

Hang Seng Bank's Alan Luk Believes Trust and Relationships are Keys to Success

Alan Luk, Hang Seng Bank's Head of Private Banking and Trust Services, met with Hubbis to discuss the recent developments and opportunities being created in the Hong Kong and Mainland wealth management markets, which he believes are entering a more challenging period as competition intensifies, as regulatory demands expand and as the mainstream financial markets vacillate.

Executive summary

Alan Luk, Head of Private Banking & Trust Services for Hang Seng Bank, believes the bank offers a unique value proposition to high-net-worth individuals (HNWIs) from both mainland China and Hong Kong. He maintains the bank has a strong platform of integrity and reputation within their brand that helps in the building of strong relationships between HNWIs and their relationship managers (RMs).

Luk met with Hubbis to share his insights into some of the initiatives currently under development at Hang Seng. He advises taking a strategic and cautious approach to the gathering storms rolling in over the wealth management market and suggests that to survive and thrive, a firm must prioritise the streamlining of their business models by applying strict cost/benefit analysis.

Additionally, Luk suggests the selection, training and careful curation of high-quality RMs, as well increasing discretionary portfolio management mandates as important safeguards in these less forgiving times, and argues that digitalisation does not yet offer enough added value to boost the client experiences of HNWIs, who in Asia still largely prefer to receive their advice from people.



“OVER THE LAST 10 years, positive economic developments in mainland China have resulted in more and more high-net-worth individuals (HNWIs) taking up wealth management services,” Luk begins. “However, we must still exercise some caution, as on the one hand, we have enjoyed this exponential growth, but on the other, we must consider the signals that there is an ongoing slow-down of the economy on the Mainland.”

The value proposition that Hang Seng Bank represents has special appeal to Hong Kong-based, Chinese, first- or second-generation HNWI investors, according to Luk. “For these customers, reputation is everything,” he elucidates. “They rely upon our brand, which is long-established and high quality. What we want to achieve is to become a one-stop service provider to these HNWIs, providing commercial and general banking as well as private banking, and also trustee services. We are continuously looking to strengthen and broaden our relationships.”

Hang Seng Bank also has a wholly-owned subsidiary which offers one-stop property asset management solution, such as property acquisition, property leasing and sales services etc, maximising convenience for investors. “This suits our HNWIs as most have emigrated out of the mainland,” Luk explains, “and they do not have hands-on experience when it comes to property management in Hong Kong.”

Hong Kong versus Singapore – a tale of two financial centres

Luk argues that Chinese and other investors tend to look to Hong Kong rather than Singapore in the

Getting Personal

Alan Luk was born and raised in Hong Kong. He holds a Master of Science degree in Global Finance that was jointly awarded by the Hong Kong University of Science and Technology and New York University’s STERN Business School. He is also certified by the Private Wealth Management Association (PWMA) as a Certified Private Wealth Professional (CPWP).

Luk has over 30 years of experience in the financial industry. He began employment as a junior trader at Wardley, which was an investment banking arm of HSBC. He then moved to Schroder Asia before moving to American Express Bank as the treasurer and corporate financial market head for Asia in 2000.

He then joined Hang Seng Bank in 2008 as Head of Investment Advisory and was appointed Head of Private Banking and Trust Services in 2011. He is responsible for overseeing the Bank’s private banking and trust services business and providing wealth management services and advice to meet the diverse needs of HNWIs.

“I was shy talking to people when I was younger,” reveals Luk, “so working as a financial markets trader suited me perfectly because you just need to be smart, look at the data, and then have the guts to play the market. My career has blossomed since then and nowadays I am very comfortable working with many people across a broad array of areas.”

Luk is married, with one daughter aged 14 years old.

In his spare time, Luk enjoys reading and exercising at the gym. “The latter is necessary for my own well-being as well as to combat the excesses brought about by client entertainment,” he jokes. “I also play golf at the Shenzhen Xili Golf Club; this has a very positive effect in calming my mind and helping me recharge my batteries.”

current investment climate. “Both are international financial centres located in Asia, but the trustee law in Hong Kong has been recently revamped, which makes moving and holding funds more efficient,” he explains.

In addition to this, Luk believes the quality of service his

bank offers in Hong Kong is highly competitive. “This is due to more frequent communication with customers and higher emphasis upon tailor-made solutions,” he clarifies. “Additionally, the geographical location of Hong Kong is better suited to mainland Chinese customers - easy access



ALAN LUK
Hang Seng Private Banking

is essential to winning and then building strong relationships.”

In the face of adversity, adapt and emerge stronger

One issue that Hang Seng Bank is currently facing is staff turnover. “This year we lost some relationship managers (RMs) to only slightly better-paid positions else-

where, which has overstretched the rest of the team,” Luk reports. “While poaching RMs from other banks for marginal salary increases does work in the short-term, a more effective long-term strategy is to provide intensive, comprehensive training to increase productivity and job satisfaction. Nevertheless, this does take at least three years to achieve.”

He argues therefore that the rapid movement of RMs between firms creates somewhat of an unsustainable situation, which in turn leaves the wealth management industry in a precarious position.

A developing trend in wealth management is the fee-based discretionary portfolio management (DPM) model. “Moving forward,” Luk predicts, “this will be the dominant strategy going into the next five to ten years, certainly for us anyway. At the same time, we will also roll out an alternative investment strategy to the one that has dominated in recent years,

steering investors towards balancing portfolios, thereby mitigating market turbulence.”

When pressed to explain this position, Luk clarifies that the investment market is becoming more challenging in general and structured products have also decreased in popularity in recent times.

To mitigate the reduction in product sales such as structured products and to plug the gap until DPM truly builds up - and it has not yet gained sufficient traction broadly across Asia - Luk explains that over the next couple of years, Hang Seng Bank will be taking a prudent approach towards cost-benefit ratios, especially when it comes to hiring new staff.

Humans still preferred to robo-advisors

A final issue Luk addresses is the recent rise of digitalisation in wealth management. “Digitalisation tends to make people feel fancy,” reports Luk. “We are at a

stage where it seems like the way of the future, but as we see it there is a limit to what it can achieve in terms of augmentation of the HNWI customer experience at this point in time. It still has much further to go before it takes over from the human adviser."

This is not to say that HNWI clients totally eschew robo-advisory, as the protocol is accepted as a means of delivery of some information and ideas. But the typical HNWI customer still wants to talk to a person when making his or her final investment decisions.

"As HNWI clients are making major investment decisions, with each one client's portfolio in the millions of dollars," Luk concludes, "they may need the additional confidence and reassurance that a human adviser can offer, rather than simply accepting recommendations at the click of a button." ■

Key Priorities

Luk determines the three biggest priorities for Hang Seng are first to work towards sustainability, secondly to focus on DPM capabilities and thirdly to invest in the development of talented RMs.

"Without a doubt, our top priority is to put in place a truly sustainable business model, implementing strict cost-income controls," Luk asserts. "Because we have the benefit of operating a private banking business under a leading domestic bank in Hong Kong, it really helps to reduce the costs with the bank's broader resources."

Secondly, Luk and his team want to develop a more successful DPM protocol within Hang Seng Bank. "Diversification will be an important part of this model," he says, "and we may work with external partners at first, whilst internally, we must first build our investment team, which to be truly effective we appreciate does take focus, time and high-quality training."

