

Rebounding with Confidence:

Achieving Operational Excellence in a Post-Pandemic World



Consider Everything

 BNY MELLON | PERSHING

Since March 2020, many wealth management firms made great strides streamlining their operations to adapt to a new and uncertain scenario.

Although the pandemic continues to have devastating effects around the globe it has also accelerated trends towards modernizing operations.

For firms that embrace operational excellence, the ongoing pandemic has been an opportunity to institute longstanding goals of digitizing business models and move towards a more paperless world. Keeping pace with technological innovations isn't always easy, especially in an industry that traditionally operated with ink-on-paper signatures, physical mail and in-person meetings. The ongoing pandemic has forced even the most old-school wealth management firms to re-think the costs of not adapting to a digital world.

Accelerating *Digital Adoption*

The pandemic amplified the high correlation between digital adoption and a successful organization. Time and again we've seen that firms that are flexible and able to pivot quickly, including implementing progressive digital tools and solutions, are the ones differentiating themselves.

High on the list of adoption for many firms are electronic delivery of investor communications—including statements, prospectuses, confirms, tax documents and more—along with digital signatures and electronic asset movement.

To be sure, some firms continue to struggle with the adoption of digital processes. This is due to a number of variables, including the organization's culture, structure and complexity, along with the experience and demographics of their advisors and investor base. New investor account opening is arguably one of the most critical processes because it is usually the time the investor will self-select digital services, including electronic delivery and electronic signature. Adopting paperless solutions during onboarding can set up both the advisor and the investor for streamlined services and transactions for the duration of the relationship.

If advisors don't encourage eDelivery and eSignature when the account is opened, it becomes that much more difficult once the investor is in the door. "Playing catch-up can be much harder than getting off on the right foot and enabling the adoption of a particular digital solution upfront when the account is opened," says Brendan Sullivan, Managing Director, Global Client Relationships, BNY Mellon | Pershing.

*Playing catch-up is harder than
getting off on the right foot*





Embracing Change to *Drive Success*

With most staff working from home since the start of the pandemic, many firms moved to adopt the digital solutions that were already available. If the benefits of digital processes were not clear to advisors and investors right away, they became apparent quickly. Remote work accelerated the pace of change around the adoption of digital solutions.

But how do you convince investors who are reluctant to change to shift from something they've done a certain way for years? Consider the investor who has had a brokerage account for ten years and has always received paper statements and confirms, as well as mailed in checks. The reality is that habits become more and more ingrained over time.

Many advisors are reaching out to their clients directly to discuss the benefits especially given the impacts since the start of the pandemic. Sometimes a marketing campaign is the best course of action. But as firms focus on business growth and opening new accounts, encouraging eDelivery and eSignature at the start makes sense. Getting in early and not having to go through that change management process can be an important part of driving success.

It's interesting to see just how quickly some operational trends have accelerated since March 2020. In the not-too-distant past, most investment-related processes involved printing hard copies of transaction buy and sell orders and handing them off to supervisors down the hall. For many orders, this process involved a review with formal, stamped approval by the supervisor followed by eventual shipment of the documents to a warehouse.

Fortunately, Pershing had already begun to review enhancements to its paper-based transaction approval process and then accelerated this effort at the start of the pandemic with the goal of replacing the paper-based approach with a secure electronic approval workflow process. The new method relied on an electronic flow to supervisors for reviews and approvals and a digital stamp approval. This was a fundamental process change that has had an enormous impact on efficiency.

Layers of *Complexity*

Not every firm was equally prepared when the pandemic hit, particularly because of the unforeseen and wide-ranging effect of most wealth management firm staff, and their investors, staying home. For instance, audits needed to continue, and the entire process had to be performed remotely in most cases. For many firms, it was the first time they conducted fully remote audits and processes needed to be developed and then quickly implemented to allow firms to remain compliant with audit schedules.

“It has been as much about creating innovation as it has been about hurrying it along. Wealth management firms were at various stages of digitization and electronic authorizations at the start of the pandemic, and their efforts had to be expedited exponentially,” says Nancy Newcome, Managing Director, Client Service Delivery, Pershing.

Investor onboarding also became more complex because advisors could not sit with their clients to walk them through printed forms that required signatures. Advisors questioned the impact of investors who onboarded themselves, signing up for electronic solutions during the process. They wondered whether this would hinder their ability to engage with the client and grow the relationship.

Nonetheless, over the last year, adoption of digital and paperless solutions spiked to never-before-seen levels. The rapid embrace of tools like electronic signature became the norm because everyone was at home. The pandemic gave most firms the ability to step on the gas.

“As we emerge from the pandemic, we expect the trend of adoption of the latest modern tools and solutions to continue. Even when we are back in the office together—either full- or part-time— we will act like we are still working remotely and leverage the digital solutions,” says Newcome.

Firms that are laying the groundwork for success should assume that digital processes are necessary and the norm. Doing so includes continuing to hold meetings with investors virtually, which many will prefer, as well as sending files, money and other information electronically. From an operations perspective, the pandemic expedited what many firms had always planned to do, including making the advisor and investor experience easier, faster and more secure.

*It has been as much about creating innovation
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Making Work-From-Home *Work*

“Looking back, it’s amazing how the entire industry essentially turned on a dime and began working remotely,” says Newcome. “Think about employees who worked on trading desks and who, in the past, would have stayed in hotel rooms during snowstorms to be close to the office. Even they went home and stayed home.”

What made it possible for trading desk staff to work remotely? Firms that prioritized their infrastructure, equipment and the ability for staff, at any point, to work remotely. These firms exhibited resiliency by quickly moving to disaster recovery mode.

“Our many years of business continuity efforts—both at headquarters and in regional offices—helped prepare Pershing. While 100% of Pershing’s workforce could not immediately begin working from home when the pandemic hit, most staff could,” says Claire Santaniello, Managing Director and Head of Operations, Pershing.

Most companies still have a small contingent of people in their offices. However, firms have tried to make the workloads for these individuals smaller so that there could be fewer in-house staff in order to mitigate health risks. What remains is the desire to make sure firms can continue to operate without requiring the majority of staff having to be in the office. And there’s a drive for firms to continue to chip away at what are considered barriers to staff being able to successfully work remotely.

Whether the work-from-home environment remains, we return to our offices, or we take a hybrid approach, it makes sense to operate the way the industry was already headed. It also means we need to think about what investors are accustomed to in their day-to-day experiences, including best-in-class firms outside of the financial sector. That means secure, electronic, fast and seamless.

Think about what investors are now accustomed to, including best-in-class firms outside the financial sector

Striving for Operational *Excellence*

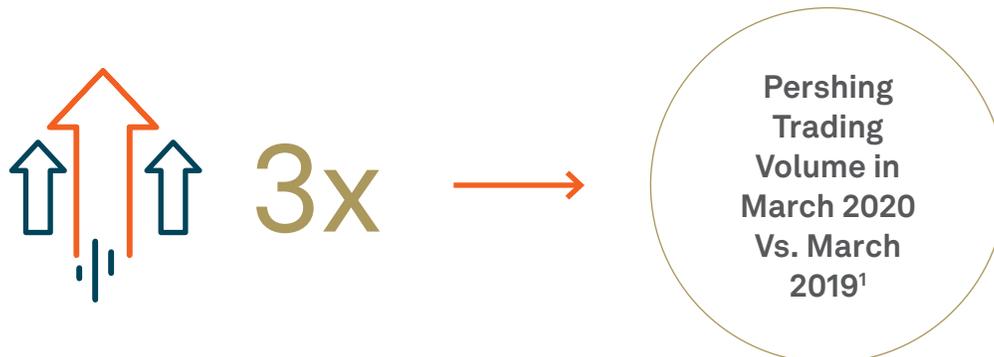
As operations and regulatory costs have grown for many firms, efficiency and scale have become necessary to remain competitive. The pandemic created the ultimate test case to demonstrate the advantages of streamlining operations so that firms and their advisors can spend more of their time advising their clients and growing their wealth and less on administrative and other routine functions.

Operational excellence in a post-pandemic world is more than digitizing processes. It requires a focus on mitigating risk and maximizing resiliency. In addition to the challenges of operating remotely, firms are also dealing with record trading volume and market volatility.

In response to the spikes in volatility and volume, many firms have enhanced controls with tools that are flexible and configurable, such as Pershing's Rules Engine™, and other electronic workflow tools that can provide greater controls around market activity to allow for business growth while helping to manage appropriate levels of risk.

Another example of operational excellence is the move towards toward asset movement alternatives vs. mailing checks. If an investor wants to send money to his bank account, ACH and wire transfers can be used, along with other progressive money movement vehicles. An investor portal can serve as the platform on which account verification for ACH cash movements are performed. Investors can log into their accounts, link their bank accounts to their investment accounts, and have the transfer authenticated electronically. The money can move instantaneously without the need to provide or sign any documents.

Some vendors provide specialized services, such as fraud monitoring, to help firms that are moving towards the digital space. Many firms have pointed to leveraging electronic asset movement and account transfers as some of the bigger 'wins' in terms of recent efforts to streamline their operational functions.



¹Source: Pershing LLC. Equity and options orders.

The New *Normal*

Operational success will depend not only on the adoption of tools we leveraged over the past year, but also implementing what we've learned to enhance and optimize solutions going forward. "Because there's been so much adoption of digitization and other progressive operational processes, most firms have gotten comfortable with the 'new normal.' The significant adoption of electronic processes has also allowed firms to make these tools easier to use, available to more people and better aligned with advisor and investor needs," says Sullivan.

To be sure, the pandemic brought the necessity to transform operations to the forefront and most firms embraced the changes. If the pandemic accelerated digitization and streamlining operations then as we emerge it will be the time to build on the momentum.



Four Ways to Harness the *Momentum*

Wealth management firms have taken extraordinary measures to keep processes running smoothly during the pandemic. Here are four takeaways:

1 No Turning Back

Many firms meant to eventually move towards paperless processes but, after the pandemic hit, most advisors and their investors stayed home. This meant delays and other challenges related to printing, signing and mailing documents. Now that many firms have embraced a better, more efficient solution, they will never turn back.

2 Reassess Real Estate

Everyone looks forward to the collaboration and camaraderie that can only occur in an office. But a certain amount of work-from-home arrangements will continue. Coupled with the fact that many investors are now comfortable with virtual meetings, it's important to determine the brick-and-mortar presence actually needed going forward.

3 Stay Alert

Now that firms are embracing paperless and electronic tools it's important to stay focused on what's coming to take advantage and implement new enhancements and solutions as soon as they are available.

4 All Aboard

Firms should consider how digital processes can underpin—and enhance—the client experience. Whether it's transaction authorizations via eSignature or digital receipt of investor communications, it's best to set the stage for the digital experience at the time the account is opened.

Consider Everything



**For more information, contact your
Pershing relationship management team.**

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