

Banking & Finance

Hong Kong bankers and brokers see their bonuses fall by a fifth after dismal year for stock markets

- The bonuses paid to many bankers at the start of the Year of the Pig was down by about 20 per cent from a year earlier, according to senior bankers
- Some brokers had to make do with lai see containing a few thousand Hong Kong dollars instead of a bonus

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Enoch Yiu



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If Hong Kong's bankers and stockbrokers were hoping to bring home some extra bacon as the Year of the Pig got under way, they may have been disappointed.

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According to industry experts, they received smaller bonuses than usual thanks to the dismal performance of the stock market in 2018.

Chinese companies traditionally dish out their bonuses before or at the beginning of the Lunar New Year, which this year falls on February 5. The bonuses paid to many bankers heading into the Year of the Pig was down by about a fifth from a year earlier, when the Year of the Dog kicked off, according to several senior bankers contacted by the *Post*.

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Christopher Cheung Wah-fung, a lawmaker for the financial services sector, who is also a broker, said that instead of a bonus many local brokers this year would have to make do with a lai see – a red envelope containing a more modest sum of money and meant to convey good fortune in Chinese tradition.

“Some local brokers are not paying out a bonus at all but only giving out a big red pocket of lai see of about HK\$1,000 or a few thousand dollars to their staff as a token. This is a big contrast to a year earlier when many firms could afford several months’ salary as a bonus for high performance,” said Cheung.

“The Year of the Dog was not good for stockbrokers as a whole, because the market turned very volatile in the second half of 2018 after the outbreak of the trade war. Many brokers have been cautious in their expenditure and hence have not paid out a high bonus.”

Hong Kong’s benchmark Hang Seng Index went down 14 per cent last year, a far cry from its rise of 36 per cent in 2017.

Bright Smart Securities, a mid-tier stockbroker, is among the few still paying a bonus to the high performers among its roughly 300 brokers. But they will receive less than last year. This year, the top performer received a bonus equal to 15 months’ salary, down from a year earlier when it was equivalent to 20 months’ pay.

“Despite the market downturn, we still managed to keep a stable growth in new customers. For the six months to the end of September, we still reported a revenue increase of 21 per cent year on year to HK\$471.4 million,” said Edmond Hui, executive director and chief executive of Bright Smart.

The business environment for banking is facing challenges including Brexit, the US-China trade conflict and rising interest rates, all led of which have made investors more cautious, according to Jerry Chang, managing director of international headhunter Barons and Company.

“In general the bonus has decreased in double digit percentages compared to 2017. I have heard on several occasions, not limited to banking, the term ‘winter is coming.’”

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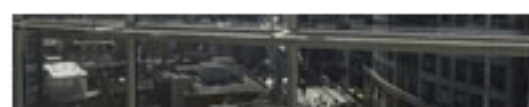
Hong Kong banks reported pre-tax profit growth of 19.4 per cent in 2018 thanks mainly to the interest rate rise, which has given them a wider net interest margin – the difference between the interest they pay on deposits and what they receive on loans – according to Hong Kong Monetary Authority deputy chief executive Arthur Yuen Kwok-hang.

Speaking at a media briefing recently, Yuen warned that there were challenging times ahead. In particular, he noted that bank loan growth had slowed dramatically to only 4.4 per cent last year from 16.1 per cent in 2017 as a result of companies reining in their expansion plans amid the trade war.

Adam Johnston, managing director of Robert Half Hong Kong, said bonus trends had been generally positive over the past five years.

“However, the cautious market sentiment in Hong Kong throughout 2019 will impact the industry as economic uncertainty will influence financial services professionals’ bonus levels,” he said.

Johnston said top-performing senior executives within a Chinese company typically receive four to six months’ salary as a bonus, while those in foreign banks and retail banks get about half that.



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BDO, the fifth largest accountant in Hong Kong, is paying an average bonus twice the size of last year’s, according to Johnson Kong, managing director of BDO.

“This year, all BDO staff are entitled to a bonus, while in 2018 it was only selected good performers who were paid a bonus. This is because there were more initial public offerings and we have also managed to obtain more listed clients,” Kong told the *Post*.

Hong Kong has reclaimed the crown as the No. 1 IPO market worldwide in terms of funds raised, with 125 companies raising US\$36.5 billion, the highest since 2010, according to Refinitiv data.

Another accounting and consulting firm EY paid its bonuses in September last year. Agnes Chan, managing partner of the firm’s Hong Kong and Macau office, said top performers got a double-digit pay rise, while the average bonus payout also increases from a year ago.

“In addition, we have revised our performance bonus scheme to make senior people eligible for a bonus on top of their 13-month guaranteed pay at the end of this financial year,” said Chan.