

Best in Hong Kong

Hang Seng Bank

> Hang Seng Bank avoided the Lehman Brothers Minibond troubles and adapted its products quickly, revamped its internal organisation and conformed to the inevitable regulations that followed. The bank was one of the first in Hong Kong to get its products authorised for retail investors after the damage inflicted by the Minibonds and its products have broken their own records.

"We have taken on all the challenges in Hong Kong by enhancing our customer management systems and product/investor risk assessment," says Wendy Yuen at Hang Seng in Hong Kong.

Keeping its products simple, the forex-linked structures have proved very popular. "The transaction amount and the number of trades based on our Maxi Interest FX-linked product have broken the bank's record," says Yuen. "In the last year, we have volumes of HK\$150 billion (US\$20 million) and we have done 239,000 transactions."

In Hong Kong, new products for sales to retail mass need approval from the SFC and this prudent due diligence process helps us to build product programmes with more clarity of risks with sufficient disclosure to facilitate investors to better understand what they are investing," says Yuen.

Hang Seng committed to provide quality products and obtained SFC approval for its HASE ELI program, which was well received by its customers in 2010. "This product was very popular before the economic crisis but its sales were stopped for nine months afterwards. With picking up of investors' confidence and risk appetite, sales were back again," explains Yuen. She says: "For retail investors, we focus on products that are very transparent with simple mechanics. We believe this would be a trend for retail market in coming 12 months."

"I believe that we are the first bank in Hong Kong to get SFC approval and I think this is a sign that the regulator has confidence in our new due diligence process," she says. "We proved this to them with one of our products and we got authorisation. Our products are very transparent with simple mechanics and are really suitable for retail investors."

The bank has adapted its internal structure, creating new teams and systems and developing existing ones. It has divided its branches into 15 districts and allocated a member of its new specialised investment sales managers team (ISM) to each district. Their role is to provide frontline support for wealth management and product training, and they will be fully equipped to handle sophisticated investor enquiries, says Yuen.

The new Professional Opportunity Management system is data-mining tool that focuses on investor statistics. "This is used to mine business opportunities and finding potential customers," she says. The online, in-house system analyses statistics such as frequency of



Wendy Yuen



visits to the branch, investor preferences, use of previous data and how investors prefer to complete transactions.

The SFC-authorised HASE ELI (equity-linked investment) product can be linked to a range of products, such as single stocks and single, basket and daily callables. "It also has a high level of flexibility and we offer both regular and tailor-made services for investors," says Yuen. "We have found the daily callable fixed coupon ELI to be the most popular of these structures, followed by the monthly callable fixed coupon ELI, daily callable fixed/accrual coupon with daily airbag and monthly callable fixed/accrual

coupon with daily airbag."

Having both issuer and distribution capabilities puts Hang Seng in a minority in Hong Kong. "We price and structure our own products and this obviously helps time to market," says Yuen. "In addition, we have dedicated sales processes and internal control systems which have been developed over the last year."

Hang Seng has also focused and developed its offerings and services for private banking and corporate investors. "We do not just target retail customers. We take care of our corporate customers' wealth management needs and our private banking customers' needs," she says. "We have a dedicated sophisticated team for corporate customers that offers tailor-made solutions for any requirements these investors may have, and special private banking managers that offer a similar service."

"The forex-linked CNY (Chinese yuan) Inverse Floater Note has attracted a lot of interest," says Yuen. The note reacted quickly to the yuan clearing agreement signed in July 2010 changing the underlying currency to the yuan. "It has been particularly useful for corporations because if they have any extra cash in the yuan they can use it to invest further in this note to benefit from the appreciation of the yuan."

"The product can deliver the highest potential return from the yuan dependent on stable or upward movement. There is limited downside risk and no exposure to the exchange-rate risk on principal investment. The short tenor is a popular feature too."

The bank has launched 36 tranches of the CNY version this year with the total volumes reaching roughly HK\$1 billion. "We designed a note that allows investors to make gains/enhance yield based on the movement of the CNY," says Yuen.

"Investor confidence is returning, albeit slowly. We have had faith in yield-enhancement products and their significant role in the low interest rate environment, and in the first quarter of 2010 we have seen forex-linked structured deposits and simple equity-linked notes playing important roles in the Hong Kong market." ●