

MONEY MOVERS

→ OCBC SECURITIES



Mr Hui Yew Ping, managing director,
OCBC Securities Pte Ltd

‘We want to be a leader’

Do you have a winning strategy? Stick with it, says the MD of OCBC Securities. A series of initiatives over the last few years have made the firm one of the top three in its industry. Melissa Ong has the details.

When Mr Hui Yew Ping joined OCBC Securities Pte Ltd (OSPL) as its managing director two years ago, he immediately faced a daunting task – to replace the firm’s desktop-central trading terminal with an online one. The project was started earlier this year, but progress had stalled due to some problems.

The difficulty of implementing an online system was compounded by the fact that OSPL was the only ones trying to roll out a large-scale version of the Order Management System platform then - before the Singapore Exchange (SGX)-initiated vendor system was introduced. Everyone was “just standing at the sidelines waiting for you to fail,” said Mr Hui.

Despite teething problems, OSPL managed to launch the first live version of the system in late 2005 – six months after Mr Hui took over. The final version was fully in place by the middle of last year, an accomplishment he credits to efforts of the people involved.

“It was very important for us to make that strategic investment two, three years ago - to say ‘we will do it, and it will transform our business model’ With the entire company on the same electronic platform, we are not only connected to SGX electronically and seamlessly, we can link up to key overseas markets that are on similar platforms. So that brings us into the global market connectivity,” said Mr Hui.

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He added: “Wherever possible, we want straight-through execution without any dealers intervening in the execution of the order. So that means it is seamless and almost error-free.”

Technology is also important in the area of foreign exchange (FX) margin trading or leveraged FX, of which OSPL is one of the biggest brokers. “We have been very successful not just because we have expanded the market segment beyond Singapore - in fact, Japan remains one of our biggest markets - but one of the main drivers, in the last two years especially, has been the use of technology,” noted Mr Hui.

He explained that 90 per cent of OSPL’s trades are executed on an electronic platform, and this pushes up “huge volume” that they would not be able to handle using only dealers. While there are other electronic platforms available, “how you customise it to suit your business model is actually the key thing”, said Mr Hui.

With the cross-over to the electronic system, do brokers feel ‘threatened’? Mr Hui commented that while a third of retail brokerage revenue that OSPL’s Internet business brings is a “huge portion”, it does not cut out the middlemen. Rather, it helps them to grow their pie. “Even though a particular order goes through electronically,” he said, “the customer will be looking for value-added information, for example, what is happening in the market

today or a round up of Asia.” OSPL is moving progressively into this area of value-added services - it is no longer about “manual dexterity” but “mental dexterity”, he added.

FOCUSING ON COMPETITIVE STRENGTHS

New foreign players are offering products like Contracts for Difference, but Mr Hui said OSPL is not convinced that it needs to venture into this area for fear of losing out in the market. He explained that when OSPL explores something new, the firm would first evaluate if they could become one of the top three in this new area in the next few years. The payback from doing something that only “catches up” would be too slow, commented Mr Hui. “We are not a follower, but we want to be a leader.”

OSPL has achieved some success with this strategy, especially in areas where Mr Hui believes it has “clear competitive strengths”.

The firm was one of the earliest brokers in Singapore to offer alternative investments and “had in place an experienced team of specialists dedicated to this business” from the beginning, he said. Fee income from the firm’s alternative investment segment has grown by about four times in the last two years, with the most popular products being equity-linked notes, warrants and retail notes.

OSPL has recorded 90 per cent in the money for equity-linked notes since January 2005. This was partly due to the firm’s independent and “pure agency” position, said Mr Hui.

The firm has also tripled the size of its share margin financing portfolio since 2005, with more than 1,200 marginable stocks at present. Last year, it introduced same day trading access, a first in the industry. Plans afoot include the introduction of a new tool to help investors manage their risk better.

The growth in OSPL’s alternative investments, share margin financing and leveraged FX segments is in tandem with the growth in the firm’s stock broking segment. Mr Hui revealed that in the first five months of this year, OSPL opened more than twice the number of accounts it opened in the same period last year. While this is a “function of the market”, Mr Hui said: “The market didn’t just happen to be active this year. It’s been happening since last year.” He added that the majority of these new accounts were referred by existing customers and brokers. About 20 per cent were from walk-in customers.

Despite the improved market, there have been no “aunties” and “uncles” queuing up to open an account, a factor which, Mr Hui said, is “comforting”. “You get all these people queuing up - unfortunately, they are all the late people who don’t understand the market and so forth. So that’s always my fear.”

OSPL has advanced from sixth to third placing in the industry in terms of market value transacted. The firm’s market share has risen to 10 per cent from less than 8 per cent two years ago. OSPL’s revenue grew by 50 per cent from 2005 to last year, and it went on to grow by 58 per cent between the last quarter of 2006 and the first quarter of this year.

In the next few years, OSPL will be putting aside between \$8 million and \$10 million for system enhancements, upgrading of its internet platform, and for investing in new technology to “augment the business in places where we think we can always be in the top three”, said Mr Hui. Money will also go into building stronger back-office systems to support new products, as well as into upgrading the physical space of OSPL to afford customers a “new experience”, he added. This is in line with the firm’s central pillars of product, people, technology and customers.

“When you execute a strategy that is giving you all the right financials, don’t change it. Be very focused on something that is working,” Mr Hui advised. **SI**