

# Covid-19 - a live stress test for fund management companies

*FUNDS EUROPE TALKS TO HUBERT ZELLER OF UBS.*

**THE LAST SIX MONTHS** of Covid 19-induced lockdown have acted as a live stress test for the whole funds industry and for the white label fund management company model in particular.

So says Hubert Zeller, global head business development for white labelling solutions at UBS Asset Management.

The requirement for flexible, lean and efficient service models has been driving outsourcing and delegation trends. As a result, white labelling has grown in size as wholesalers, pension funds and large investors increasingly look to third parties for anything outside their core competency.

But how do these services stand up during a market crisis such as we have seen with Covid 19? "We have had to meet our clients' expectations in terms of ensuring robust governance with all delegates, providing oversight risk management and, continuing to deliver the NAV along the product value chain but within the constraints of operating a cross-border business during a global lockdown," says Zeller.

The first weeks of lockdown were greeted with a fair amount of shock across the industry. For a global firm like UBS with people spread across several locations and departments, the first reaction was to ask how to cope with the new conditions and maintain business as usual, from the calculation of NAVs to managing portfolios.

The next step was to consult and

implement the firm's Business Continuity Management (BCM) plan. "It is at this point that you realise you need to radically adjust your operating model," says Zeller. "Most BCM plans are based on a primary site being out of action and having a second site to move into."

However, with a pandemic you have to rely much more on technology to allow for staff to work from home, says Zeller. "So rather than migrating to a fully stocked disaster recovery site, firms have had to provide new hardware, extra bandwidth and connectivity and new interfaces to ensure staff can work safely and securely from home."

## **The IT factor**

For UBS and its white label services, it was also important to understand how its clients and counterparties had changed their operating models and then adjust accordingly. "As an example, UBS is investing heavily in digitalization of the fund management company processes by making use of cloud technology, embedding a dedicated fund management company application to support delegation oversight, governance and risk monitoring, investing further in the alignment of the data architecture, straight through processing and reporting capabilities" says Zeller.

After having settled the everyday business of NAV calculations and redemption/subscription process

during the pandemic, clients have looked at product development and growth and have been keen to launch new products, says Zeller.

Zeller says that UBS has learned a lot from the last six months in terms of the changing operating model. "There has been a huge acceleration in the adoption of digital technology. As one of the results from this adoption, today around 90% of the employees may work from home! It has been proved that you don't need to be physically present at all times to deliver the expected quality."

There are numerous implications from these changes that firms must manage, says Zeller. For example on HR, new Joiners in particular can thrive in these conditions provided that there is enough trust between staff and management. However, while home working can create a better work-life balance, firms will have to find new ways to cultivate the group business culture.

So, has the industry passed its Covid 19 stress test and has the experience been a vindication of the white label model? "Over the last few years there has been a constant debate about whether it is better to buy or build," says Zeller. "This crisis has demonstrated that we have a robust infrastructure enabling our white labelling clients to focus on their core competencies and not worry about Business Continuity matters related to the NAV calculation or monitoring of risks and delegates."