

>> You're listening to All the Credit, a monthly podcast series brought to you by PGIM Fixed Income, an active global fixed income investment manager. And now your host, senior portfolio manager Mike Collins.

>> Hello. Welcome to episode five of PGIM Fixed Income's podcast All the Credit. I'm Mike Collins, just one of the many investment professionals at PGIM Fixed Income and your host. Most of our prior podcast episodes focused on macroeconomic or investment topics, but we're going to try something a little different today, but it's also very topical, given this crisis we're all living through. I'm thrilled to have our head of operational risk management, Jennifer Finnerty, as our guest today. Jennifer and I are here to give you all the credit. Welcome, Jen.

>> Hi, Mike. Thanks for having me today.

>> Yeah, this is exciting, you know. You have a really important job here, especially in this type of crisis, so we're going to delve into that. What does a head of operational risk management do in normal times? What do they do in these crisis times, which is really when, you know, you shine, but, you know, how do you get to the point where you're at now? I know your success story. Like a lot of the people at PGIM Fixed Income, grew up locally, you know, Jersey Shore, and started in the back office and worked your way up. How did that happen?

>> Yeah. Yeah, right. So as you mentioned, yup, I grew up in New Jersey locally here, and as you said, I've been with Prudential for quite some time. I actually started in 1995. You know, very early in my career, I worked in what's now Fixed Income Operations in a small office in Short Hills, New Jersey, which is where actually I first met you many years ago, so.

>> That's right.

>> So from that, I actually worked in various different departments within Prudential. I worked in internal audit. From there, I actually transferred to our international group. So I did a lot of traveling to Prudential's various offices globally, both in internal audit as well as within operational risk. And then about seven years ago, the [inaudible] --

>> Well, on the travel, Jen, I know that you told me a story the other day that was really interesting that you are actually a two-million-miler on United. I mean, I've traveled a lot in my career on business, and I just hit my one-million mile, so I know what that takes and how brutal it can be, but tell us a story about -- you were on a plane with Jim Sullivan, who ran Fixed Income before Mike Lillard. He was a very strong-willed, competent guy, and what happened on that flight you were on?

>> Yeah, sure. So, yes, I'm very proud. I think that's one of my accomplishments of my status with United Airlines. Although we'll see -- with current events, that probably will shift, but yeah, it was ironic. I was actually on a plane with a number of Fixed Income employees, one of them being our former head of the business. And I was, you know, a few seats ahead of him on the plane when I actually reached my two million miles, and the captain came out to greet me and thank me for my service and congratulate me. There was a, you know, announcement, you know, kind of for the entire plane. He came out. The whole crew shook my hand, and I got a very nice bottle of champagne, and as the head of the business, who was sitting a couple -- you know, me as his employee, he didn't understand why he wasn't getting that same level of service that I was getting from United. So that went over well, and I heard a lot about that in the, you know, rest of my time working for Jim, but --

>> Yeah, that is funny. You know, a young woman, you know, operational person who's trumping Jim. And anybody who knew Jim Sullivan would really get a kick out of that story. So after that, what else happened in your career?

>> Yeah. So again, as I said, I traveled a lot, then about seven years ago, came to the opportunity to come back to PGIM Fixed Income after many years, and like you said, still were a lot of familiar faces, a lot of, you know, success story of people, you know, like to work in our organization. It's a great organization, so a lot of people were still there, and so I took that role about seven years ago and have been here since.

>> So the burning question that everybody listening wants to know is, what the heck does the head of operational risk management do, like, normally, you know? Forget about the COVID. We'll get into that in a lot of detail in a few minutes, but what are the main roles you're responsible for?

>> Yeah, but I do get that question a lot.

>> From your parents and everybody.

>> Yeah, exactly. "What does that mean? What do you do?" So, yeah, my family still probably doesn't really understand that. So couple things again. Our team, we're primarily located in Newark, New Jersey. We do have a few individuals in our Japan office as well as our newly-created office in Amsterdam. So we are a global team. In addition to ops risk, and I can kind of, you know, come back to that in a second, you know, our team handles a number of topics; you know, information security, privacy, records management, vendor governance, ethics, and, of course, you know, kind of one of the hot topics, business continuity all fall within our team's responsibilities.

>> Yeah. So let's get into the business continuity. I remember way back in my career, one of my jobs -- you know, they always throw the younger people -- "Hey, you have to figure out our business continuation plan." And I remember thinking, you know, whatever emergency happens isn't going to be covered by this because business continuation plan. It's going to take new creativity and flexibility and thinking out of the box. And as March came to be, you know, we're starting to hear about the virus in China, and it was starting to come onshore. I mean, what was the thought process as the news was starting to filter into our office, and how were you and your team starting to plan or prepare for what was to come?

>> Yeah. Now, great question again. March was interesting, I think, to say the least, but it's probably worth even noting, even prior to March, as you kind of said. So, you know, we obviously have existing business continuity plans in place. One of those, you know, scenarios that we do plan for is a pandemic scenario or a health crisis scenario where, you know, to your point, yes, we plan for this, but did I plan for this? No. So, you know, we could get into that in a bit, but, you know, one of the things that was interesting even, you know, well in advance of March that we were very plugged in to what was going on. You kind of referenced China, what was going on there. So we have, you know, been able to kind of, I'll say, partner with a corporate team. So we have, you know, resources at our parent company. You know, we have a business continuity office, a chief medical officer, a global security team. So we had been working with them very closely, you know, well in advance of March, you know, kind of seeing the numbers, seeing the cases, hearing the guidance from, you know, the CDC and the WHO and really preparing, I'll say, for this. As I say this, you know, preparing for this, did I really, you know, think I was preparing for this? No. You know, I think it was very much giving me updates. Like you said, we had the plans. You know, we were reviewing them. We were updating them, kind of seeing, you know, do we need to tweak them at all based on, you know, kind of the current events and what we're seeing? You know, we were in, you know, constant contact working with our global businesses. So, you know, we were talking, you know, with Japan probably on a daily basis, talking with our London team, our Singapore office to make sure they were prepared, knowing, you know, the timing and, you know, how this was going to impact our different businesses was going to be different. And, you know, just kind of an interesting fact, you know, kind of earlier in the year, I was much more, I don't know if the word's "concerned," but focused on Japan, just thinking proximity to China, it's going to hit there first. And then, you know, it really didn't play out, you know, how we kind of thought it would. So, you know, I'll say, yeah, March was, as I said, I'll just use the word "interesting," but, you know, there was a lot that led up to that March, and thankfully there was. So I think, you know a couple other things that we had been doing is, you know, as I said, we were reviewing our plans, updating our plans. We really did a couple things that, I think, positioned us pretty well was -- and I'm sure you know this is, you know, we accelerated the timing for a lot of our technology enhancement. So we had a plan to roll out video capabilities more broadly, and we're like, you know, we probably should just accelerate that. So we rolled that out on much more of an accelerated time frame than we really had anticipated. We mandated everyone to work from home and really test our work-at-home capabilities. Now we, as part of our existing business continuity plans, obviously, you know, we test regularly throughout the year, but, you know, we really tried to stress test this. Let's get a bunch of people out. Don't just work from home one day. Work home several days. You know, work from home for, you know, longer than you would. Really make sure you're testing everything out. So there were a lot of, you know, I'll say advanced preparation just seeing this kind of start to evolve even before we got to that March, you know, time frame. You know, I know we kind of talked about this. You know, what was the aha moment of, like, you know, this is going to be different? So, you know, as I said, we have existing plans. We've seen some of this before. You know, we kind of just talked about, we've been doing this for a while. You know, there's been, you know, SARS, H1N1. This has been in here. And initially, I'm going to be honest, I was like, "Okay, you know, we'll update, we'll do this," but all of a sudden, it was like, okay, this time's different. This isn't the, you know, kind of, you know, just usual updating, testing. You know, this is real. This is going to have real impact on us. So once we kind of got there, then, you know, we did a lot of, you know, I'll say changes and preparations in our actual offices. So, you know, a lot of them you've seen. So we prepositioned staff, you know, across our organization in our hot sites. We prepositioned people to work from home and told them, you know, not to come back to the office. And really, the logic there to mitigate that contagion risk. You know, so

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we had people working and no more people working at our hot site, and that was not just in Newark. We, you know, followed those plans in London and Japan as well. So there was a lot that went on, you know, prior to that March time frame.

>> Yeah. That's great. And thankfully, you did those things, especially, you know, moving the timeline for the systems enhancement, the ability to operate remotely with new technology. I mean, we're talking right now both remotely, Jen, and we're looking at each other on a video here, and this is something, you know, we had never done in my 30-plus year, 20-plus year careers at PGIM this kind of work. I mean, I didn't even have my own real laptop. You know, I was one of the people that didn't work from home ever, right? And when I got a nasty email saying, "Mike, you have to start working from home," I was sitting in a trade room with 200 people. I mean, want to be with these people, and this was how we generated ideas. And you actually got me a laptop. So that's one of the jobs -- I remember my first week working from home, and it happened really, really quickly, right? I mean, that was the thing. It was very sudden. I mean, it sounds like you're describing it like it was in slow motion, but man, it felt like one week we were in the trade room, and another week, we were all working from home.

>> Yeah, and that's what I said. You know, there was a lot of advanced preparation, but I think in that, a lot of that was still in the mode of, yes, we have to be prepared. That's what we do. But I don't think there was the recognition or the realization that this was really going to have this impact, and that's me included. So there was a lot, but not necessarily once we really said, okay, this is real, this is going to impact us, that, like you said, happened in a flash. And once we got there, it was, okay, we socially distance our trade desk. Within a period of less than a weekend, we completely socially distanced our trading desks in, you know, Newark as well as our other locations. So again, we can't not have that available. You know, we worked. We moved desks. We had it so all of our individuals who were working in the office were socially distant. So, like, to your point, there was a lot of lead-up, but once we actually realized that this is happening, it happened in a flash, and it came much faster than, you know, we anticipated.

>> Yeah. I mean, you know, I remember March 13th. I flew down to Florida, what was supposed to be a one-week vacation, and that was really the weekend when the volatility hit the markets as well. And it was really interesting to see, right? You had this healthcare crisis where everybody in the financial services industry basically were all sent home at the same time, and then you had an economic recession at the same time, and actually, a financial market liquidity crisis hit that weekend, right? And I remember being on the phone that weekend on March 14th and 15th and 16th with Mike Lillard, with the entire team of senior investment people, with regulators, with legislators, with the SEC, with the fed, with the Treasury, and we were talking to them, trying to get the system to work, right? And it was really incredible. I really believed the fact that so many Wall Street traders who were, you know, relatively young in some cases and, you know, they all were sent home at the same time. And in the meantime, you have an illiquid period in the markets, and it was exacerbated, and all these things kind of happened at the same time and fed on each other. So it was really interesting from a market perspective to live through that.

>> Yeah. I would agree with you because, to your point, it was so interesting because, for the first time, you know, at that point in time, some of those dates you mentioned in March, we had, you know, approximately 90% of our employees globally, you know, working remotely, and then on top of it, you talk about everything going on in the market, the volatility, the, you know, liquidity, and then you also just talk about, you know, that led into increased volumes of transactions. You know, trading on the offside, collateral moves. You know, in certain asset classes, our volumes were up 150%, and then you combine that with everything you talked about then, you know, understandably, our clients are asking what's going on, wanting to know. So it was amazing to see how quickly we were able to really just -- You know, we got everyone home. It was working. You know, the technology was working. Like you said, you have people up on video, and everyone's working under those circumstances. So, you know, it was really remarkable.

>> Now, if there's something you could have known in advance, you know, like a month before, you know, what would it have been?

>> Yeah, so it's a good question. I think I would say definitely what we kind of hit on is just the speed that this was going to happen. So again, I was, you know, thinking much more it was going to have a more profound impact in Asia than it did, you know, earlier and we would be further along that curve than it was, and it just -- like you said, kind of once it hit, it all happened so quickly. So, you know, it was interesting. We had put, as part of our planning, a lot of protocols in place around, you know, limiting travel, you know, who's going to, you know, visit clients or attend conferences? What's our protocols for if clients or visitors want to come to our offices? So we spent a lot of work and, you know, we had an approval process. You know, there was a lot -- and it was, like, maybe a two-week period we actually needed that because within --

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you know, all these conferences were assessing ended up all getting canceled. You know, the flights. It became a non-issue. So, you know, it was interesting, and I kind of wish I knew a little bit more of just how quickly, you know, this really just went from, you know, the level at where it went to, to, you know, where we were, like you said, on kind of the 13th all basically working from home.

>> Right. And so you mentioned a big part of your job, and the primary part of your job today is obviously business continuation and getting people back to the workforce. We'll talk about that in a second what the next step is. You know, you got everybody home and the productivity level's high and all that, and what's the next step? But, you know, I get emails from corporate offices, as you do, you know, that this is a type of environment where cybercriminals can try to prey on unsuspecting people who were working remotely, and that's another one of your responsibilities. And what are we doing in that front to prevent that?

>> Yeah. Now, as you said, it's unfortunate, but, you know, cybercriminals, you know, just really take advantage of these types of situations. You know, anytime you have a crisis, you have a stressful environment, you know, people are going to, unfortunately, take advantage of it. So we've been, I'll say, very vigilant around that. As you mentioned, we've really increased our, I'll say, training and awareness, understanding. You know, again, you have the, you know, combination of people taking advantage of it, and then you have people working differently than they used to. So they're working from home, and we want to make sure, you know, are they potentially distracted or, you know, working a little bit differently? So you have a high risk kind of combination of things going on there. So, you know, again, we continue to work through our training, our awareness. Again, we have a corporate team that is, you know, very, you know, completely focused on this, monitoring this, et cetera, but we've been, you know, really continuing through awareness and training and communication with our employees to continue to focus on that and the need to really just be vigilant around that.

>> Yeah. So in your mind and the mind of the senior management of PGIM Fixed Income and even senior to that throughout Prudential, are they generally happy with the way things are -- where people are performing, the business is performing? You know, as I mentioned, I left the office on March 13th to go on what I thought was a vacation in Florida, and I haven't been back to the office since, and I haven't stopped working since either, unfortunately. So how do you see the productivity level so far?

>> Yeah. I think productivity's been fantastic. I think, you know, one of the, you know, I'll say, the positives of this is, you know, the way people adapted. You know, like, you're a perfect example. You know, people that never worked from home a day in their lives, never used video, never used the tools and the technology that are now available have not only, you know, are using it or embracing it. You know, I kind of joke -- you know, as I said, we're doing everything video. You know, most of my calls, if not all my calls, are pretty much, you know, video or my meetings. You know, someone scheduled something on a phone the other day, and I was like, "Phone call?" Like, you know, it's just, you know, it's really a complete shift in how we used to work, which I think has been fantastic. But to your point, I'd say one of the things we continue to be focused on is that, you know, it's been working. Productivity is good, but, you know, like you said, I don't think anyone when, you know, the majority of us left the office, you know, that day back in March thought, you know, we're in June that we'd still be sitting here. So we are very pleased. You know, I don't think anyone could have envisioned this working better than it has. You know, the technology's working, video's working. We're absolutely still connected to each other, but how do we make sure over the long term of, you know, this taking longer that that continues, you know, that we don't get tired, that things don't start to decrease or suffer over time? So that's one of the things from an ops risk perspective we continue to be very focused on and completely, you know, work on that from that perspective as well.

>> Yeah, and as a portfolio manager, you know, who's normally sitting on a desk working really closely with my colleagues, I mean, I've been thrilled and really pleasantly surprised, Jennifer, by the technology we've adopted, just the flexibility in people's lives and work habits. And, I mean, I communicate probably as much with my colleagues and my co-portfolio managers as I did when I sat three feet away from them on a trading desk. You know, and you have to work harder at it, but we set up the systems and the technology in place to be able to do that. So it's been really effective, and I think we've all, from an investment standpoint, been pleasantly surprised, and we've dialed up the risk at the right time. We made the right investment decisions, and we're executing trades, like you said, and implementing our strategies very efficiently. So thank you for doing all that work and getting us prepared and all of that. So what are some of the lessons learned from this, or what is the expectation for getting back to work and how we expect to phase this in in terms of getting people back into the office?

>> Yeah, so a couple things. Yeah, I would say, you know, similar to, you know, we're very plugged into, you know, constantly having calls with, you know, other asset managers, talking to, you know, our counterparties, et cetera, so very

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plugged in, trying to see very much what others are doing, and I think our approach is very consistent. So, you know, again, we're not, by any means, rushing back to the office. It's working fantastic, so, you know, there's no need. It's not like there's things we can't do at home that we, you know, could do in the office, but we understand, obviously. We do, you know, want to return and we will be returning. So it will be a phased approach. So we will look to, as I said, in kind of stages, position people back who want to come back. There's no requirement, you know, to return to the office, but people that want to come back, like you said, because they want to get back to the desk, they want to, you know -- we will look to, you know, slowly and cautiously bring those employees back to the office. You know, from a timing perspective, it's going to vary. So, you know, the timing for the US is going to be different, you know, than Japan, then it's going to be different for London. And, you know, there's a lot of factors that go into that. It's, you know, what are the government actions? What is the medical -- you know, what are the cases? What's going on? And again, most importantly, how are employees feeling? Do they want to come back to the office, and all that will really factor, you know, when we start to bring employees back in, and, you know, we'll do so in a way that's, you know, again, cautious and safe. We're focused on employee safety while, you know, continuing to provide service to our clients. And it's going to look different. You know, is it going to be completely different? You know, no, but there will be things that will be different than those that when they left in March, you know. Some basic things like, you know, social distancing and hands cleaning. You know, things like that, you know, are the new norm, if you will, and people should expect to see that when they return, if they want to return. Just kind of, you know, one specific example already in our Japan and our Newark location, you know, we've implemented protocols around elevators. So we're limiting, you know, the number of individuals who can ride an elevator at a time. So not surprising, but, you know, as we, you know, bring people back to the office, we'll see more and more of those types of changes in a way to make sure that, you know, we are keeping our employees as safe, you know, as we possibly can.

>> Yeah, so we'll all be in better shape because we'll be taking the stairs more often.

>> Exactly, yeah.

>> Would be my guess. So we have about 200 people in the trade room, I think, at full capacity. Today, I think we have about 20 people who generally come in on a regular basis. I know Rich Piccirillo on my team, I think, is one of the stalwarts who spends a bit of time in the trade room still, social distancing and doing what he can. I mean, in September or in December or a year from now, how many people do you think we'll have in that trade room?

>> Yeah, good question. So as you mentioned, you know, we do have, you know, a crew of people who have elected to come in that are working, you know, and have been working for the most part, you know, throughout this. You know, as far as, you know, exact numbers, I don't know because, again, it'll depend on, you know, who wants to come back and who feels comfortable based on -- You know, our intention is for our employees to say, okay, this is what you'll return to. This is what that environment's going to look like, and some of it which we talked about, and then they can make that decision of, "Okay, I feel comfortable" or "No, I'm going to elect to continue at least for the time being working from home." So I think it will very much, you know -- that will very much drive the numbers, but there is absolutely no intention of bringing back, you know, even if everyone wanted to come back, you know, that is not the intention. Like I said, we'll limit just the amount of people that are working in the office to really be able to maintain, as you said, that social distancing, not just while you're, you know, sitting at your seat, but to make sure that, you know, as you walk around or do what you need to do that, you know, we're limiting the number of people you're going to, you know, be coming into contact with.

>> All right. So any closing thoughts? Anything you wish we had done differently or any suggestions for our clients and employees as we go through this?

>> No, I'd say -- you know, you kind of asked me the question a little bit about lessons learned, you know, some of which we hit on, but, you know, I would just say I was actually impressed with, you know, the organization of how we adapted. Like you said, this actually happened pretty quickly, and the fact that people were able to, okay, you're going to come in Monday. Here's going to be your seat or, you know, you're going to work from home or you're going to go to our hot site. Hey, this is how you used to work. Now you got to do it all on video, and this is how you do it. The fact that, like you said, it happened so quickly and we were really able to do that as a large organization in such a short period of time and adapt, and people were flexible, you know -- as you said, we're completely connected. I actually think our connectivity is really even improved, if you think about it with our Japan employees, our London employees. You know, we're doing video now, which we never did with them before. So I would say it's just, you know, a really new way of working that this kind of almost forced us to do, but I think, you know, try to look at the positive of this, there really was some positive outcomes of the way that we work that I hope don't change, you know, and we can continue to, you know, embrace it as we move forward.

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>> That's a great closing remark because I feel the same way. I feel like we made like five years of technological progress in a few months, the things that we probably should have been doing all along as a country, as an industry, as a company, and we kind of leapfrogged years of resistance, right? So thank you again for everything that you've done to help us navigate through this crisis, Jennifer. You and your team have done a great job, and we wouldn't be as productive and able to service our clients and manage money as effectively as we can without all the things you put in place. So thank you, and everybody, thank you for listening to this podcast. As you know, you can listen to All the Credit wherever you find your podcasts, and you can also see our latest research on [pgimfixedincome.com](http://pgimfixedincome.com). Thank you, everybody.

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