

By YAP LENG KUEN  
lengkuen@thestar.com.my

# Spotlight on bank treasurers

## There's greater appreciation for their tasks following the financial crisis

**"Discipline is now the focus."**

Piyush Kaul, HSBC Bank Malaysia treasurer



**PETALING JAYA:** The role of bank treasurers worldwide has come under the spotlight following the financial holocaust wreaked by careless banking in the West.

"There is a shift from the boom in 2007 to the present," said HSBC Bank (M) Bhd treasurer Piyush Kaul. "Revenue was the focus during the good times for all asset classes."

Due to lack of care in assessing the risks, many banking institutions in the United States and Europe had over-extended their exposure and following the collapse of this "house of cards," governments everywhere had to rush in to prop up their economies.

"Discipline is the focus now, besides growth," Piyush said. "Those banks that are liquid and well-capitalised are looking better than those that had been lax and just focused on growth."

"Every bank treasurer has gone through the basics of liquidity management and reassessed their related policies," he said, adding that top priorities included fundamental risk parameters and sufficient cashflow to support all the businesses of the bank.

One of the key lessons learned from the crisis would be the danger of a system-wide liquidity drain.

OCBC Bank (M) Bhd global treasury head Gan Kok Kim sees greater appreciation for their tasks.

"Bank treasurers need to strike a balance between regulatory and prudential safeguarding of the bank's position and the inherent market risks that come with offering treasury products and services," Gan said.

Market liquidity may evaporate quickly in a crisis or sudden market disruption, making it difficult to unwind risks.

"A bank treasurer needs to be alert to adjust to moving market conditions," said United Overseas Bank (M) Bhd managing director (global markets and investment management division) Michael Beh.

There is now greater usage of risk management tools.

"More emphasis is now given to the active management of basic liquidity indicators such as asset deposit and medium-term funding ratios as well as depositor concentration and wholesale borrowing limits," said Standard Chartered Bank (M) Bhd chief financial officer Raymond Wong.

Fundamental questions, according to Piyush, involves whether the bank is lending more than its deposits and the amount lent as a fraction of deposits.

"The problem starts when banks fund lending from market borrowings and then leverage up," Piyush said, adding that within groupwide structures, the focus was on advanced methods of assessing scenarios together with liquidity and cashflow projections.

People are now turning to "plain vanilla" products which are simple and of shorter tenure.

"This gives them stability and security as they look towards capital preservation," Wong said.

The more savvy corporate customers continue to use derivatives to hedge market risks although some may be more cautious with derivatives now.

"There has been relatively slow take-up of structured investment products due to poor investment sentiment," Beh said.

Given the market volatility, there will be a greater focus on how banks deal with customers to ensure that their interests are adequately looked into.

"Banks will work on increasing and differentiating their treasury products by introducing more structured and customised solutions, for hedging or investing purposes," OCBC's Gan said.

Nowadays, customers prefer to deal with stronger banks, HSBC's Piyush said, adding that counterparty due diligence was also a priority.

On economic recovery, Standard Chartered's Wong said: "It may appear strong in the next six months as policy feeds through, inventories are corrected and confidence rises. But the global economy is not back to normal and deep problems remain."

Piyush has yet to see the sort of optimism and dynamism back in 2007.

"However, customers are more positive compared with earlier this year," he said.

"Malaysia's trade volume has picked up from June as the effect of global stimulus measures and mon-

etary policies started to show results," UOB's Beh said.

"If these measures are not withdrawn prematurely, it will bode well for the recovery story and thus, better opportunities for trade financing activities."

Beh believes the strong performance in Asian financial markets is due to the return of confidence and risk appetite.

"While intra-regional trades are strong, recovery in the United States and Europe will certainly give the much needed boost to Asia," he said.

Asian markets have gradually readjusted when it became clearer that the risks were not as bad as anticipated.

"Asia was somewhat buffered by domestic demand in the form of fiscal stimulus from governments that were less indebted and a high savings pool.

"This made up for some of the slack from the manufacturing and exports side," Gan of OCBC said.

## Asian banks set sights on Malaysia

**PETALING JAYA:** Some world-class Asian banks without any presence so far in Malaysia may start operating in the country in two years.

"There is room for a big Chinese and Indian bank each," HSBC Bank (M) Bhd treasurer Piyush Kaul told *StarBiz*.

With the strong economic ties and investment flows, it makes sense for a large bank from each of these two powerful Asian economies to set up operations here.

It has been reported that a consortium of Indian banks - Bank of Baroda, with a 40% stake in the consortium, Indian Overseas Bank (35%) and Andhra Bank (25%) - hope to set up India BIA Bank to undertake commercial operations in Kuala Lumpur, after securing the approvals.

By Dec 31, submissions are expected for the setting up of at least three world-class foreign banks.

"Many of these banks have good networks," Piyush said, adding they could serve as a driving force for existing players to further build their networks.

Mostly unfazed by this new development, foreign banks in Malaysia view that customers require strong and stable financial partners to continue supporting their business growth well into the future.

Standing in good stead would be highly-liquid and well-capitalised banks with a huge global presence and deep local knowledge, said Standard Chartered Bank (M) Bhd chief financial officer Raymond Wong.

Differentiation will be key. "We will be going into areas of specialisation, for example, agriculture financing," said United Overseas Bank (M) Bhd managing director, global markets and investment management division, Michael Beh.

Overall, additional entrants to the Malaysian financial markets will add competition and, hopefully, improve products and services.

"Besides increasing the range of choices, there is a measure of emphasis here to bring in foreign banks that will lend greater direction to our Financial Services Master Plan," said OCBC Bank (M) Bhd head of global treasury Gan Kok Kim.

Following the financial crisis, many "global" banks had lost out. From now on, business would be distributed among the strong global, regional and local banks, said Piyush.