WHY SCALE AND AUTOMATION ARE CRITICAL TO STAYING COMPLIANT

THE BEST WAY FOR PRIVATE BANKS TO EFFECTIVELY DEAL WITH THE TIGHTENING NOOSE OF REGULATIONS IS TO INVEST STRATEGICALLY IN SYSTEMS AND PLATFORMS, AND DRIVE SCALE AND EFFICIENCY IN OPERATIONS, SAYS PATRICK DREYFUSS, CHIEF OPERATING OFFICER OF WEALTH MANAGEMENT AT DBS BANK.

In a world where new regulations have flourished, with regulatory scrutiny increasing drastically and penalties more severe, compliance is a top priority.

But tackling the regulatory and compliance complexity that threatens to stifle Asian wealth management requires a level of investment in processes, platforms, control frameworks, internal systems and corporate governance not seen before.

Without scale and more efficient operations, private banks cannot expect to meet aggressive regulatory deadlines while dealing with the reality of doing business today.

Digitalisation is a big part of that. With banks doing everything they can to comply, it has become essential to embrace technology and systems to automate and standardise processes relating to as many areas of client engagement as possible.

The objectives, says Patrick Dreyfuss, chief operating officer of wealth management, DBS Bank, are two-fold: firstly, to ensure clients have to put up with minimal hassle and disruption when interacting with their advisers; and secondly, to help the banks effectively manage the control requirements, he explains.

While regulators are working with the best interests of the end-investor in mind, not all clients are happy to sign the additional documentation for onboarding and transacting.

This further strengthens the case for having a robust and user-friendly platform in place going forward.

CREATING SCALE THROUGH ACQUISITION

Amid the now much greater costs and resources required for compliance, the expense – for smaller players especially – of ensuring compliance can be out of proportion to business volume.

This adds up to the investment costs needed to meet clients' needs as well as their expectations.

With the looming need to grow and pool costs, some players are now considering outsourcing their operations.

Acquisition is another way to scale the business to help bring down the average cost of compliance.

Patrick Dreyfuss
DBS Bank

A report from Ernst & Young published in October 2014, for example, stated that other banks are also looking at such strategies and are willing to undertake the investment because of the need to scale their business. Consolidation is inevitable and the winners will be the ones who get the acquisitions right, says the report.

This is one of the routes that DBS Bank has chosen to follow. In October 2014, it completed the acquisition of the Asian private banking business of Societe Generale in Singapore and Hong Kong, as well as selected parts of its trust business.

As a result, DBS' high net worth AUM, and AUM for all wealth clients, rose to S$88 billion and S$129 billion respectively at the time of the announcement.

It is a remarkable collective achievement that in only six months, the teams from both banks were able to carry out such a complex project with a flawless operational and legal migration on the same day regionally, says Dreyfuss, who moved across to the bank's management team as part of the deal.

"It bodes very well for what the teams will achieve together going forward," he adds. "We will be benefiting from the integration with Societe Generale," he explains. "In order to make the best of both worlds, we're looking at the best product and service offerings and practices from both organisations and are now working at delivering them to our bankers and clients."

TRAINING AND TOOLS

Interestingly, Dreyfuss doesn't think that the barrage of new regulations which has become a feature of wealth management is necessarily an entirely bad thing.

"It is also providing a level playing field in an industry which was known to have some distorted competition," he says.

Yet without consolidation, or at least a clear, actionable plan to deal with the growing compliance burden, many financial institutions are justifiably concerned about their capability to support compliance, given its demands on staffing, expertise, technology, oversight and training.

For Dreyfuss, a key part of the solution in ensuring compliance comes down to training front-line staff and providing them with the right kind of tools to equip them to deal with the issues they and their clients face.

Post-2008, there is greater awareness and acceptance by relationship managers (RMs) and clients alike of the need for compliance. It is also crucial for the compliance culture to be championed by all levels of management.

Training is now mandatory in certain Asian markets, driving more of a culture of professionalism in relation to standards and quality of advice.

At DBS, the investment isn't just in training per se, but also in the tools which RMs need to help them implement their obligations.

Dreyfuss insists that making the bank's RMs more efficient by developing technology which also frees up more of their time will help them add value to the client.

This goes beyond the compliance requirement, as evidenced by the deployment of IBM's Watson Engagement Advisor, pioneered by DBS.

That will help the bank's RMs be efficient in handling the huge amount of information they need to meet client needs.

This is part of the evolution of the overall service offering.

"Going digital is not going to replace RMs," he says, "but it is going to improve the connectivity between the bank and its clients and improve their experience."

In practice, it is an opportunity to facilitate more relevant conversations and communications with clients.

This can be achieved by exchanging more information with them more seamlessly, to better understand their preferences and investment behaviour, and in turn creating the ability to manage their risk profile in a better way. ■

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