Why private bankers must act now or become obsolete

Relationship managers (RMs) who are not practising the right way of private banking, or who cannot remain relevant to their clients, have a limited life expectancy in this business, says Bahren Shaari of Bank of Singapore.

The new world of transparency has significant consequences for the way that private bankers must think about the role they play and how they can add value to their clients.

BAHREN SHAARI
Bank of Singapore

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This means a lot more than simply continuing to try to manage an ever-larger amount of assets with the support of new technologies, to compensate for the compression in margins.

Above all, staying relevant to the needs of wealthy individuals and families in their home markets is key, says Bahren Shaari, chief executive officer of Bank of Singapore.

And this requires understanding more about the real needs of these clients.

Advising on their wealth planning and structuring requirements is a clear example of this.

For so-called offshore players, Shaari says they need to reinforce the need for an advisory mind-set in terms of succession planning and global connectivity.

This is key, he adds, given the expected convergence between an offshore and onshore banker in terms of knowledge, as the numbers of RMs being developed in local markets like China start to grow.

This is an extension of emerging demand in the various local markets across Asia – stemming from changes in the needs of clients as well as in regulations impacting how individuals and families need to structure their assets.

In response, RMs at local institutions are being groomed to manage the vast amount of wealth held domestically – much of which is also likely to remain onshore.

But as a result, if offshore private bankers don't remain relevant to local clients and their onshore needs, then Shaari believes they will become obsolete.

"Otherwise, their role is not sustainable and the onshore private banker will take over," he explains.

JUDGED ON VALUE

An important factor in the changing role of banks – and bankers – going forward will be the shifting regulatory environment and mind-set of clients, in relation to fees.

Shaari believes the industry will only move in the direction of charging fees for advice if they are forced to via regulation.

But at that point, when there is full transparency for clients over what fees they get charged, then he is adamant that bankers will have to reinvent themselves.

"They will be exposed for the true value they provide, or not," he explains. "They will be judged by clients on whether they manage their risks well, whether they add value to clients in helping them organise their business and personal assets, and whether they give them peace of mind."

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Those clients who can see the benefits will be willing to pay a fee, he adds.

WILLING FROM WITHIN

For bankers to be able to prove their worth, and certainly enough to charge for it, they need to continue hone their skills and increase their knowledge in the right areas.

This is something Shaari and his management team continue to urge their own 400-or so RMs to focus on. "We have to remind them that this [fees and competition from local institutions] is what the reality will soon be," he explains.

"They therefore need to understand what their options are if they want to continue to be successful."

At Bank of Singapore, Shaari strives to ensure there is the required support for his RMs in terms of the product platform, the technology and tools available, the training provided, and the right client segments being targeted to suit the capabilities of the bank overall.

"However," he adds, "if the bankers don't participate and take advantage of the infrastructure available, then I cannot force them."

Changing the approach of an RM is an educational and sharing process, he explains.

This is partly down to having the right mentors and other senior people internally leading by example. Plus, it relies on the regulatory environment, such as the strict suitability regime in Hong Kong, to force the industry to adopt a different mind-set.

Ultimately, Shaari says it is a question of bankers being able to adapt to survive. "Nobody can any longer be a product-led RM."

Even just following the rules is not enough. Just 'ticking the boxes', for example, doesn't suggest the RM has any understanding about whether a client should be investing in a particular product or not. ■