse sources of liquidity globally. We offer a multi-asset and multi-discipline service providing execution across equities, fixed income, exchange-traded derivatives and foreign exchange; each in both developed and emerging markets.

**We appreciate these are difficult times to navigate, with unprecedented market volatility and volumes, national and regional shut-downs, and considerable stress. We want you to know that we are committed to being your essential partner. Should you have any questions, please reach out to me or to your relationship manager.**

For more information visit our [Volatility to Value](#) page or [Contact Us](#).

## Useful Links

- [State Street's dedicated COVID-19 Resource Center](#)
- [State Street Global Advisor's response](#)
- For more information regarding the virus, prevention and the regional impacts
  - [Centers for Disease Control and Prevention \(CDC\)](#)
  - [European Center for Disease Prevention and Control \(ECDC\)](#)
  - [World Health Organization \(WHO\)](#)

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3027159.1.1.GBL.INST  
Expiration date: 10/19/2020