How Bank of Singapore is building up global scale

Fresh from integrating Barclays' wealth business in Asia and with a sharper focus on the Middle East, Bank of Singapore continues to build the infrastructure and scale that Bahren Shaari believes is critical for success in private banking today.

The traditional way of doing private banking is being overhauled in the wake of the many challenges that the industry continues to face.

The speed of change in relation to regulation, technology, client demands and expectations, and product variety, for instance, has increased exponentially.

As a result, scale is critical, according to Bahren Shaari, Bank of Singapore's chief executive officer, not least to deal with the compression in margins.

Although the first couple of months of 2017 have been quite profitable, based on favourable market conditions and trading activity, the problems are far from fixed. Expectations of the inevitable pull-back mean that the prudent approach is clearly one which focuses on having a strong organisational set-up. As Shaari notes, this is not only in terms of people, but also the infrastructure required to manage change. An important driver for this is also the need to invest in specific markets to respond to what different types of clients in each location might want.

"We need to ensure we have the competitive advantage that will bring clients to us," he adds. "An important one is the fact that we are an alternative to a Swiss brand, but with all the same knowledge and expertise on the product side."

BAHREN SHAARI
Bank of Singapore

GETTING TO THE RIGHT SIZE

With a total AUM of USD79 billion as of 31 December 2016, and roughly 400 bankers from among its 1,800 staff in total, Shaari is confident that Bank of Singapore is growing the platform in a way that he calls "manageable and creates strong partnerships".

It got the desired boost in late November, once the bank completed the acquisition of the wealth and investment management business of Barclays in Singapore and Hong Kong – after announcing it only eight months earlier. This brought around USD13 billion onto the books – around 75% of the target's overall assets in these locations, which was in line with expectations. Around 60 bankers also moved across from Barclays in the two locations.

Another key benefit of the transaction, adds Shaari, is the fact that it gave Bank of Singapore the opportunity to review its own infrastructure.

"I am pleased that the integration forced us to close some of the gaps we had it identified in terms of technology, workflow and processes," he says (see box).

RAMPING UP IN THE MIDDLE EAST

An example of Bank of Singapore's sharper focus on key local markets where it sees opportunities going forward is its recent announcement in Dubai. It has moved from having a representative office outside of the DIFC to opening a new branch within the DIFC.

With this 75-person operation, the bank says it is seeking to usher in a new growth phase in its 20-plus years of history in the region.

"This is an important milestone," says Shaari. "The Middle East, specifically the UAE, has always been an integral part of our business. The setting up of this branch in DIFC further strengthens our franchise and commitment to serve the burgeoning population of UHNW and HNW individuals in this region."

The excitement about what it can now offer out of Dubai reflects the latest report by The Boston Consulting Group. This predicts that private wealth in the Middle East and Africa is expected to grow 8.2% on an average annual basis from 2015 to 2020. This is 1.4 times higher than the global growth – ensuring the Middle East as a region represents the second highest in wealth growth after East Asia (ex-Japan).

It has several other appealing features from Shaari's perspective. For example, it is an open market without FX controls, plus the Singapore name is well-recognised in the Middle East and North Africa as a viable alternative to the traditional Swiss private banking offering.

Further, Bank of Singapore has been expanding its offering to local nationals – as well as its mainstay target client segment of Non-Resident Indians – giving it a more diversified business which includes Emiratis, Omanis, Saudis and more, explains Shaari.

In Kenya, Nigeria, Tanzania and Uganda, meanwhile, the more prominent and promising African countries for Bank of Singapore in terms of wealth generation, the focus remains mainly on NRIs.

STAYING PRUDENT

Despite its expansion over the past 12 months, Shaari is under no illusion about the need to maintain consistent communication across the business in all locations. This includes ensuring everyone takes collective responsibility for compliance and risk management, and continues to focus on the segments which make most sense for the bank and which the bank has good understanding of the risks.

This doesn't only apply to the front-line, but to the leadership too, he adds, across market heads and senior management and support functions.

"We want to strengthen the platform and make better use of analytics to help our bankers advise their clients more efficiently," explains Shaari. ■

Making the Barclays integration fast and effective

In the eight months it ended up taking to integrate the Barclays business it bought, Bank of Singapore was able to achieve what might otherwise have been several years' worth of work to enhance and upgrade its infrastructure. According to Shaari, the deadline of getting the deal closed and moving the relevant Barclays clients and staff across, accelerated the project.

Ultimately, this involved the implementation of six new systems, in part based on requirements of Barclays' former clients. A lot of work was also done to align everyone with the same common objectives, given certain differences in business models.

Bank of Singapore also added some key people to further help strengthen the platform overall. This involved, for example, a new chief risk officer from Barclays and a front-office chief operating officer to align the processes from the front to the back of the organisation, plus oversee any integration issues. In addition, the deal also took Shaari on the road to meet with some of the new key clients being onboarded.

"It has been a case of 'so far, so good'," he explains. "Now, we need to achieve the desired synergies from the integration." This means ensuring that all clients can benefit from new products and solutions to generate the returns they want. "This will make the relationships stickier," he adds.