



**INDIA'S RICHEST 40**

**WILLIAM YEH'S \$3-A-TRADE MODEL**

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# Forbes Asia

**ATSUTOSHI NISHIDA**  
**PAYS DEARLY**  
**FOR WESTINGHOUSE**  
**NUCLEAR ARM**

# Toshiba's Growth Gamble

AUSTRALIA	.....	A \$5.95
HONG KONG	.....	HK \$45
INDIA	.....	RS 150
INDONESIA	.....	RP 23,000
JAPAN	.....	(TAX INCL.) ¥840
KOREA	.....	₩ 5,000
MALAYSIA	.....	RM 12.00
NEW ZEALAND	.....	NZ \$11.00
PHILIPPINES	.....	P 130
SINGAPORE	.....	S \$7.00
TAIWAN	.....	NT \$130
THAILAND	.....	B 150
UNITED STATES	.....	US \$4.99





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**A** PRICE WAR AMONG DISCOUNT STOCK BROKERAGES IN THE U.S. CULMINATED last month, when Bank of America, which has its own such unit, announced it would offer free trades if customers kept account balances of \$25,000. The news sent the discounters' stocks plummeting. But it didn't make William Yeh, founder of a startup outfit called SogoInvest, at all nervous. "I think the free trades are great," he says.

That's because Yeh, 47, says he makes money on each trade he offers at \$3 (with a \$1 teaser rate for the first 90 days). No annual fee and no minimum anything to qualify. The crafty Taiwanese-born Wall Streeter has been able to offer that deal since launching his Web site in July, because SogoInvest is the retail arm of his institutional trading business, Genesis Securities. Piggybacking on Genesis, instead of paying a third party for executions the way most discounters do, gives Yeh cost efficiencies only a Merrill Lynch or Morgan Stanley would have—and they aren't interested in cheap trades.

Yeh's challenge now is to get tiny SogoInvest heard in an American marketplace that's been consolidating for years. No modest feat. But while he's at it, Yeh also has plans to take his discount model to Asia, for trading in U.S. shares.

Yeh founded Genesis in 1999 to cater to block-order, computer-based traders like hedge funds, banks and other broker-dealers. This is low-margin work. Last year Genesis had all of \$20 million in revenue, though it typically trades between 2% and 4% of the Nasdaq volume and about half that much of the New York Stock Exchange flow.

Yeh says Genesis is profitable and is able to reduce variable costs by itself doing everything in-house. Genesis compiles its own quotes. Its trading platform, Laser, is platinum-certified by Nasdaq, meaning it is a product that has the highest level of functionality and speed. Genesis also clears and processes its own trades. These advantages then are passed along to SogoInvest customers. "If it wasn't for Genesis, we'd not be able to charge \$1 and still survive," Yeh says. "We would have a burn rate like any other dot-com company."

Lauren Bender, an analyst at Celent, a research firm focused on financial services, says it's entirely plausible that Yeh can make money on the cheap trades given his institutional business. "Once the fixed costs are met, it's all gravy," she says. "They can clearly have a very profitable niche."

Yeh says SogoInvest could probably get away with charging customers \$7 or more per trade as domestic rivals like Scottrade and E-Trade do and still get customers. But he sniffs, "I will not do what they do, because they are misleading people" about how cheap they are. Scottrade founder Rodger Riney says that his clientele has come to

JONATHAN SAUNDERS FOR FORBES

# apest Discount Broker

## WILLIAM YEH'S

SogoInvest uses his black-box broker-dealer to offer trades for next to nothing. Is Asia ready for the U.S. model?

By Megan Johnston

# YEH'S UNIVERSE

SogoInvest's senior managing directors, who act as board members, are contacts from William Yeh's rich career. Yeh met Chu 25 years ago; Brad Reifler introduced him to the rest. Yeh says he wanted them involved not for their money, but for their card files: "We have connections to every country in the whole world."—M.J.



**BERT COHEN**  
Cofounder of Telerate Systems, financial data unit sold to Dow Jones in 1990 for \$1.2 billion.



**PAUL CHU**  
Original investor in Sina.com, China's largest Internet portal. Friends with Taipei Mayor Ma Ying-jeou.



**WILLIAM YEH**



**TOM DITTMER**  
Cofounder and former chairman of commodities brokerage Refco.



**BRAD REIFLER**  
Chief of Pali Capital; grandson of Refco cofounder Ray Earl Friedman.

depend on features beyond trade execution, like explanation of investments by phone or at 285 branches. "Personalized service is well worth \$7," he says. Sogo offers no phone advice or branches.

Who is Yeh, the latest industry upstart? He had modest origins but became blessed with the right connections. His father had a textile factory in Taiwan but died when Yeh was 7. His mother was soon looking for nursing work abroad, and William left his grandparents' care to join her in the U.S. at age 14, before a military obligation would have been triggered. That first summer a neighbor gave him a \$1-an-hour job selling fruit in New York City's Chinatown, where he worked 12-hour days but appreciated the opportunity. He also took to his studies, majoring in physics at Queens College, then getting a full fellowship to the University of California at Berkeley. He took his

degree to IBM's suburban New York campus, where he worked first in engineering and then in marketing.

Within a few years Yeh wanted to found his own company. An electronics distributorship, it would only be a grounding. Ultimately he sold that, and meantime had a hankering for commodity futures, where his trades were cleared by one Brad Reifler. That was a useful tie: Reifler's grandfather was Ray Earl Friedman, the "Ref" in Refco, long America's first name in the commodity pits until a scandalous accounting failure last year brought it down.

When, in 1999, approaching age 40, Yeh got the itch for electronic trading and set about founding Genesis, Reifler had a helpful reference to pass along: his step-uncle, Refco's then boss, Thomas Dittmer. Yeh later got Dittmer and Reifler, along with other luminaries, to join Genesis' board (see box, left).

At the institutional level, shaving pennies is an undeniably attractive proposition.

But with retail customers, wishes and needs are more complex. Indeed, SogoInvest is moving counter to the direction of most in the industry. Financial services firms are increasingly trying to be all things to all customers, acting as broker, banker and financial adviser. "The big battle is going to be to have a bigger share of the wallet of their same client," says Celent analyst Bender. Scottrade, for instance, is mulling a foray into banking.

Not SogoInvest, which purposely avoids investment advisory and other expensive, manpower-heavy services. Yeh's goal: to automate the entire process, take as much of the human element out as possible, reduce costs through large volumes and pass the savings on to the public. He thinks his 60 employees needn't grow anywhere near Scottrade's 1600 even if and when Sogo begins to approach Scottrade's 2 million accounts. "I want to be the Wal-

Mart. I don't want to be the Saks Fifth Avenue, where you get really nice customer service—but you're paying through the nose in those stores," he says. (Even so, trade disputes do arise from time to time—see box, right. A disagreement could potentially escalate to arbitration, but Yeh says this hasn't happened yet.)

But Yeh's biggest challenge is just getting the word out about SogoInvest. Without much of an advertising budget, he is relying on a media hoopla over zero-commission offers, as well as buzz on the blogosphere. Within the business he gains notice with his estimable board lineup. Yeh calls the directors his "salespeople."

With the help of another, Sina.com's Paul Chu, he's planning on taking SogoInvest to Asia. Next month Yeh is a finalist for an entrepreneur business award sponsored by the Taiwanese government; he plans on using the p.r. to launch a Chinese-language version of SogoInvest's Web site and says that official promotions will begin in the first quarter of 2007. To help navigate the regulatory issues of different markets, Yeh says he is in discussions to form a joint venture with several local broker-dealers—a concession for his bare-bones, in-house model. He's counting on the most open markets of Hong Kong and Taiwan, where investors are typically charged a healthy sum for U.S. equities—\$20 would be a big bargain. Eventually, he aims to market the same \$1 and \$3 trades as in the U.S.: "That's going to drive people crazy over there." Yeh is encouraged by the fact that any Taiwanese individual can invest up to \$5 million in U.S. securities.

Right now most of the world's equities are enjoying a bull market. SogoInvest, it might seem, is debuting at a high point and is bound to hit bumpy weather. Yeh says he knows all about rough patches.

"If you want to hurt your enemy, tell him to open up an online broker-dealer in 2000," he says, recalling Genesis' genesis. That year 60% of online brokers went out of business. Yeh stuck it out with his own capital from his fruitful days as a futures trader and says that Genesis has doubled revenues every year by generating volume through undercutting his rivals. By 2004, as the economy started picking up, Yeh decided the time was right to begin planning for the retail portion of the business, SogoInvest.

For now, Yeh keeps busy seeing that Genesis and SogoInvest are tight ships. He says he is a skinflint by nature, always sticking to a budget and owning only two suits. He works 16-hour days, and on top of that, commutes two hours each way from his home in New York's Long Island to his Wall Street office. That doesn't leave much time to see his wife and two daughters, ages 8 and 6. Still, Yeh says he enjoys what he's doing. "People say I'm working, but to me I'm having fun."

Tom Dittmer attests: "William is very frugal, and I'm being kind. He's a hard worker. I've e-mailed him if I have to get up to go to the bathroom at 2 a.m., and by the time I get back to bed, there's already a reply from him, so I'm not sure when he sleeps. He has tremendous energy. He's got all of the potential ingredients to have a lot of fun and make a lot of money."

Yeh's going to be hard to ignore. He envisions boosting his scant ad budget tenfold next year. Encouraged by the phenomenon of YouTube and other Internet

sharing sites, he plans on utilizing video on SogoInvest's Web site to explain how to do things like open accounts. Videos will make it easier, he says, to translate the site into other languages, eventually including Russian, Spanish, French and Portuguese. He is trying to market SogoInvest to big companies by giving them a referral fee for sending employees and customers his way. Yeh will be counting on his board

members to sway upper management. Also thinking big, he has eyes for reaching a workforce like the U.S. military.

How many divisions will Yeh have? The old Chinatown fruit peddler likes to think big. "Why not maybe the Taiwanese soldier investing in Sogo as well? Why not the Chinese soldier? That's going to be tough," he says, laughing. "But give me enough time." **F**