



Talking Point.

Welcome to Talking Point, a regular review of the key topics and themes our clients are talking to us about during this period of market turbulence. Talking Point is designed to be a two-way conversation, so please tell us about the issues or opportunities you are currently thinking and talking about within your own business.

Regulators are pro-actively engaging with investment firms to pre-empt potential risks

The regulators we are dealing with across different jurisdictions have been very proactive, with a significant increase in the frequency of communications and interactions. Core areas of focus include liquidity and valuations issues, as well as cyber security and business resiliency. Lessons have been learned from the Global Financial Crisis, with regulators looking to quickly identify and address issues which may otherwise become wider market issues or lead to systemic risk.

In terms of liquidity concerns, credit markets appear to be under the most pressure according to many of our clients, particularly emerging market credit, but many remain hopeful that recent central bank intervention into the corporate bond markets will continue to help those markets to heal. That said, several clients remain uneasy about the imminent market impact that rating agency downgrades are likely to have in the weeks ahead which may well lead to a forced sell-off by investors who are unable to remain invested in downgraded paper.

If you would like to hear more about what we've seen in this area, please let us know.

Adoption of remote working has been quick and seamless, but challenges lie ahead

Most employees in the industry are now working from home and the transition has been for the most part smooth and seamless. From a technology perspective, IT systems have proven resilient for day to day business but are set to be tested with heavier, more complex workloads coming down the track in the form of quarterly reporting. Remote working has also benefited the health and wellbeing of employees but there is some justifiable concern about back-up and succession plans in the event key employees become unwell and are unable to fulfil their duties.

Large-scale adoption of work-from-home technologies and applications has also meant an enhanced risk of cyber attackers taking advantage of security gaps in IT systems. Whilst the primary focus for many industry players was initially to maintain business continuity, the need to protect against new cyber threats is now top of mind for both regulators and Chief information-security officers. The result has been a renewed focus on carrying out operational due diligence and resiliency.

Tell us about your experience of remote working. How has this impacted your back-up plans?

Investors appear to be taking a 'wait and see' approach to market volatility

Whilst there is a constant news flow about a significant pick up in redemptions, with regulators instructing fund managers to keep them informed, we are currently not seeing that trend reflected across our client base. It's also worth pointing out that some redemptions may be as a result of other factors such as investors being subject to margin calls, portfolio rebalancing or short-term cash needs.

In times of market volatility investor communication becomes even more important. We are seeing increased levels of investor engagement from our underlying investment managers with regular communications explaining how they are responding to what's happening in the markets.

Have you noticed an increase in communication flows from your counterparts?



We'd love to hear your thoughts about what you're seeing and hearing across the industry and would be delighted to share our own perspectives.

Please contact your Carne Relationship Manager or email us at TalkingPoint@carnegroup.com