



The Betty Letters

My Dear Grandchild,

Following on from my letter of last week, I was talking to Bo-Bo, my froglike husband, about the matter of the international, chaotic credit situation and the fact that all of the attempts by the Government of the United States to try to restore normality in the credit markets have, thus far, failed. The Frog challenged me, saying: 'Then, what is the solution, smarty pants? You seem to criticise, everybody and everything, but you never have an answer.' I did not have to think for very long before I knew the answer to the problem. This is it from a housewife's point of view. I see the situation as the horses, having bolted because somebody left the stable door unlatched. The horses have bolted and, now, the rancher is wondering where they have gone. The horses, in this case, is investor confidence, and the rancher is the Government of the United States. In order to lure the horses, back to the safety of the stable, the rancher must offer the animals something, such as good food, warm and dry accommodations, and, of course, kindness. In the case of the disenchanting investors of the US, the enticement to lure them back is the restoration of confidence, of course, in stocks and shares and in the banking industry of the country. To accomplish this, something must be offered to them. The food, accommodation and kindness, in this case, would be to offer investors the opportunity to invest with a better-than-average chance of earning a profit. In effect, the US Government, through banks and finance houses, could appeal to the innate nature of investors, namely, greed. So, bringing home my solution to the problem, in very simple, Hongkong terms, suppose a bank in Hongkong were to say to me: 'Betty, since you have been our customer for such a long period of time, we are, now, offering you the opportunity to borrow from us, the sum of \$HK500,000 at a zero interest-rate level for a period of 6 months, provided that you use the money to invest in either Hongkong property or in listed, blue chips shares. In the event that the situation, within that first period of 6 months from the time that you draw down the \$HK500,000, has not righted itself, which will be easily ascertainable by reference to the growth of the economy, according to the Hongkong Government's statistics, then, there will be another, 6-month tranche period of zero percent interest. However, if the situation rights itself and the Hongkong economy improves, then, the interest rate will be 2 percent plus the Prime Rate, backdated from the time of the drawdown of the \$HK500,000. After that, the situation is open to negotiation.'

Now, My Dear Grandchild, how many people in Hongkong would thumb their noses at such a proposal? I suggest that the queue, outside banks, if such an offer were to be made, would be miles long. Hongkong is, still, my home, and it, always, will be my home. Of course, I want to invest in my home and, if a bank is willing to bet on me, I am willing to bet on the bank. It is said that there is little customer loyalty in Hongkong with regard to banks, and there is little reason to doubt this, but that is the fault of the banks, not the customers. Look, putting it another way: Sometimes, the sun is shining; sometimes, the rain is falling. One cannot, always, expect the sun to be shining and, conversely, one knows that it cannot rain, forever. Banks should supply customers with its 'umbrellas' when it is raining so that, when the sun returns, the customers will remember the thoughtfulness of banks in lending them umbrellas. Then, you have loyalty. But, today, many banks are forgetting their main function: The acceptance, transfer, and, most important, the creation of deposits and their safekeeping, the safeguarding and transfer of funds, lending or facilitating loans, guaranteeing creditworthiness, and exchange of money. What has happened in Hongkong, over the

past 5 years or so, is that many banks attempt to cajole customers into buying into various products that they have created or are trying to sell on behalf of third parties in order to earn a commission. If gentle persuasion is not successful by employees of banks, then, the next step is to tell the customer that, if he/she buys into a bank product, then, the bank, in turn, will look kindly upon the next application for a loan or, alternatively, give preferential interest rates on fixed deposits. This, in effect, is a type of blackmail, in my book. Customers, of course, cannot be expected to respect banks for employing this modus operandi and, as a consequence, see no reason to remain loyal. Banks do not offer free money to customers and no customer expects that. But banks should work with customers in order to create a win-win situation: The bank lends the money to the customer, earning a profit from the loan(s); and, the customer earns a profit from the bank loan by employing the bank's funds in the customer's business or investing the money in equities/property.

Banks have to be reminded, it seems to me, that, just like a clucky woman, a good man is, often, hard to find, but, once a good man is located, it is up to the clucky woman to keep that man in her bed and, then, a family can be created and, hopefully, it will be a loving and lasting relationship that will survive the inclement weather as well as the warm summer months.

Talk to you, next week.

Chief Lady

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