Bank of Singapore’s Hong Kong CEO on Developing a Greater China Proposition

As Bank of Singapore’s Global Market Head for Greater China and North Asia, and since March 2018 also Hong Kong CEO, Derrick Tan has plenty of challenges in front of him. But he can draw on from his multi-faceted background - he spent five years as an investigating officer with the Singapore police force before embarking on what has become a fast-track career in private banking. At work he also dabbles in art curation and interior office design, while at home he finds time for his three children and the occasional ski trip. Tan met with Hubbis to explain why his early life dealing with white-collar criminals helped him better understand people’s true motivations, and how he and his team are devising and delivering the bank’s persona and proposition for Greater China.
Tan has been with Bank of Singapore since 2010 and since January 2018 leads the overall strategy to drive the bank’s presence in Greater China and North Asia, with a strategic focus on the Guangdong-Hong Kong-Macau Greater Bay Area.

Since March last year he has also taken on the role of CEO for Hong Kong. Tan is evidently relishing his dual roles at the bank, which badges itself as ‘Asia’s Global Private Bank’ and which has been winning plaudits as it makes inroads into the mainland China market for offshore private banking.

For Greater China as a whole, he reports, even though the past year has been tough, the AUM growth for the region is one of the highest of any region the bank covers, at 11% on a year-on-year basis since March 2019. “We achieved this while growing the RM headcount by only 10% and despite the tough conditions,” he explains.

Great timing
Bank of Singapore, OCBC Bank’s private banking arm, was formed in 2010. Tan believes that was near perfect timing, launched as the bank was launched in the direct aftermath of the global financial crisis, and packaged as the Asian alternative to the Swiss, US, British and other reputable private banking models.

The mainland China market is of immense importance and huge potential to Bank of Singapore. In a press release earlier this year, the bank cited a report from Wealth-X that China has the second largest HNW population in the world at close to 1.9 million individuals, and that this number is growing very fast. “As these people become ever more affluent,” Tan comments, “their appetite for an offshore account rises, that is a natural evolution.”

Key Priorities
When asked what his priorities are now, Tan replies that the answers are easy to relay.

"Our first priority is people - the search for the right talent - people that are genuine, people that have the necessary qualities."

Tan is not looking for people who simply think of how much money they are going to make. "We want people who think about whether our platform is suitable for their clients, whether in the world of Asian private banking it is going to help their client progress to another level, to be wealthier, to offer them wider family considerations and solutions."

His second priority is to hire locally, especially from mainland China. "As you know, I find mainland Chinese people remarkably impressive in their approach to embedding digital into their lifestyles. I want to hire the best of those types of people, those that have, for example, also worked for seven or more years with a foreign bank. They understand our key markets in the Greater China region and are also technologically savvy to be able to leverage on the increasingly advanced fintech solutions as enablers to better manage clients’ portfolios and serve them."

The third priority is technology. Tan explains that a mission in the past was to reduce the number of clients per banker, to perhaps 30 per banker, and lower of course in the UHNWI segment. "But things have changed now," he reports, "and we are now reversing that approach, because we feel that with technology, with fintech, with greater connectivity, bankers are able to really scale up."

He elucidates, explaining that 10 or more years ago if a banker was handling USD200 million of AUM and producing revenues of USD2 million, they felt on top of the world. "But that is not enough today, as an average banker is doing USD2.5 million and we foresee that with technology, we should be able to double that, to create super-RMs. We want to move the average to USD3 million to USD5 million of revenues, driven by efficiency and building their skills."

Building the image
Tan explains that the bank’s stylish offices in Hong Kong are representative of the type of approach he and the bank want to pursue. "When clients from mainland China walks through the doors for the first time," he reports, "we
want them to be impressed by the overall experience. My team and I have paid great attention to design and interior design detail, from the front desk to the meeting rooms and everywhere in-between.”

“We want to create a relaxing, pleasant ambience, where they are comfortable, but that is also an office that is functional and efficient. And over time, as clients relax, they can become friends, we can build true relationships with them, which is exactly what we are achieving.”

**First impressions count**

He observes that there is just that one opportunity to initially ‘wow’ the clients. “It cannot be achieved simply by the pitch book, or the team, it must be the whole client experience, and we are very serious about it. First impressions are lasting impressions.”

He recalls that when he established the bank’s Dubai branch in 2017, he took the same approach. “There, every meeting room is different, as it is here” he reports, “each with its own character. And like here in Hong Kong, we even built a gallery of paintings, placed to suit each room and create each individual ambience. But this all takes time. In fact, we are still looking for the perfect painting for certain rooms and positions here in our Hong Kong office.”

Derrick was the Global Market Head for Malaysia, Brunei, Japan, Sub-Continent and Middle East in 2015. He was instrumental in establishing the Bank’s market-leading position in the Middle East region, which culminated in the setting up of the bank’s branch in the Dubai International Financial Centre (DIFC) in February 2017.

**Brand and bridgehead**

Tan believes the Bank of Singapore brand is ideal for the Greater China adventure, as the country has achieved a great deal, with the support of the government and regulators and private sector, to create a highly regarded financial market that attracts people from the world over, whether it is the Middle East, Russia, Europe, the US, China.

“But Hong Kong is also vital as a bridgehead to Greater China,” he comments, “and is ideally suited to servicing China, hence our double-digit growth rates. And clients can book both in Singapore and book in Hong Kong, diversification is entirely natural.”

**Old world to new world**

China, he maintains, is not only a core target market of immense importance, it is one that presents some intriguing new challenges to the bank. “Due to the New Economy evolution, and the mass of millennials, the wealthy are younger, they are more digital, and gradually they are becoming more open, more receptive to offshore private banking.”
“You go to China these days,” he continues, “and it is almost like seeing cartoon characters, the Jetsons perhaps, whereas people may still be caught up in bricks and mortar, the old world, while people in the major cities of China are actually very different, they are fully digital, they have a different mentality, they are poised and ready and focused on the next phase of economic growth.”

**OCBC’s strength in Asia**

When asked why a Chinese client should work with Bank of Singapore rather than a major global brand name bank, Tan is emphatic. “Bank of Singapore’s value proposition as Asian’s Global Private Bank differentiates us from the rest of our competitors - while we are rooted in Asia and have intimate understanding of Asian perspectives, we offer global views and investment ideas and solution,” he comments, “We are also supported by our parent OCBC Bank, the second biggest banking group by assets in Southeast Asia. So, look at China itself, One Belt One Road, that massive initiative is largely through Asia and we are absolute experts on Asia within our group, with a universe of contacts and in-depth knowledge that is unsurpassed.”

He elucidates, explaining that if he needs to find out who is who, who is genuine and who is not across this region, he can do so in a few calls. “OCBC Bank has more than 560 branches and representative offices in 19 countries and regions. The list is remarkably long, as is our depth of knowledge and experience,” he reports. And that is a huge plus for Chinese clients.

**The evolving market needs**

He adds that China’s HNWIs have also realised the importance of wealth preservation, as well as wealth creation. “In private banking, many are nowadays happy with a modest return of perhaps 6%, although they could make far higher returns investing in their own businesses, for example. However, the importance of a pool of assets distinct from the company is increasingly understood and appreciated.”

Tan explains that the bank is also witnessing a gradual inclination amongst the mainland Chinese to talk about matters beyond simple AUM and transactions. “They want to look at their family situations, how they can handle legacy and ensure their children do not fight over their money.”

But that is still a tough conversation to propose. “If you look at this historically, the Chinese are savers, yet if you think how many Chinese dynasty families there are, compared with European and US families, it is few and far between.”

The conclusion we reached is that over time we need to combine the product offerings, the advice, the trusts and so forth, which are somewhat commoditised, with helping the client to think well beyond all that, to the vital elements of harmony and legacy. That is what I think will differentiate ourselves in the mainland China ultra-HNWI space in the future.”

He reports that the bank is also keenly focused on the family office space. “We have for example set up an independent asset management excellence centre and business is growing,” he explains. “They require a wide range of services from us, from investments to lending. These firms are single-office, multi-family offices, and they are professionals requiring professional services.”

**Still searching for the answers**

Nevertheless, despite the bank’s growth trajectory in Greater China, Tan is realistic about the bank’s future path. “To be honest,” he says, “in the China market, nobody actually has found a solution yet to accessing and servicing that client base. For example, regarding digitisation, how do we move that forward but not lose the human touch in terms of the connectivity. I for one still feel strongly that even when I retire, there will still be the need for private bankers. But the challenge now is managing the relationship between the digital part and the human element, and between the clients and all the other service providers.”

Connectivity today, he remarks, remains rather manual. It is still face-to-face, especially the older clients who enjoy meeting for
coffee, dim sum, and drinks,” he comments. “But if I look at the future clients, the new economy Chinese, they are not really interested in meeting the bankers. So the million-dollar question relates to the connectivity."

Stepping back, Tan explains that the bank’s drive to excel is driven from the top by OCBC group CEO Samuel Tsien.

“We have the full support and commitment of the group, with a strategy articulated and put into practice early on,” he reports. “We offer an Asian solution for clients seeking offshore wealth management solutions, and we have clients through the OCBC network that we can build for the private banking relationships.”

**Building out the proposition**

Tan says he is very proud of the progress of the Hong Kong branch. “We now have five senior people guiding the business out of Hong Kong and our hiring has been very successful. We have also set up a risk management engine solely out of Hong Kong, whereas in the past it was driven out of Singapore for global. This is a recognition that the business from that part of the world is vital to the future.

The most recent senior hire came in late March this year when Richard Hu, a veteran banker with more than 20 years of experience in the region, joined as Market Head, Greater China, reporting directly to Tan and leading a team of relationship managers in developing and strengthening client relationships.

Hu joined the bank from Avenue Asset Management, which he started in 2016. In his role as Managing Director and Founding Partner, he built up a team from scratch and started a venture capital fund, real estate fund and fixed income fund. Prior to that, he was the Group Head of the Greater China Market at Julius Baer, and had senior roles at HSBC Private Bank, having learned his trade at Credit Suisse, UBS Wealth Management and Citi Private Bank, where he held key leadership positions in the Greater China region.

“Richard’s experience is vital to us,” Tan reports. “Our clients value on-the-ground, local experience, so we bear this in mind as one of our hiring principles. With his solid track record and depth of experience built over decades working in the region, he inspires trust and confidence - two essential elements in private banking.”

Hu’s appointment comes after the mid-2018 addition of three other senior hires, in the form of Market Heads, Phonda Chan and Anne Song, and Head of Risk, Jacqueline Lee.
When Derrick Tan was appointed Global Market Head for Greater China and North Asia in January 2018, Bahren Shaari, Bank of Singapore’s CEO, said at the time: "With the push for deeper economic integration within the Greater Bay Area which Hong Kong is part of, Hong Kong’s role will be more crucial." He added that Tan’s strong banking background, people leadership skills and proven management capabilities, would help lead the Hong Kong branch and Greater China franchise through its next phase of growth.

Prior to taking on the current roles in early 2018, Tan had served as Head of Malaysia Market and Executive Director at Bank of Singapore when he joined the bank in March 2010. He was appointed to the Management Committee and the Global Market Head for Malaysia, Brunei, Japan, Sub-Continent and the Middle East in December 2015. In November 2016, he was instrumental in obtaining regulatory approval to open a branch in the Dubai International Financial Centre, since when the bank has registered rapid growth there.

"I have been really lucky to have three very positive mentors in my career, the first being Peter Teo, who was deputy CEO at the bank from 2010 to 2014, and Bahren Shaari, our current CEO, as well as OCBC group COO Ching Wei Hong. There have been many people who have been positive throughout my career, but these three, in particular, have given me great support and encouragement."

**His lucky stars...**

Tan believes he has also been lucky in having been rotated among so many markets also stands him in good stead. "I have covered Indonesia, Malaysia, Japan, the Middle East, NRIs, I have been to Africa, to Kazakhstan, London, you name it. And now I am running what is a core market for the whole bank, I think frankly I am blessed, as it is also a great opportunity to learn as well."
He also believes his earlier career prepared him very well for his private sector career. He spent five years with the Commercial Crime Investigation unit of the Singapore Police Force, before moving to roles with Citibank, HSBC and UBS.

He recalls his police days with fondness. "We were not just on an exercise, we went after real criminals, I presented in courts, I was the officer-in-charge of real cases. It was highly disciplined, with strict processes, and it taught me a lot. Moreover, I learned a lot in talking to these very smart criminals, and that helped me assess and understand people, which has been remarkably useful in my career."

Local boy made good
Tan is a local Singaporean, born and raised, and later educated also in Australia, studying banking and finance at Curtin University of Technology in Perth, Western Australia. He is also a graduate of the Harvard Business School Advanced Management Programme.

Married with a daughter and two sons, Tan also has plenty of personal commitments, especially as the children span the ages of 14 through to just two years old.

In his spare time, Tan used to do a lot of extreme sports, including triathlons and marathons. "I used to carry my bike around the world," he reports, "but nowadays I am rather hooked on golf, and have got down to a nine handicap. It is such a powerful game, not just a sport, it is a game of the mind, demanding total will and determination."

He also loves snowboarding. "My wife is Japanese, from Niigata in the mountains, where the 1996 the Winter Olympics were held. She loves skiing and we holiday on the slopes each year."