

Pioneering the interdealer market in China

Interview by Eric Collins and Jaime Poon

Benny Luk, CB DBA alumnus and Executive Managing Director, CEO Greater China, BGC Group, shares his career journey in the interdealer business and how he handles various market crisis.



What was your first job?

Right after I graduated from secondary school in July 1976, I joined a Philippines merchant bank and worked there for almost 3 years. After a few months I assumed the role of Settlement Supervisor and this allowed me to have an insight into banking and finance, and the likely future development of Hong Kong as a financial centre.

You have worked extensively with inter-dealer broker (IDB) firms. Can you explain their role in the financial world?

I currently work with BGC Group, which like other IDBs is a specialized financial intermediary which facilitates

transactions between banks, investment banks, broker-dealers, and large financial institutions. Most IDB activity is agency business, meaning that trade ideas and orders originate from the trading desks of their clients. IDBs provide pricing information, liquidity, and anonymity for their trading actions. In a way, IDBs are each mini-exchanges where financial institutions can find prices (bids and offers) for their activities. In Hong Kong the commercial banks have always been predominant and so large institutional clients are handled by them. But in China IDBs are able to offer services to a wide range of clients, numbering into the thousands.

What have your main achievements been in Asia?

I managed the whole Asia Pacific region including India and Bahrain for Tullett and Tokyo Forex International where I worked for 26 years. With the beginning of China's reform and opening policy from 1978, the banking and financial system required an efficient money broking function. Luckily in the 90s more people, especially in Shanghai, began to understand the role of money broking. So, taking the opportunity, I established the very first money broking representative office with Tullett in 1994, and following that a JV operational office in 2005, both in Shanghai. The IDB market increased in size when a number of countries sought to mitigate the fluctuations of the US dollar, especially after the Asian economic crisis of 1997, by issuing debt in their own currencies.

Since 2018, I have been working with the BGC Group of Companies where I am currently Chief Executive Officer, Greater China with overall responsible for the operation of the Greater China region.

How have you handled the various market crises in the past?

The IDB sector is not a market maker and cannot create markets and so when there are crises and downturns, it is important that companies have very good cost control to survive. There is also a positive side to market crises. After the 2008 Lehman Brothers crisis the US Dodd-Frank Act in 2010 was designed to prevent excessive risk-taking. The trading of OTC derivatives products requires 3 mandatory requirements, they are reporting, clearing, and trading. This means all the relevant categories of derivatives trading under the Dodd Frank Act are required to be registered in their respectively central repository which is normally managed by a government entity such as a central bank, and to be cleared through a clearing house which is usually run by an Exchange, and to be traded through an electronic platform once it is available. In the US, reporting commenced in 2013 and Hong Kong implemented mandatory reporting on 1st September 2016. The HKMA started to monitor the IDB sector more closely in these years.

Do you see work-from-home as increasing in the IDB sector?

There are definitely some pros for work-from-home such as saving travelling time and offering more options on when people work. On the other hand, more informal

communication between departments is possible when working in the same office space. There is a certain security in sharing information face-to-face which is more secure than communicating over electronic media. Market intelligences for example can be shared confidentially. Face-to-face still confers a degree of anonymity.

Is the IDB industry susceptible to brain drain?

Some people insisted on moving to places like Bangkok, Singapore, and Dubai, as a result of the social disturbance and pandemic, especially those in foreign banks. Most of the people moving were expats, wishing to have a more relaxed pandemic controls environment, especially those in their mid-30s and others of retirement age, and working in the IT area. But people are returning because Hong Kong is the biggest RMB hub by far. The recently established infrastructural facilities related to RMB such as Swap Connect, the issuing of more and more China debt mean that Hong Kong has once again become the biggest financial gateway to China.

You have given extensive service to the Treasury Market Association (TMA). What kind of work is this association involved with?

The mission of the TMA is to further promote the professionalism and competitiveness of the treasury markets in Hong Kong by developing appropriate codes and standards for the treasury markets, promoting market and product development, enhancing the professionalism of market



practitioners, and promoting Hong Kong as the preferred hub for treasury market businesses in the Asia Pacific region.

Where do you see yourself in five years?

After 46 years in the financial market, it is about time to consider taking a back seat. I may take up a consultancy role or help nurture the next-generation of management leaders. I am also happy to assume any public service roles to contribute to the wider society.

You entered the PolyU as a mature student in 1990. Can you tell us about your experience?

The Diploma of Management Studies I studied in 1990 was a 2-year part time programme jointly organized by the Hong Kong Management Association and the Hong Kong Polytechnic (as it was then). This was a very popular learning pattern in the 1980s and early 90s, as the opportunity for receiving tertiary education in Hong Kong was limited with only two universities.

You have three master's degrees and one doctorate. How important is university certification in the business world?

University certification is a benchmark of the knowledge that people possess in a specific area. Business entrepreneurs use a lot of soft skills such as leadership, time management, teamwork, communication, organization, problem-solving skills, etc. These kinds of abilities can result from real-world experience, can be developed independently, or may to an extent be 'learned' at university. Smart graduates can apply and adapt what they studied at school in the business world.

Undergraduate degree courses give many insights into different areas and offer a wide range of

career options. There are various industries that require specific training at the tertiary education level as an entry requirement, for example the banking and finance sector in China. At a later career stage, Master's degree courses can help strengthen the leadership and business skills but may not immediately help advance a career. As a stepping stone to industry-level recognition, they can definitely contribute to career progression and can also facilitate a career change to enter a specific profession. In sum, university certification is important in the business world as this is the very first effective yardstick for potential employers.

How was the DBA experience different from master's level work?

The DBA is like planning to have a baby when you have settled on an area of study. This process is similar to exploring, developing and innovating new ideas, practices and knowledge. Once a topic has been found and confirmed you need to learn the necessary nurturing tools with a concrete plan to raise this baby. You will be taught the research methodologies and problem-solving skill sets relevant to your area of interest. The CityU DBA course designates a mentor/ supervisor who acts like a nanny to help walk you through the whole journey. The DBA relies on an independent study mode, so a high level of self-discipline and observance of ethical issues are paramount.

How important is life-long education for a business career?

Life-long education is extremely important for a business career because it not only enables you to learn the necessary new skill sets and professional capabilities to further advance existing career/ job prospects, but also facilitates adapting to an ever-changing business world. Whether your study course is related to your existing career or not, it will probably help you build a larger network. This might open a new runway in your career.

What qualities/ skills does BGC look for in potential graduate employees?

BGC recruits BBA graduates as trainee brokers, preferably with a major in banking and finance. An ideal candidate is sociable and friendly; possesses excellent spoken and written communication skills; excellent interpersonal, negotiation, and conflict resolution skills; is able to share information in both large groups and one-on-one conversation; has excellent attention to detail with strong analytical skills; and has the ability to prioritize tasks.

Do you have career advice for our students?

ESG (Environment; Social; Governance) is an area to watch. In the past decade or so, ESG-minded business practices have become popular in the financial services industry. Bank of China, HSBC, Goldman Sachs, JP Morgan Chase, and others have published annual reports that extensively review their ESG approaches. ESG investing is also becoming a dominant theme for investors to consider as part of their overall investment strategies. ESG criteria would certainly be able to help investors avoid the blow-ups that occur when companies operating in a risky or unethical manner are ultimately held accountable for the consequences.

How do you see job prospects in the ESG area?

ESG specialists will increasingly be needed in-house in business organizations, and financial institutions. At the same time, government departments and statutory bodies are formulating ESG and sustainability regulations and policies, attracting foreign investments in ESG. Finally, ESG specialists will find increasingly opportunities in professional service firms such as the Big-4 accounting firms, the Big-3 business consulting firms (McKinsey, Bain & Co, Boston Consulting Group), and international law firms providing ESG regulatory compliance services.