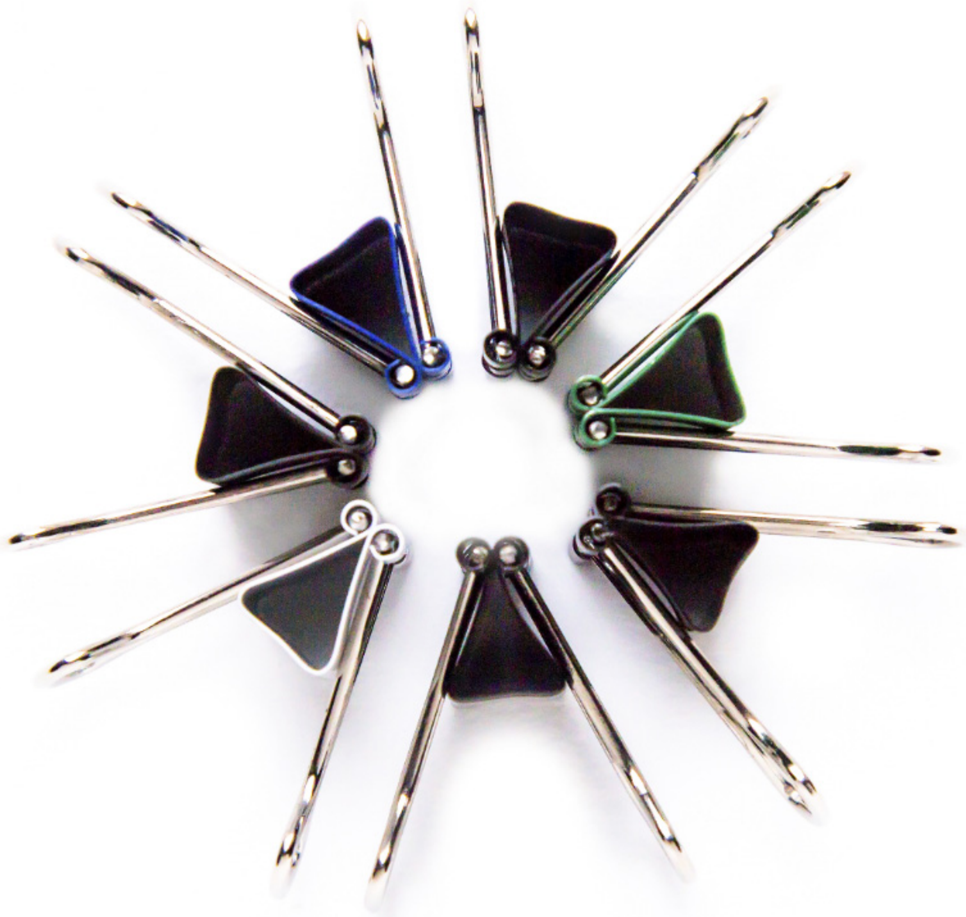
Seven Risk Management Challenges for Japanese Financial Services in 2018



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1. Foreword

The global macro-economy appears to be entering into a period of change. In 2018, we may see the realization of potential geopolitical risks. As well, a correction in the financial markets may occur following the overshoot of stock and bond prices as well as the accelerated economic growth in advanced economies. In Japan, low interest and low potential growth rates will continue to be a head wind against financial institutions.

While the final Basel III reforms were announced at the end of last year, the greater regulatory environment will continue to be in transition – we will see convergence in some regulatory areas but divergence in others. The Japanese Financial Services Agency (JFSA) has announced their expectations for financial institutions to completely transform their business models. As well, the same body is also now promoting customer-oriented business conduct.

Technological innovation in cyber and financial technology (fintech) is demanding new tactics and stronger risk governance from financial institutions. As well, it has also become imperative that firms address conduct risk like data manipulation or labor management.

2017 closed with the financial system largely unaffected by serious risks in the economy, finance, politics, or regulations. However, it should be noted that the circumstances surrounding any of the risks mentioned above could change dramatically in 2018, and thus it is important for the industry to be prepared for such a change in the next year.

This paper will explore the high level risk management challenges for 2018 from the perspective of the head of risk management in Japanese financial institutions. This paper will map out the below seven challenges, and their commensurate action plans.

1. Business Model Transformation
2. Changes in the Macro-environment and BCP
3. Basel III Reforms
4. Post Basel III and Pillar 2
5. Financial Regulations in the US and EU
6. Cybersecurity and Model/Data Governance
7. Non-financial Risk Management

2. The Macro-environment

While robust economic expansion continues in Japan, the macro environment will prove to be a challenge for Japanese financial institutions in 2018. According to estimates from the Japanese Cabinet Office, the Japanese economy is already in a state of excess demand. With unemployment rates at the lowest levels since the 1990s, difficulty in hiring will continue to restrict labor input expansion. Conversely, the inflation rate is still far below the Bank of Japan's (BOJ) target of 2%. The BOJ is expected to continue its quantitative and qualitative easing, with some policy adjustments, through 2018. And as a result, the net interest incomes of financial institutions will continue to be squeezed.

The structural issues in the demography of Japan is also a headwind acting against financial institutions. On a 10 year time horizon, Japan's potential growth rate is likely to stay lower than its foreign peers (both advanced and emerging economies). Due to the low birth rate and a greying society, the working age population of Japan will continue to shrink – this will be the primary factor in keeping the potential GDP growth rate low. It is therefore important for financial firms to target older populations when looking to expand investments, as it is this age group that holds the majority of the investable wealth. However, sales of riskier assets to older populations require significant effort from financial institutions to explain said assets before investment, which will push up the cost of selling these financial products. Finally, as family business owners are aging, finding suitable candidates for succession will become the main challenge that restricts the expansion of SMEs.

The expansion of fintech also threatens financial institutions by moving into territory like payments, which are currently the provenance of banks. Naturally, Japanese financial intuitions are addressing this trend by issuing their own virtual currencies or working jointly with fintech firms. However, the scalability of fintech far outpaces that of traditional banking services, and can leave more traditional players in the dust.

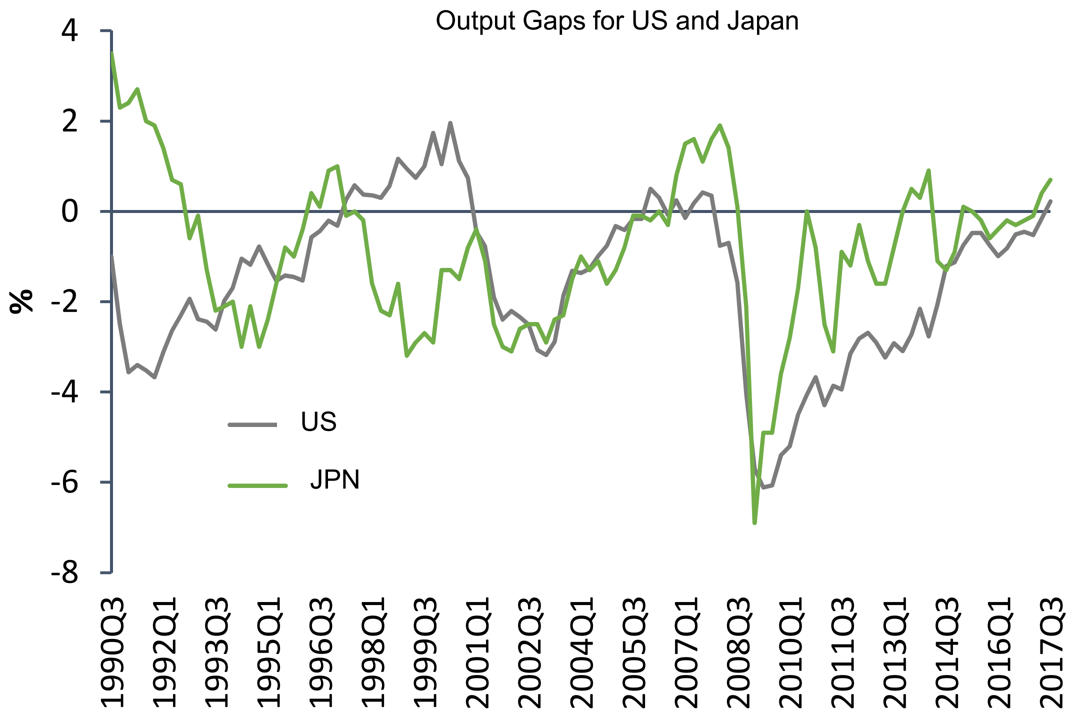
The global macro-environment remains complex and uncertain. Advanced countries may come upon a turning point of the business cycle as early as in 2019. As well, the risk of terrorist attacks from around the world will continue, or the North Korean nuclear situation could continue to entangle not only Asia but the rest of the globe. Finally, the political and geopolitical risk remains high in the US, China, and EU as economic inequality widens.

Even in the US, the economic growth rate has jumped up past the potential growth rate and now in a state of excess demand. It is also likely that the Federal Reserve Board (FRB) will continue its measured pace of rate hikes. The 2018 inflation rate is likely to approach the 2% target, and long term interest rates are also predicted to rise. According to the Trump administration, tax cuts enacted in the US will temporarily push the 2018 growth rate up thereby accelerating it to over 2.5%. However, in this state of excess demand, the US economy is potentially on track for a turn in the business cycle. On top of this, the disarray within and without the Trump administration will continue to be the main source of internal and external political woes in 2018.

The macro-economy in Europe is also robust, and with a predicted 2% growth rate is expected to surpass the potential growth rate. Conversely, the seeds of political and geopolitical disarray remain a consistent factor in Europe. While Brexit negotiations have entered their second phase, the concrete impact on corporate strategy and the scope of trade/commerce negotiations is yet to be seen. German Chancellor Angela Merkel has seen her cohesive influence wane, which may in turn affect the stability of European politics. In Spain, the long running Catalonian independence dispute continues, and there has been a revival of extreme-right politics in Eastern Europe. There is also a chance that the 2018 Italian general elections may reignite economic concerns in southern Europe, which have been contained of late.

In 2018, the Chinese economic growth rate is likely to slow-down to 6.0-6.5%. The Xi administration will also focus on aggressively carrying out the strengthened regulations for capital stock adjustments, non-performing loans (NPLs), and shadow banking. There is also a possibility that these government policies will scale back aggregate demand from the state and cause a drop in commodity prices.

The global and Japanese financial markets both exhibit the same risk – rising interest rates and falling stock prices. Currently, long term interest rates are being held at a level well below the normal state of equilibrium. As well, stock prices are up, and stocks are being bought at valuations that have not been seen since the IT bubble. This situation poses a large risk for the financial markets as this imbalance may be corrected in 2018.



Source: Data from US Congressional Budget Office, US Department of Commerce, Japan Cabinet Office. Analysis by Deloitte Touche Tohmatsu LLC.

3. Seven Risk Management Challenges

3.1 Business Model Transformation

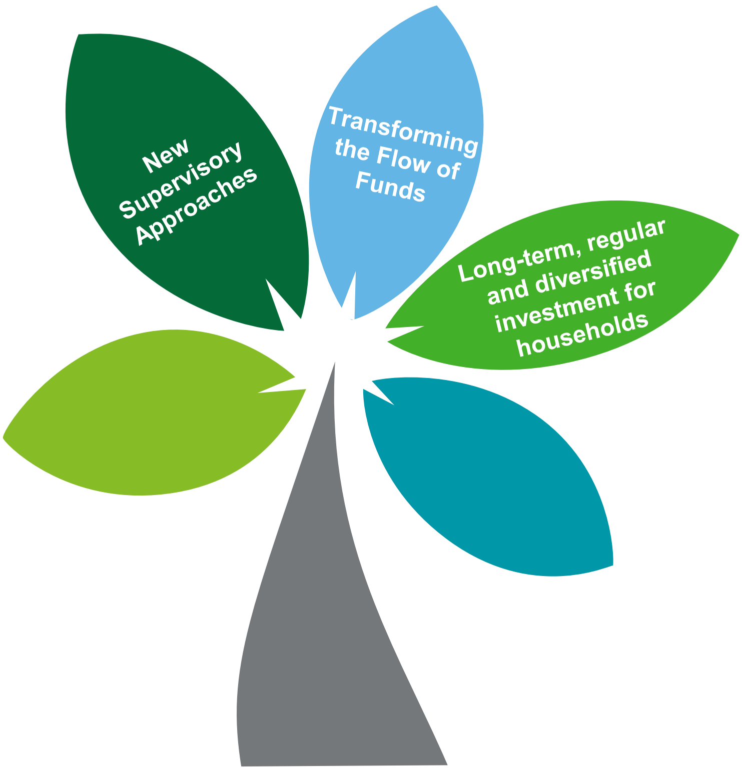
The first topic on the list of seven challenges in 2018 is business model transformation. The Japanese macro-environment as described above necessitates drastic changes to the business models of financial institutions. Low interest rates continue, and the net profit of core business lines for mega and domestic banks is on a downward trend. As well, the profit margins for in-country lending continue to contract. Conversely, the profit margins on lending from the international sections of mega-banks is flat, while earnings from service offerings is on an upward trend. The expansion of new types of businesses like fintech firms is squeezing the traditional territory of banks. Japanese financial institutions, in facing the structural issues of the Japanese population, must seek new sources of income to transform their business models.

The “2017-2018 Strategic Directions and Priorities” published by the JFSA generally follows their existing principle of “better regulation.” For financial institutions, who are not fond of a rules-based approach, this can be seen as stressing the “balance between rule-based and principle-based supervision.” However, this document does set out some important implications for financial institutions. Regarding “transforming the flow of funds”, the paper requires the creation and establishment of “customer-oriented asset management and intermediation” and the promotion of “long-term, regular and diversified investment for households” As well, regarding “effective financial intermediation and financial stability” the JFSA states that regional financial institutions should construct “sustainable business models.” In the same vein, the JFSA states that the three mega-bank groups should be mindful of the increased impact emanating from changes in the global economy or markets as they expand abroad. Therefore, the JFSA encourages mega-banks to create systems to both “address changes in the global economy and market environment” as well as “improve resiliency to changes in the business environment.”

The JFSA does not intend to directly constrain financial institutions with its “Principles for Customer-Oriented Business Conduct.” Instead, the objective is to have financial institutions adopt the principles themselves and publish their own policies. In this sense, the independence of financial institutions is respected and this is a very flexible regulatory framework. However, it also follows that this regulatory framework expects financial institutions to themselves to perform due diligence and take a business stance that gives primacy to customers’ interests and to create and carry out their own policies.

What is in fact being asked of financial institutions is to resolve the seemingly conflicting goals of strengthening both their profit base as well as integrating customer-oriented business conduct within the construction of their business model. This is made more difficult as financial institutions struggle to maintain earnings though their traditional deposits and lending business model, which has been put under strain because of the current accommodative monetary policies. The way forward for financial institutions involves expanding to new business areas to maintain earnings, re-allocating resource for their current businesses, and even re-making their organizational structure to cut costs.

Extracts from the JFSA 2017-2018 Strategic Directions and Priorities



Source: JFSA "2017-2018 Strategic Direction and Priorities", Deloitte Touche Tohmatsu LLC. created graphic

New Supervisory Approaches

- Moving away from a mechanical "checklist" style approach to supervision and towards striking the right balance between rule-based and principle based supervision
- Promote competitive best practices that benefit consumers
- Encourage financial institutions to provide more information on their products and services to their customers so that they can make informed decisions
- Shift to "dynamic supervision" to ensure the health of financial institutions in the future
- In order to avoid the trap of poor management, develop good governance that is open to suggestions and criticisms from outside the firm

Transforming the Flow of Funds

- Creation and establishment of customer-oriented business conduct
- Promotion of long-term reserve and asset allocation

Long-term, regular and diversified investment for households

- Creation of sustainable business models
- Nimble response to changes in the global economy and markets
- Improve resiliency to changes in the business environment

3.2 Changes in the Macro-environment and BCP

The second risk management challenge for financial institutions is responding to changes in the macro-environment. As the JFSA states in the document “2017-2018 Strategic Directions and Priorities” against the backdrop of the kind of global uncertainty described above, responding to changes in the global environment will pose a major challenge for the three Japanese mega-bank groups who have expanded abroad. And furthermore, looking at the splintering of regulatory trends around the globe, it is probable that financial institutions will have to strengthen their ability to respond to each individual jurisdictions’ regulations – something I will discuss further later on.

In the financial markets, there is a large risk that long-term interest rates will rise. In 2018 it is predicted that US 10 year bond yields will rise to 3%~3.5%. Currently the US S&P 500 index is at the valuation levels of the IT bubble, but it is unclear whether or not we will see a correction in 2018. It is imperative for financial institutions to prepare for these movements in the market in advance.

In the macro-economy, it is also important to consider that from 2019 the global economy may experience a turning point in the business cycle. Already advanced economies are in a state of excess demand and are at the risk of slightly overheating. Should monetary policy be ineffective in reigning this in, there is a very real chance of the economy overheating and then tipping downwards. In the business cycle, advanced economies may be facing a downwards turn. While the tax cuts enacted in the US will push the economy up in 2018, there is a risk that this will also spark a consequent slowdown later on. For emerging economies, the slowdown of the Chinese economy in 2018 also poses a major risk. Looking at the historical achievements of Chinese economic policy, it is quite likely that the economic and financial system “soft landing” as laid out by the Chinese government will go to plan. However, from an open economy perspective, there may be a downside shock to the global commodity markets as the Chinese government slowly tapers off its demand for iron/steel and other commodities. Currently the business plans of many financial institutions are based on the assumption of continuous economic growth. However, considering the current conditions, it is also important to create stress scenarios for changes in the business cycle or a sharp deterioration of the Chinese economy.

Geopolitics also poses extremely uncertain risks. We can predict that political tension between Japan and China, as well as Japan and South Korea will rise in 2018. The same could be said for the military tensions between North Korea and the US. The threat of global terror attacks also still exists. It is incumbent upon financial intuitions to create business plans that weave in stress scenarios based on geopolitical risks. As well, having a Business Continuity Plan (BCP) that takes these and other situations into account is also indispensable.

3.3 Basel III Reforms

The third challenge to discuss is the response to the Basel III reforms. The reforms, which come into effect in 2022, pose a strategic challenge for the regulatory strategy and the internal risk management of financial institutions.

In December of 2017, the Basel Committee on Banking Supervision (BCBS) published the final documents on the Basel III reforms. The finalization of the long Basel III negotiations was excellent news as it put to rest uncertainty in international financial regulations. The final report stated the intent to carry out reform policies set out by the G20, namely that they would not "further significantly increase overall capital requirements across the sector." Regarding the calculation method for new risk weighted assets (RWA) like credit risk and operational risk, a standardized approach with risk sensitivity and internal models were adopted that took into account opinions gathered for the public consultation document.

The first challenge for financial institutions is that the contents and implementation period of the Basel III reforms will very likely differ by jurisdiction. The current regulatory implementation period is set at 2022, a full two years later than the initial prediction. This period was set in an attempt to avoid a divergence in implementation and to preserve a level playing field. However, for example, even though the capital floor was agreed upon at 72.5%, a phase-in arrangement was set for between 2022 and 2027. As well, a transitional cap can be set at +25% of RWA at the discretion of each nation. The current agreement also made a pragmatic change to the implementation date of the "Fundamental Review of the Trading Book", moving it back to 2022. While this has been finalized, it is important to keep in mind that there are many outstanding issues that have also not gone to schedule. Additionally, regarding the European Commission's (EC) Capital Requirement's Directive (CRD), the proposed adoption of the Basel III reforms within the EU is already behind the internationally agreed upon schedule. As well, following this, an abatement measure for required capital was proposed.

As a concrete response to the Basel III reforms, it is imperative for financial institutions to create and implement a plan which closely follows the stance of each individual jurisdiction when fulfilling the capital requirements and the RWA calculation set out in Basel III over the next four years. The disparity and sluggishness of implementing Basel III reforms in different jurisdictions will make it very difficult for international financial groups to keep the consistency of their risk calculations. As well, this will most likely increase costs. It may be necessary to revise both positional and offering strategies based upon how a jurisdiction handles the above.

Analysis and Impact of Basel III Reforms

Analysis

- The contents of the reforms are as anticipated and they have removed uncertainty regarding international financial regulation
- In alignment with the G20 goal of "not significantly increasing overall capital requirements"
- Compared with the public consultation proposal, the restrictions on the use of internal models have been loosened allowing those models to use more risk sensitive calculation methods
- Implementation period has been moved back to 2022, two years later than planned (US, EU etc. have planned to implement simultaneously)

Impact

- Chance of fragmentation as regulations are implemented in different jurisdictions
- The impact of the adoption of capital floors
- Necessity of the creation of strong internal risk governance
- Fluctuations in risk amounts due to new regulations

3.4 Post Basel III and Pillar 2

The fourth challenge is the need for financial institutions to enhance their internal risk management in-step with new regulations. Even before regulations are strengthened, the need for internal risk management to catch-up to the BCBS's so-called "Pillar 2" will pose a major challenge for financial institutions in 2018.
The Basel III reforms will simplify the current risk sensitive internal models and make them comparable across firms. However, it is important to note that from a standpoint of risk sensitivity, the new regulatory approach, based on the new risk

calculation methods, is inferior to the existing internal models. Even though risk calculations can be simplified under the new regulations, in order to retain the fundamental purpose of risk management, the risk sensitive internal models should also continue to be used.

For example, the calculation methodologies for credit and operational risk were simplified by Basel III. Firms need to decide whether to move forward with the less sensitive internal risk models laid out by both the Fundamental Internal Ratings Based (FIRB) approach and the Standardized Approach (SA), or to continue to use the now partially discarded Advanced Internal Ratings Based (AIRB) approach for large scale corporate credit exposure. The discontinuance of the Advanced Measurement Approach (AMA) has also made operational risk measurements significantly less risk sensitive and less forward looking. It is important that firms maintain a forward looking risk management framework that governs operational risk using the scenario analysis as laid out in the AMA.

Apart from the international standards for minimum capital requirements (Pillar 1), supervisors are able to independently set and strengthen "Pillar 2" regulations. The UK's Prudential Regulation Authority (PRA) has for some time been using Pillar 2 capital requirement as their supervisory tool. The EU is also planning to strengthen their additional minimum capital requirements based on Pillar 2. In Japan, the JFSA does not currently seem to be planning minimum capital requirements in Pillar 2. However, this means that the need for financial firms to enhance their Internal Capital Adequacy Assessment Process (ICAAP) is greater than before, so as to fully cover the risks not captured in Pillar 1. This coincides with the rise of non-financial risks, which are increasingly significant as areas of risk management. Non-financial risks are those that cannot be fully captured by the quantitative measures used in the market, credit, and operational risks that make up Pillar 1. It is imperative that Japanese financial firms do not wait for more stringent Pillar 2 regulations, rather they should continuously enhance their own internal risk governance and methodologies

3.5 Financial Regulations in the US and EU

In the EU, in addition to strengthened regulation unique to the jurisdiction, the strengthening of rule-based regulation for the financial markets is prompting changes to financial institutions' business models. Conversely in the US, under the Trump administration, reform to American financial regulations is underway to adjust overly stringent regulations. The fifth challenge for financial intuitions in 2018 will be incorporating the risk of changes to the regulatory environment in different jurisdictions into their business strategy.

First the EU in the 2nd Directive on Markets in Financial Instruments (MiFID II) and the Markets in Financial Instruments Regulation (MiFIR), has set very detailed requirements for financial products like derivatives to protect investors as well as to promote efficient and orderly functioning and transparency. The regulations require that, as much as possible, firms concentrate transactions for financial instruments to trading venues. As a transparency requirement for pre- and post-trades, market participants must continuously report and disclose the bid and offer as well as the trade details. In addition, they must also disclose the independence of their investment advice as well as the unbundling of their research costs.

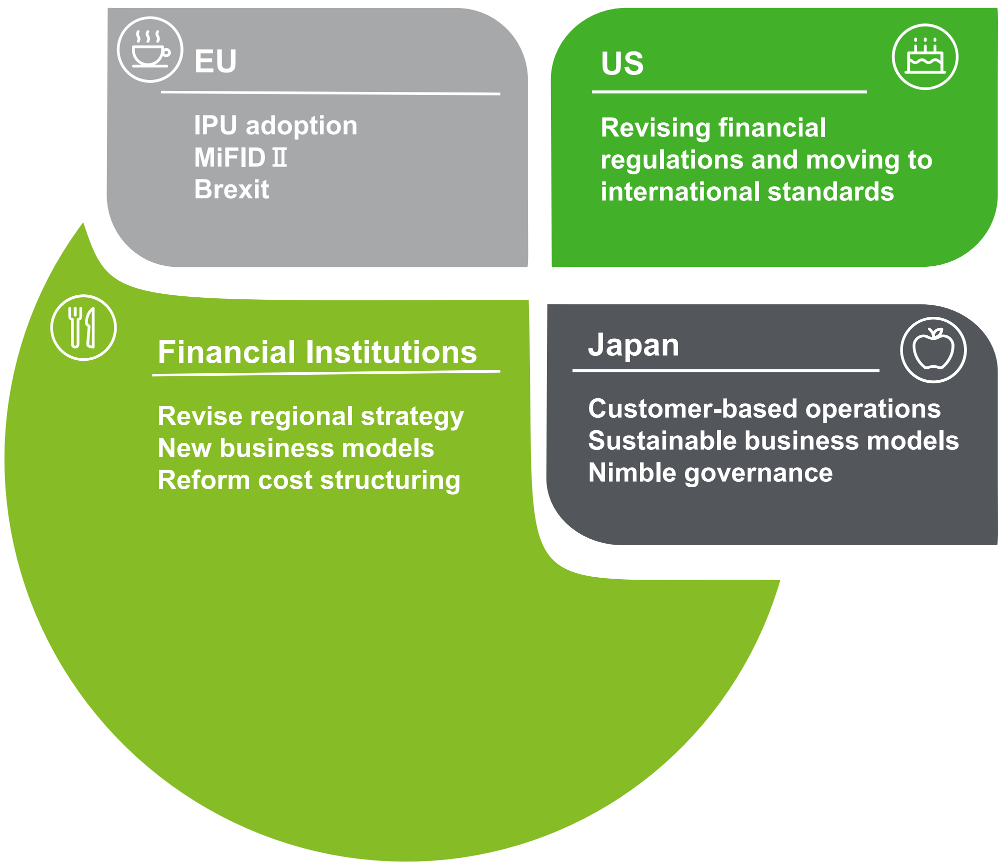
Additionally in the EU, within the Capital requirements Directive (CRD) reform bill, there is a proposal that would require foreign financial institutions with multiple locations in the EU (either Systemically Important Financial Institutions or those institutions with assets over EUR 300 billion within the EU) to establish an Intermediate Parent Undertaking (IPU). The purpose of these regulations would be to consolidate disparate foreign entities under one local subsidiary in order to centralize financial oversight. This would look very similar to current US regulation which requires that all Foreign Banking Organizations (FBO) with assets over USD 50 billion to establish an Intermediate Holding Company (IHC).

These regulations will have a major impact on financial institutions. It goes without saying that for firms that operate globally the procedures for establishing a new holding company abroad are incredibly burdensome. As well, it is also very difficult to change a firm's internal global governance structure. MiFID II and MiFIR reduce the scope and profitability of a firm's stock and derivative business as a result of the strengthening of detailed market conduct rules and transparency requirements. At the same time, firms must also offer the opportunity for appropriate price discovery to investors. This is especially prescient for investment banking firms where trading activities/selling of financial products is at the core of their business. Considering that both the contraction of market transactions and that transparency in research and transaction costs will eat into revenues, it is inevitable that profit margins will also shrink. For affected financial institutions, major changes to cost structuring and global resource allocation are necessary.

Brexit is also further muddying the situation in Europe – two points stand out as particularly important. First, it is still unknown how long EU regulation will be enforceable in the UK. Second, many firms are opening locations on the continent to keep their EU operating licenses. There is the question of whether continental European centers will surpass the UK (London) as a financial hub.

Conversely in the US, there is a distinct shift away from stringent standards towards a more pro-growth regulatory policy. The Treasury Department reports on financial regulation (created under an executive order by President Donald Trump) make proposals for expansive reforms to reduce the regulatory burden on financial institutions as well as stimulate the financial market. Among the recommendations was a revision to the capital thresholds and a decrease the frequency of testing for banks that fall under the Comprehensive Capital Analysis and Review (CCAR) and the Dodd-Frank Act Stress Testing (DFAST). Revisions of the banks that fall under the Vlocker rule as well as re-defining the proprietary trading which said rule prohibits was also proposed. The same reports also endorsed scaling back on the trend of the US attaching tougher national standards (known as gold-plating) to international regulations like Basel, and instead, bringing national regulations more in-line with international standards.

Regulatory Environment of Various Jurisdictions



3.6 Cybersecurity and Model/Data Governance

The sixth challenge for risk management relates to the topic of cyber security. Financial institutions need to create forward looking risk management and revise their business models. At the same time, they must also keep the strategies for these models ahead of the regulatory curve.

Currently there are no explicit international regulatory standards for cyber security, though they are developing internally in various jurisdictions. In the US, the National Institute of Standards and Technology (NIST) has created the “Framework for Improving Critical Infrastructure Cybersecurity.” Supervisory authorities like the Federal Reserve Board use the “Cybersecurity Assessment Tool” created by the Federal Financial Institutions Examination Council (FFIEC) as an official supervisory measure. Additionally, in August 2018 the New York State Department of Financial Services (NYDFS) adopted the country’s first cyber regulations. Under these rules, covered financial institutions must create a detailed cybersecurity plan and report this plan to the NYDFS. Among the various requirements are the creation of a cybersecurity program, the establishment of a Chief Information Security Officer (CISO) role, manage security for external access, and creation of an incident response plan.

The key point is how the new NYDFS regulations obligate firms in New York State to create a CISO role. This role will be responsible for IT security, but it also brings all cybersecurity professional staff under their purview. In a survey conducted by the BOJ, 3.6% of Japanese financial institutions had established a CISO role and 73.5% have folded cybersecurity responsibility into the top IT role. It goes without saying that cybersecurity is an incredibly challenging risk that requires specific technical skills. From the perspective of a risk management department these regulations are calling for cybersecurity risk and its contingent role to be made and managed independently. The New York State regulations can be a model case for Japanese or global cybersecurity regulation enhancement to be patterned on.

Model and data governance are a shared challenge for both risk management and regulation. The BCBS “Principles for effective risk data aggregation and risk reporting” (BCBS 239) second review phase has been completed but most financial institutions are still not fully compliant. The governance structure requirement for the collection, storage, and use of accurate data in authenticated models in not limited to BCB239, but is also found in financial regulation generally. This is a challenge that requires a response from financial firms in 2018 - with the understanding that focusing on model/data governance takes time and comes with a commensurate cost.

	NYDFS Cybersecurity Requirements
✓	Establish a Cybersecurity Program
✓	Implement or maintain a written policy approved by a Senior Officer or board of directors
✓	Designate a Chief Information Security Officer
✓	Penetration Testing and Vulnerability Assessments (as laid out in Cybersecurity Program)
✓	Keep and Audit Trail
✓	Limit user access privileges
✓	Secure development of in-house applications
✓	Undertake Risk Assessment
✓	Utilize Cybersecurity Personnel and Intelligence
✓	Implement a Third Part Service Provider Security Policy
✓	Use effective controls like Multi-Factor Authentication to protect against unauthorized access (should be based on results of Risk Assessments)
✓	Establish a holding period for Nonpublic Information
✓	Undertake Training and Monitoring Activities
✓	Encryption of Nonpublic Information
✓	Create a Cybersecurity Incident Response Plan

Source: New York State Department of Financial Services, Cybersecurity Requirements for Financial Services Companies, March 2017
Deloitte Touche Tohmatsu LLC. created graphic

3.7 Non-financial Risk Management

Against the backdrop of continually emerging scandals in corporations and financial firms, enhancement of a company's approach to stamping out misconduct is extremely timely. The risk of damaging a financial firm's corporate value occurs when the gap between its business operations and its stakeholder's expectations widens. Therefore, the seventh issue firms must address is strengthening the management of non-financial risks.

Scandals and misconduct have occurred in financial firms and corporations since before the financial crisis – questionable sales of securitized products and LIBOR manipulation being prime examples. Other examples include the retail arms of large American banks opening fraudulent bank accounts or Japanese financial institutions not properly confirming the lending requirements for loans. Labor issues like harassment and overly long working hours, data manipulation problems like accounting fraud or skewing quality assurance numbers, and even tax evasion are all major issues that affect all industries. Responding to misconduct related regulations, like MiFID II as described above or the Japanese customer-based business practices, is a significant challenge for financial firms.

European jurisdictions in particular are strengthening conduct risk supervision. The Financial Conduct Authority (FCA) in the UK was the first regulator to strengthen and implement conduct risk based supervisions with their "Conduct risk programme." In 2016, De Nederlandsche Bank, the Dutch central bank, adopted a "behaviour and culture" supervisory model based on the findings from social psychology. As well, in December of 2017, the Australian government announced a royal commission to investigate misconduct in the financial sector with the aim of strengthening supervision of conduct in large Australian banks.

In order to effectively manage a diverse array of conduct risks, the following three actions are necessary. First, financial firms must define and categorize conduct risks to make the scope of the issue clear. Second, it should be made clear which department will be responsible for managing conduct risk within the firm. Third, a firm should have full knowledge of which conduct risks are outlined either by norms or regulations and which are not. From there a firm must develop its own unique conduct risk policy to address them.

Financial firms must also be aware of and create a framework to address reputational risks at a higher management level than conduct risk. Problems like backlash from funding the South Dakota Pipeline or accusations of tax evasions do not arise from an issue with compliance. Rather, they arise from a gap between the expectations of a firm's stakeholders (customers, stock holders, local community, employees etc.) and the firm's business objectives. It is therefore imperative for create a clear risk culture that takes into account its stakeholders' expectations. This risk culture is what their reputation will be built upon and from where they must be able to explain their actions.

4. Afterword

From business model transformation to non-financial risk management, this paper has explored the seven risk management challenges for Japanese financial institutions in 2018.

These seven challenges will form the framework through which financial institutions will begin to decide what locales and departments to allocate resource and what strategic areas are most important over the next few years. The Basel III agreement is a chance to make 2018 a year where firms build new, concrete, regulatory and business strategies.

In order to address the seven challenges, it is imperative that each financial firm make their culture and risk appetite clearer. It is important that firms look at the risk return, culture, and appetite from not only a quantitative perspective, but a qualitative one as well. Finally, firms need to consider the wide range of their stakeholders' expectations as they move forward with this restructuring.

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