

### Panel III: Navigating an Enhanced Competitive Environment

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Panel III examined the challenges that Asian banks are confronting as they face an enhanced competitive environment domestically and globally.

Panelists described technological, operational, management and governance challenges, and the steps that are being taken to address them. These include:

- IT system overhauls are being undertaken in core banking areas by such institutions as Bank of China, DBS, and other major banks in the region. In addition to upgrading technology in core banking, Asian banks are looking at new IT systems in compliance and risk monitoring, payments systems, and transaction banking. In addition, Asian bank management is confronting the emerging challenges of mobile banking.
- The key role of foreign strategic investment was noted as an important contributor to building operational expertise. The example of Bank of America's investment in China Construction Bank was cited as being important not simply for the financial stake, but more for the technology transfer, knowledge, and information on business processes that the relationship brought to the Chinese bank.
- On the management side, the demand for talented and experienced staff remains a significant problem. Panelists noted that anecdotal evidence suggests that companies in a range of industries, including banking, can find neither the trained nor experienced mid-level staff they need. A panelist noted that low salaries also impacts the quality of talent Asian banks can draw from abroad. Since major Asian bank CEOs are paid in low six figures, it is impossible to bring in foreign managers in such key areas as risk management, who would expect much higher salaries than are currently offered.
- Repeatedly, panelists noted that both management and governance challenges are generational and that these will only be successfully addressed over time. On the governance side, they emphasized that although there is a commitment to the adoption of good corporate governance practices, effective governance is not part of the culture at many banks in Asia now, neither at the staff nor at the senior management levels.

Pressure for change is therefore coming from within the banks as well as from outside, as management and directors increasingly recognize the need to respond to the role that rating agencies, financial journalists, analysts, investors and other market forces are playing in focusing the spotlight on Asian banks.