Making customers feel secure about their investments

Staff training can help business, says EFG's CEO here. EMILYN YAP reports

YEN MENG JIIN

'It's (EFG) not too big like all the large organisations and it's not too small like some of the boutique banks," he says. "This is one of those places where I think we have critical mass and there's an opportunity to grow this business.'

– Kong Eng Huat, EFG Bank CEO for Singapore and South-east Asia

EFG Bank chief executive for Singapore and South-east Asia, Kong Eng Huat, has been in the private banking industry for over 20 years. But when he joined the Zurich-based bank earlier this year, he had to go through an assessment – just as the bank's client relationship officers (CROs) have – to show that he was the man for the job.

The veteran, previously with Merrill Lynch Global Wealth Management, passed the test and looked like he had fun. "It was quite refreshing to present a product to the consultant," he says, chuckling.

The assessment also rated him on how he manages risk and how he would supervise CROs, among other things. "We have to lead by example. We don't just ask our people to be certified," he says.

Having secured the top seat, Mr Kong is exploring ways to grow EFG's assets under management (AUM) here of around US$5 billion by some 15-20 per cent each year. But staff training remains a priority.

EFG's entire relationship management team received a Financial Industry Competency Standards (FICS) certification for wealth management last year for undertaking and passing a FICS programme. The participants had to go through an independent assessment, rigorous one-on-one interviews and tests which evaluated them on various skills.

For instance, they had to show they could perform a needs analysis, develop investment recommendations, and service clients. They also had to be familiar with products, legislations, and wealth management industry codes of practice. EFG bank bagged the FICS Inspire Special Mention Award this year for its efforts in raising competency levels in the financial industry.

One way for EFG to stay ahead "is really to make sure that our CROs are giving quality advice", Mr Kong says. "The other thing is really to build more AUM, to widen the client base."

Learning the rules

Private bankers would be hard pressed to give clients good advice these days without doing some serious background reading.

Around the world, regulators have tightened existing rules or introduced new ones in a bid to round up tax evaders, or to prevent money laundering. The United States, for instance, is rolling out the Foreign Account Tax Compliance Act to rein in tax evasion by Americans with offshore accounts.

Regulators are also looking at ways to improve competency standards in the private banking industry. The global financial crisis had uncovered weaknesses in the way some relationship managers handled their clients' portfolios.

As clients lost large sums of money during the market downturn, disputes over the type of investment advice they received arose.

In Singapore, it has become a requirement for private banking professionals to pass an assessment called the Client Advisor Competency Standards before they provide any financial advice. There are also plans to make criminal the laundering of proceeds from tax offences.

More rules mean more compliance and training costs for private banks. "But I think ultimately, we want to make sure that clients are comfortable that our people are well-trained and that they're also competent enough to give advice," Mr Kong says.

EFG's CROs have gone for courses on topics such as cross-border regulations. Mr Kong himself networks with peers in the industry to keep abreast of new developments and meets up with clients frequently to understand their concerns.

"If you think about it, clients these days have a lot of information, they know exactly what's going on in the market," Mr Kong says.

"I think their problem is what to do with all the information out there, so they actually will need somebody who is independent and who has their interests at heart and who's competent enough to advise them."

Growing the pie

At a time when costs are rising, it becomes even more critical for private banks to try to increase their revenues. EFG targets the high net worth market and an individual needs at least US$1 million to open an account.

Mr Kong sees EFG occupying a sweet spot. "It's not too big like all the large organisations and it's not too small like some of the boutique banks," he says. "This is one of those places where I think we have critical mass and there's an opportunity to grow this business."

The bank is looking to raise the productivity of its CROs and recently hired a private banking head to help them with prospects, clients, products, and markets.

It is also aiming for a bigger presence in the Indonesian market and is coming up with a strategic plan to identify opportunities, such as the types of rupiah products it can provide.

These days, convincing people to invest is a challenge. With greater volatility in the markets, clients have become more risk averse. "There's still over weightage in cash," Mr Kong says.

According to him, while clients in Asia typically had 20-30 per cent of their portfolios in cash in the past, the proportion has risen closer to about 40-50 per cent.

"If you have 50 per cent in cash, you are not really capitalising and getting returns from your funds because interest rates are so low and will continue to be low. If inflation actually goes higher . . . your wealth is being depreciated," he says.

Sliding margins and stiff competition in the private banking industry have already triggered consolidation. Last year, Switzerland's Julius Baer took over Macquarie Group's Asian private wealth business, while Safra Group acquired a controlling stake in Bank Sarasin. More recently, Credit Suisse bought over HSBC's Japanese private banking operations.

"I think there'll be more consolidation. We're already hearing some of these players offering up their businesses for sale," Mr Kong says. "There will be consolidation simply because the cost-income ratio is just too high."