



Transaction Banking by D Sign

Blog

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“Porridge Procedures – Follow The Real Rules”

The new procurement head at the government ministry was shaking things up. He shopped around for ideas from suppliers, asked direct questions, and generally increased discomfort amongst the bureaucrats. A functionary from the central procurement team came by for an informal chat.

“Sir, you do realise that you are in genuine danger of breaking EU procurement rules with your direct approach to suppliers. Apparently you are asking them questions without a formal specification being prepared.” The new head replied, “Really? Gosh, I certainly don’t want to break any rules. What specific rule am I breaking?” The functionary fidgeted. “It’s not an actual rule as such, more practice guidelines.” “Seems a silly guideline though if it prevents me learning about what I want to buy, but I do like to follow best practice. I also like to go right to the source, so can you please show me the actual texts?” The functionary squirmed. “Well, it’s not that it’s exactly written down that specifically.”

“Gosh, that seems a poor show. A guideline I’m supposed to follow that isn’t clearly written? We should do something about this. Perhaps you could go and draft this guideline properly so that we can do the right thing?” The functionary slithered a bit in reverse, “Oh Sir, I’m not sure that is really necessary.” The new head beamed with transparent eagerness, “Gosh, I think I must insist. I certainly want to do the right thing. In fact, I’ll just put on the record now that you feel I am clearly following sensible procedures in the absence of proper guidelines from you, which you promise to be imminently forthcoming. I do so hope that helps you. It has certainly helped me. Thanks so much for dropping by. It has been a most informative meeting.”

Show Me The Rules

Friends often laugh when I retell how it really worked within a government ministry. It’s sadly too true. The big insight is to ask to see the real requirement. It’s a bit like the film Jerry Maguire, where Tom Cruise plays a sports agent who keeps focused on results by constantly restating, “show me the money!” Don’t take soft guidelines for an answer. If you’re a scientist, then be a proper researcher and go back to original sources. “Show me the rules” applies well to transaction banking.

Many rules are real, hard, and must be followed. But quite a few, particularly as interpreted by internal departments, are accretions of conventions. For example, why can it be almost impossible to open a bank account for a new client? Don’t we want new customers? Why do the anti-money laundering procedures require clients to produce documents we’ve already seen yet again? Why can’t we use electronic databases to validate clients’ claims?



Why can't we transfer old clients' details to new accounts? Why do clients need to come to our offices so often? And throughout all of this, please show me the rules. I'd like to see the actual regulations first before looking at our firm's interpretation.

Working with one forex specialist, trading several hundred million per day, we found the usual Pareto split, 80% of their trades were with 20% of their clients. Through some simple procedural streamlining, we arranged to have the firm's bigger clients' anti-money laundering and know-your-customer procedures done at their premises, sometimes these were their homes. We'd send motorbikes by with scanners to get their documents and details. These clients got less bureaucratic hassle, yet paradoxically more thorough evaluation. This was billed as "special service" to our management, and to the clients. We unexpectedly learned a few things about a couple of our clients that caused enough concern to restructure our relationships. We did better by doing the right thing by the rules and by the majority of our firm's clients. We also managed to help ensure that 80% of the business was much more secure both in terms of relationships and safety.

One Man's Safety Is Another Client's Hassle

In 1967 at the United Nations, Abba Eban, an Israeli politician and diplomat, said, "Men and nations do behave wisely once they have exhausted all other alternatives." [no Dear Reader, Churchill is misattributed] The skill in transaction banking is to behave wisely from the start. Take the client view of the rules first, not your firm's view of the rules. Don't exhaust all other alternatives, think of the client first.

On a recent transfer this year I had a surreal, yet satisfying result. While travelling abroad, I received a call asking me to validate a business payment. I was asked for various details. "Wait", I said, "how do I know who you are?" "Well, you could call this bank number." "So? That number might be a spoof. You called me, thus you think you know my details. Prove it." The agent, after a bit of prodding and realising I was right, then rattled off enough details I was sure it was my bank. I rattled off enough conviction I wanted the deal done and why. The transaction was done. Both of us were grown-up enough to handle the transaction. As the Carlsberg ads go, "If Carlsberg were a bank" - https://www.youtube.com/watch?v=s4_rYx_UNuQ - why can't all transaction banks be like this? We were going beyond the rules to what was needed.

Porridge Procedures - Doing The Right Thing With The Right Stuff

Of course my lack of hassle can expose my bank to risks. The risks in an increasingly regulatory environment are clearly high, just see the fines. However, the risks of losing me as a client are also high. Banks like to claim they are the best firms at understanding risk and reward, here's the chance to prove it.

Two great 'space' films are The Right Stuff (1983) and Apollo 13 (1985). Both show the virtues and vices of risks and rewards. Both show that procedures sometimes need to be broken to achieve the right results. I call these 'porridge procedures' not too hot, not too cold, but just right. Of course my inner physicist complains that, all other things being equal, in most versions of the story about three bears and Goldilocks, she finds the smallest bowl 'just right' when it should be the coldest; she rightly finds the largest bowl the hottest; but peculiarly finds the medium bowl the coldest. So much for physics.



But what do we mean by ‘porridge procedures’? We mean the procedures we need to get the right job done. For those of us in transaction banking it means asking lots of ‘why’ questions, a bit like a five year old listening to Goldilocks and the Three Bears. And if fairy tales seem too juvenile for you, then we transaction bankers need to emulate Jerry Maguire and keep asking “show me the rules”.

[1,137 words]

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