

Intermediary Banking in an Offshore Environment

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The provision of banking services for the local intermediary market is no longer confined to the odd fixed deposit or call account. In the Channel Islands, bankers are faced with a diverse range of intermediary clients, these include trust companies, captive insurance managers, advocates, solicitors and accountancy firms, each having varying needs and requirements from their banking providers. Increasingly, clients are demanding that their bankers provide a wider range of services and, as bankers, it is therefore vital to remain conversant with the latest product and technological developments.

Ten years ago, the internet was something that the average person had probably heard of, but how many people actually used it? Today it is estimated that somewhere in the region of 75% of businesses are on-line. This figure is continually increasing, which places an even greater emphasis on providers to continue to develop their own systems.

- **E-commerce**

On-line banking is now commonplace in many organisations and these systems are continually being enhanced to provide greater functionality. Long gone are the days when a client simply wanted to view an account balance or enquire whether or not a payment had been received.

Today's systems must aim to provide a full reporting package, which enables the intermediary access to any number of their accounts. Not just their cash assets, but furthermore a fund or portfolio valuation and a statement of their investment holdings.

It is recognised that clients require a greater level of service, specifically the ability to give on-line instructions to their bankers, arrange transfers or foreign exchanges and ultimately download data from the bank's system into their own records, thereby saving employee time and resources.

In the mid 1980's, retail bankers built their marketing campaigns around "quality service", with many banks spending vast amounts of money on advertising which stated their commitment to the client in this area. Today, nothing has changed. Particularly in the local environment, bankers are very much aware that they are pursuing the same pieces of business as their rivals and are continually striving to increase a quantifiable market share.

If pricing of products and services are similar from one bank to another, what other differentiation do banks look towards to "sell" themselves as the right choice to the intermediary?

- **A wide range of products and services which meet the needs of the client**

Clients are themselves becoming increasingly more discerning and are undoubtedly much more aware of alternatives available to them. These include not just different types of account, but also various other investment opportunities. Liquidity funds, fixed income or equity products and market/index-linked investments are all now widely available to the investor requiring wider diversification.

- **Competitive pricing structure**

Banks are increasingly being challenged by intermediaries for finer pricing and lower charges on any nature of products. Whilst intermediaries appreciate that market or benchmark levels are often difficult to consistently achieve, they do not however refrain from setting challenging targets and in many cases will additionally seek to negotiate fees.

- **Quality service is of paramount importance**

Whilst it is a natural expectation that requests are carried out in a timely and accurate manner, clients do and should expect to receive a consistently high level of service. If errors do occur, prompt action to rectify them is extremely important and additionally, the bank must take responsibility in the event of such situations arising. In striving to raise service levels, banks often review their own business strategies and many have achieved accreditation through Investors in People, demonstrating a commitment, amongst other things, to staff development and training.

- **Qualified and experienced staff**

Given this drive for satisfaction and quality, employers continue to seek to acquire and retain suitably experienced and qualified staff. Banks generally are placing more and more importance on the attainment of professional qualifications and in many cases are offering substantial support packages to employees.

- **Understanding changes in the finance industry**

As we move further into the 21st century, the finance industry as a whole has to contend with ongoing changes in regulation and compliance. With this in mind, bankers should take a proactive approach and attempt to ensure that clients generally, fully understand factors affecting the business. After all, clients will not accept a decline in service standard or pricing without a justifiable reason – not that these changes are to be perceived as detrimental to the banking business. Many banks are now delivering presentations to intermediaries that assist with the CPD (continuing professional development) requirements for their staff.

- **Competition from other jurisdictions**

The Channel Islands have been major players in the “offshore” market for over three decades, however increasingly we are all faced with competition from other jurisdictions. It is important that we keep abreast of these changes, particularly legislative, which affect such centres. As bankers, the existence of a level playing field, throughout the various offshore operations, is crucial if we wish to remain competitive.

- **Security of dealing with a well-rated Bank**

Standard & Poors statistics given in 1995 showed that for the top 50 European Banks, 16% carried a ‘AAA’ rating. In 2001 this figure had reduced to just 7%. Investors, particularly trustees with their inherent responsibilities and in an increasingly litigious environment, must consider carefully the quality and credit rating of any bank with which they are engaging in business.

Whatever the nature of the development, be it affecting bankers or intermediaries, the financial arena is a fast changing one and the only certainty which can be confidently predicted is that today’s climate will alter immeasurably in the forthcoming years...