

Meeting fiduciary responsibilities

Stefan Kuhn of Credit Suisse says the private banking industry needs to continue to raise standards and consistency in relation to suitability, amid the need to take fiduciary responsibilities more seriously.

To face up to their increasing fiduciary responsibilities, banks and front-line staff must do more to adhere to these rules.

In Hong Kong, the regulators are placing a stronger emphasis on suitability and the rules that the banks have to play by. This is expected to come to Singapore too, believes Stefan Kuhn, head of compliance, private banking, for Credit Suisse in South-east Asia, rather than many private banks and advisers continuing to rely on the fact that they give clients information, but it is the client who makes the final decision.

To ensure good practices, suitability has to be documented for each and every trade, says Kuhn.

Yet the industry is still developing standards as to how they should do this in a consistent way across all products, such as commodities and trade finance.

Overall this can be improved, explains Kuhn, so that banks can document why

some products might be appropriate for an individual client, and why the circumstances might be right for them to buy them, before the client purchases.

AWAITING AI IMPACTS

When it comes to discussions over Accredited Investors (AI) in Singapore, Kuhn believes it will be interesting to see how many clients will opt out, and what the difference will be at those banks with retail outlets versus those without.

The main question for pure private banking players, he adds, is whether there will be a shift of client assets, based on the extent to which the AI regime will impact the number of clients opting out.

In line with this, one of the talking points in the market is the code of conduct, which is different for retail and private banks. For the latter, Kuhn says there may well be revisions in the next one to two years, to implement some potential guidelines from FAIR



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specifically for the private banking industry. For example, the balance scorecard approach that has been used in retail banking might make sense for the private banking environment. ■