

HOW TO STAY COMPLIANT YET PROFITABLE

STEFAN KUHN OF CREDIT SUISSE PRIVATE BANKING DISCUSSES THE WAYS IN WHICH BANKS CAN LOOK AT COMPLIANCE NOT JUST AS A COST CENTRE, BUT ALSO AS A WAY TO CREATE A COMPETITIVE ADVANTAGE AND DRIVE REVENUES.

Over the past few years, the cost of compliance and the cost of governance have both risen significantly, says Stefan Kuhn of Credit Suisse Private Banking in an interview.

The latter has been a result of higher expectations from regulators, he explains, and a result of the additional effort on the end-to-end sales process, due diligence, product approvals and the cost of documentation.

The former, he adds, is simply because the management has allotted more tasks to the compliance function.

GROWTH OF THE COMPLIANCE FUNCTION

The compliance function has grown exponentially over the last few years, says Kuhn.

No longer is it an advisory function. The management has bestowed upon them responsibilities of risk and control tasks that are more challenging and require more resources.

While the costs have definitely increased, the scale of the organisation

in question is something that impacts profitability, he explains.

Larger organisations, for instance, find themselves in a better position to set up a reasonably-sized risk and compliance function, says Kuhn, and then divide the overheads over a larger base of assets under management – such that the impact on the margin isn't significant.

CREATING A PROFIT-CENTRE MENTALITY FOR COMPLIANCE

While compliance is seen as a cost centre, it can also become more of a profit centre, too, says Kuhn.

Given that compliance has a direct impact on the reputation of the banks, and that clients are increasingly looking at the reputation of their private banks before choosing their bank, it can become a strong sales argument and help win more business, he explains.

At the end of the day, Kuhn says banks must understand that compliance as a function is an enabler.

It helps them continue to do business by keeping in line with regulations required



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to maintain the licences and permissions required from governments.

Ignoring compliance also has repercussions, he adds. Apart from the hefty fines, there is reputational risk that can't be quantified but the impact is felt far and wide. ■