
The In's and Out's of Banking for Intermediaries

by
Sophie Ebanks
Deutsche Bank (Cayman) Limited

Financial Intermediaries, the link between the client and the ultimate service provider, have been a part of the Cayman financial landscape for many years. There is now a diverse range of intermediaries, each having varying needs and requirements from their banking service providers. These requirements are no longer confined to just a few fixed deposit and call accounts, and the demand for a professional banking partner with a suite of appropriate products has increased. Additionally, intermediaries are keen to partner with banks that can add value to the service they provide to their own clients. This has caused many banks to develop focused marketing strategies for this segment of the market.

Since the Cayman Islands is recognized as the domicile of choice for offshore hedge funds, and since it is competing with Bermuda in that arena for captive insurance companies, many hedge fund administrators and captive insurance managers form part of the local financial intermediary market. Others include trust companies, company management firms and investment managers, to name a few. While each industry is unique and should be considered so for direct marketing purposes, as intermediaries they have some similar banking requirements.

Most intermediaries have a client base that requires a separate bank account for each entity. In most cases the intermediary has signing authority over the bank account, and therefore has a large number of bank accounts to monitor. Whilst regular call and deposit accounts can meet the basic banking requirement, some banks have developed products that help to ease the intermediary's administrative burden. Deutsche Bank's product is called the "Corporate Call Account" – the total balance on the accounts

operated by each intermediary is considered and a rate is offered for each account based on the total value of the intermediary's relationship with the Bank. Rates are set monthly and are linked to the one month LIBID rate. This means that administrators at the intermediary only need negotiate one rate monthly instead of having to roll numerous deposits at varying rates. Additionally, the clients have the added benefit of having their funds available at call and smaller clients benefit from the value of the intermediary's whole relationship with the Bank.

In this age of instant access, it is imperative that banks include online banking in their service offering in order to compete efficiently. From an intermediary's perspective, it allows them to access information at their convenience – an absolute necessity when the intermediary has clients living in many different time zones. It also caters to those firms whose senior staff travel frequently since the information can be accessed from any point as long as there is an internet connection. Deutsche Bank's online banking product, *Presto On-Line*, was developed specifically with our intermediary clients in mind. Accounts can be grouped according to administrators, most signing authorities can be replicated in the online mandate, and user access control is given to security officers within the intermediary itself. Additionally, even if the intermediaries have signing authority over the accounts, they can choose to give "view only" access to their underlying clients.

As competition increases among banks in the Cayman intermediary market, the intermediary is benefiting from better pricing for services. Intermediaries with large client bases are not happy to settle for standard pricing on fees and interest rates. Smaller firms, if they accept standard pricing, are demanding that they get some form of added value. It is not in pricing alone that banks are attempting to differentiate themselves in this lucrative intermediary market; service excellence is also a differentiating factor

Clients as a whole expect that their requests are carried out in a timely and efficient manner and expect to receive a high level of service. Intermediary clients demand even higher levels of service, and understandably so because it has a direct effect on the level of service they are able to provide to their own clients in turn. Products and

services can be duplicated across banks, but the level of service provided is the only true differentiator.

For this reason, banks serving the intermediary market continue to seek and acquire suitably qualified and experienced staff. Over the years financial institutions have placed more and more emphasis on the attainment of professional qualifications, and in many cases offer support to their staff in attaining them. The investment comes back two fold - it assists with the retention of customers and also aids in the ability of the bank to gain new customers. A strong, capable and committed team is vital to any financial institution. As banks in Cayman have evolved over the years, they have continued to build their marketing campaigns around high levels of service. Bankers are very much aware that they are competing for the same business with both retail and offshore banks, and this is more apparent in smaller jurisdictions such as Cayman. Not only is the competition local, but banks also face competition from other offshore jurisdictions, such as the Channel Islands and the Isle of Man. The time has long since passed that intermediaries have to bank in the same jurisdiction in which they are located. Attracting and retaining the very best employees must therefore be an integral part of any local bank's strategy.

The intermediary's own clients are becoming more and more sophisticated and increasingly more discerning when it comes to options and alternatives that are available. It is therefore vital for banks to keep in close contact with their intermediary clients to ensure that the bank's products and services continue to serve the needs of the intermediary's own clients. Banks must take a proactive approach in order to fully understand their client's needs, and be up to date on the latest product and technology developments.

In the final analysis, the relationship between a financial intermediary and its bank is crucial to the intermediary's own success. An effective partnership between the two helps to ensure that the Cayman Islands maintains its position as one of the best places in the world to conduct financial business.

Ends.

For more information, please call Sophie Ebanks, +1(345)914-5652

Notes to Editors:

- 1 Deutsche Bank (Cayman) Limited is part of Deutsche Bank's offshore group and was established in Grand Cayman in 1984.
- 2 As part of Deutsche Bank's Private Wealth Management group we provide banking, custody, investment management and fiduciary services to a wide range of intermediaries, corporates, institutions and high net worth clients locally and internationally.
- 3 Our corporate services arm has more than 2,800 entities under administration, principally concerned with the establishment and ongoing administration of capital markets special purpose entities, on-balance sheet holding, financing and employment benefits-related subsidiaries and customised investment structures for financial institutions and large corporates.
- 4 Sophie Ebanks joined Deutsche Bank Cayman in 2003 as Marketing Manager with responsibility for co-ordinating the implementation of Presto *On-Line* for Cayman based clients