

Responsibility still lies with individuals

Regulations cannot solve everything, says Phillip Capital executive chairman Lim Hua Min. **EMILYN YAP** finds out more

PHILLIP Capital executive chairman Lim Hua Min believes strongly in the no-free-lunch principle. More importantly, he thinks investors should keep that golden rule in mind and not rely on regulations to keep shielding them from risks.

Rules come about with the good intention of protecting investors, but they can also make individuals less responsible for themselves, says the recipient of this year's Distinguished Financial Industry Certified Professional title for securities and futures, in an interview with *The Business Times*. "We must give room for individual responsibility."

Mr Lim, 66, started Phillip in 1975 and has weathered several storms in the broking industry, from the Pan-El fiasco in the 1980s to the deregulation of commissions around 2000. What worries him these days are the regulations coming up in the wake of the global financial crisis.

The industry was caught in a bind when a new rule took effect in January, requiring investors to be certified before they can trade in foreign-listed shares and other complex financial products. That rule was relaxed recently to allow investors to buy certain products on foreign exchanges from October without having to go through an assessment.

"It has good intentions to protect the public, but it also undermines the need for individuals to take their own responsibility and the consequences that go with it," Mr Lim says.

Fundamentally, investors should learn that higher returns come with higher risks, he says. "All you need to do is remember that there is no free lunch. If somebody is offering you free lunch, it's in exchange for higher risk. It's a simple principle in life. And if you don't know that principle, you shouldn't invest at all."

Mr Lim also thinks that laws alone are insufficient to safeguard consumers' interest – there has to be a strong culture of transparen-

cy, integrity, and fair dealing in the industry.

"With every scam, every mishap, we end up with more regulations with the intent to protect the individual investor. Unfortunately, laws by themselves will not solve commercial relationships. What is needed is also ethics and morals."

After all, it is in most brokers' "enlightened self-interest" to make sure customers are satisfied in order to have repeat business, he says.

Not for sale

From the looks of it, Phillip has done better than some of its peers. It remained independent amid a wave of consolidation triggered by the liberalisation of commission rates and grew its business to become what it is today – a group of companies offering a range of financial services, from broking to investment research and fund management.

The group hires about 3,500 people and its units here include Phillip Securities, Phillip Securities Research, and Phillip Futures. It is now in more than 10 markets, including Australia, Hong Kong, Japan, the United Kingdom, and the United States.

The industry had to cope with lower commission rates by offering multiple products from just one product, through multiple channels from a single channel, Mr Lim says.

"The challenge for people like us at Phillip is to shift from even multi-product, multi-channel, to a more customer-centric value proposition in terms of providing them with financial solutions, whether they are in the form of investment or in the form of loans, of raising capital."

Phillip is one of the few local broking houses which are still independent and potential buyers are eyeing it. Just last year, Maybank took over Kim Eng Holdings in a \$1.79 billion deal.

"We have been approached all the time to buy us," Mr Lim says. But he puts any talk of a deal to rest resolutely. "We are not for sale. We are always looking for acquisitions."

To him, there is more to doing business than making money. "A company is a group of people who choose to be responsible for one another. It is not just pure assets and liabilities and therefore we have decided not to sell the company, but rather to grow this mutual bond of commitment together by enlarging the company," he says.

Phillip has been expanding through acquisitions. It entered Turkey recently with the purchase of an Istanbul-based securities and futures brokerage called Hak Menkul Kiyemetler. It also bought MF Global India.

The group aims to build its presence in the region and enter new markets such as Vietnam. It is also eyeing more opportunities in China and Malaysia – countries it is already in. "Our vision is really to build not just a regional company, but hopefully in the long run, a global network," Mr Lim says.

Tips for the young

Any company needs to have the right people in order to grow. For Mr Lim, integrity and the willingness to take on responsibility are key values young people in the industry should have. One of the challenges he faces these days is in getting the younger generation to change its attitude towards work.

Society is teaching young people to pursue their passions and interests, but life cannot always be this way, he says. "They need to shift from an interest-driven life to a responsibility-driven life."

He thinks that an employee, as part of a team, cannot do only things he is interested in. Take responsibility and not shy away from it, he says, adding that those who do not do so will learn less and benefit less.

Job-hopping is also not something Mr Lim supports as it disrupts a person's learning curve. "The first 10 years of your working life is most important, don't foul it up. But a lot of young people never realise it," he says.

"What they do is they join the finance industry and they job-hop all over the place trying to get higher salaries. But at the end of 10 years,

if they have not achieved technical professionalism and/or managerial leadership ... by the time they are 35, they will be competing with the under-30s."

And why would an employer hire a 35-year-old when he can hire a 30-year-old who is just as good, he asks. "You may have 10 years of experience, but it's one year repeated 10 times maybe, versus the other guy who has been progressively taking on more and more responsibility."

There is another reason why those who frequently change jobs can get a raw deal – they may lose the confidence of those looking to hire them.

"When you job-hop, you may get slightly higher pay, but you lose what I call institutional trust," says Mr Lim, who thinks that companies assess not just their employees' capabilities, but also their values.

"You may have a very good ability to deliver, but if your character is not right, I won't trust you because you can be very clever in destroying the house. That's what's happening in financial circles today," he says.

Mr Lim has identified some young people he can trust as potential successors. "I'm not preparing for my contemporaries to succeed me . . . I have a select few of between 30 and 40 who will take over the baton."

Twice a year, he spends half a day with new staff and talks to them about the company's history, corporate vision, and corporate values. He also gives them his take on trends in the broking industry.

"We always talk about training as receiving (knowledge), but why don't we talk about giving? Because in the process of giving, you receive," he says.

He tries to read as much as he can, mostly during weekends or when he is on the plane – he spends about a quarter of his time travelling. He focuses on business and societal issues.

"I guess reading is the best, but you also learn through interaction with others. It is so important that we break away from our silos," he says.



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– Lim Hua Min, Phillip Capital exec chairman