

FINANCIAL SERVICES INDUSTRY

A new chapter for financial services



A new chapter for financial services

Little did we know that the pandemic would spark a new chapter for financial services. From ever-evolving regulations, mercurial consumer expectations, digital transformation, to the heightened competition from incumbents and new entrants, financial services verticals evolved at lightning speed – all while in a stage of poised recovery with the need to future-proof operations from additional disruption.

Alongside these significant sector challenges, financial services were gripped by the wider political and socio-economic context that was Brexit, as banks and financial institutions packed their bags to move some, or all, of their operations to cities across Europe.

However, while many sectors were forced to make radical changes, opportunities also emerged through the shadows, propagating a wave of strong economic growth. According to the International Monetary Fund, global GDP is expected to climb by 4.9% in 2022. Against this backdrop, we think sustainable finance and ED&I to be the mainstay, and for companies to harness a future fit technology strategy – with many pushing their digital boundaries.

The European financial services sector has a limited talent pool, so competition might be rife for these market leaders and visionaries. Here our colleagues throughout Selby Jennings evaluate the changes in the talent landscape and offer guidance to help firms solve one of the most pressing business challenges facing leaders today: talent.



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Investment Banking



European investment banks enjoyed healthy activity in 2021 with revitalised market conditions largely in part triggered by vaccination campaigns and strong economic growth. Hiring across all companies from small boutiques to bulge bracket firms has been strong, with many investment banks recruiting not just because of the influx of deal flows, but also to rapidly fill vacancies due to the difficulty in getting approval for additional headcount in 2020, as well as some layoffs that occurred at the onset of the global pandemic.

Across the board, movement at the Associate & VP levels topped the list, primarily within M&A. The segments of investment banking that have the greatest hiring needs include, technology, media, and telecommunications (TMT), financial institutions, power, utilities, and infrastructure (PUI), renewables, and healthcare.

Despite a post-Brexit backdrop, hiring activity picked up markedly in London, perhaps a direct consequence of the hiring freeze in 2020 and an upswing in new or resuming deals. In line with Brexit strategies, there has been a push for homegrown hiring and to build a more local presence in European Investment Banking hubs such as, Frankfurt, Milan, Zurich, Paris, Madrid, and Amsterdam.

Businesses should have a clear mandate – to hire and hire quickly in order to get the right workforce in place for the years ahead.

Associate & VP hires are likely to continue to hold the bargaining chips across TMT, technology and infrastructure/renewables, with M&A also projected to grow. From a geographical viewpoint, we anticipate expansion into major European districts, particularly Paris and Frankfurt, to continue.

Moving the dial on equality, diversity, and inclusion (ED&I) should be critical to investment banking firms going forward. Attracting and retaining a diverse pool of talent to the industry is at the top of the agenda for many with several banks hiring expert professionals to focus primarily on ED&I in Europe. The flexible working paradigm will continue to be a prominent fixture, no doubt accelerated by the impacts of the global pandemic, with most candidates seeking out this business model.



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Quants

Although crypto is typically known to be extremely volatile, the market has been extremely optimistic. We witnessed a strong uptick of capital inflow for innovative crypto trading firms as they expanded their strategy offerings - market making and arbitrage trading across new coins, DeFi trading, yield farming, launching crypto options market making businesses, among others.

2021 was a record-breaking year for the number of placements we completed at Selby Jennings across digital assets. Firms most notably hired talented quantitative developers, quantitative researchers, quantitative traders, and PMs. Securing this calibre of talent, specifically with prior experience in the crypto domain, is no easy task because in the context of algo trading the market is still very green. As a result, candidates that had a proven track record and auditable returns in trading systematic crypto strategies were and still are the most sought-after.

46% of all the hedge funds we worked with in 2021 explored adding digital asset exposure, either through launching internal desks or allocating capital externally, and 16% of all new vacancies we worked on at Selby Jennings were in crypto.

Many Ph.D. grads, top industry quants, and candidates from FAANG companies have prioritised HFT shops like CitSec, Tower, and HRT, in their search the same way they do with prestigious scientifically minded hedge funds such as, D.E. Shaw, RenTech, and Two Sigma. The best performing high frequency traders also moved from larger institutions to leaner HFT platforms in search of a clearly defined PnL pay-out. As most of these traders had a record 2021, and received bonuses in line with this, they had financial stability to take on an entrepreneurial opportunity that will allow for greater financial gain in the long run. Lastly, there was a strong pickup in hiring across all liquidity providing, execution/TCA, and algo trading oriented teams.

There is a growing interest to hire candidates that attain algo trading experience in products outside of cash equities - such as futures, FX, and credit products. The electronic trading presence across investment banks working to leverage liquid fixed income markets through systematic trading efforts amplified significantly in credit and rates too. Firms including



Quants

Citi, Bank of America, JP Morgan, Credit Suisse, Morgan Stanley, and Goldman Sachs grew out their teams on the e-trading front as an example. Comparably, there was also a diversification of product interest that evolved from corporate bonds to credit ETFs, HY/IG, treasury bonds, and other IR derivatives.

Brexit didn't leave a long enduring scar as originally expected on London. Many clients prepared for a large exodus of staff and company headquarters, however this was not the case and many companies, as well as employees, remained in London and are continuing to grow business operations there. Furthermore, hedge funds have started to pop up across Paris and wider France as access to trading licenses increased, giving more funds the capabilities to trade listed securities across more exchanges. France continues to be a huge hub for quantitative investment firms due to their easy access to graduate hires coming from some of the top-ranked STEM universities in the world. France has always been and continues to be a hot spot in this regard, where some of the world's best quants talent across Wall Street have studied.

Amsterdam had hiring sprees in 2021 from some of the established HFT players, in addition to their spin-offs across the city. We detected large market makers, proprietary trading houses, and some smaller hedge funds open offices in Amsterdam to take advantage of European stock exchanges and diversify their book of business. The Dutch capital is a desirable location due to its low cost of living, easy access to key financial hubs, such as Germany, London, and Paris, and a region that tops the list for traders looking for a suburban lifestyle.

Switzerland is an additional country where we witnessed appetite from clients in quantitative talent. In similarity to Amsterdam, Switzerland is viewed as a comfortable place to live with a high quality of life, which rippled throughout the industry as the number one priority in deciding where to work. In order to stay ahead of the curve, many firms gave candidates a high degree of flexibility and opportunity to work from either their offices spread across Europe, or they took great lengths to retain their specialist talent by establishing headquarters in countries and/or cities with a higher standard of living.

The lack of diversity within STEM subjects, commonly associated with quantitative positions, is a contested issue across quants. Quantitative finance is rated as one of the top-three financial sectors with the least diverse representation, at just 21%: lagging behind trading and IT. In response to this, we have seen a commitment from many businesses to increase percentages of female and BAME talent interviewed per role. Also, it's worth noting that the upswing in events, such as the 'Women in Quantitative Finance' conference, which is held annually, is working to raise the profile on these much-contested issues.



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Financial Technology

The rise of crypto and digital assets is one that has had a massive impact on the technology market, and increased opportunities that are available to engineers in the market. With many more traditional buy-side and sell-side institutions shifting the way they view crypto and increasing allocations to digital assets - as well as the vast variety of crypto-related start-ups offering bespoke services, platforms, and regulatory software - the need for software engineering and infrastructure talent to support greenfield development efforts in these areas is more in demand than ever before.

Companies have a need to hire people with a deep domain knowledge of industry processes, and experience architecting and developing next-generation platforms, in an already competitive market. To combat the battle for talent, many start-ups in the crypto space are offering attractive packages that include sign-on bonuses, stock options, cash bonuses, bonuses in the form of cryptocurrency and the option to work in a fully remote capacity. While we are still seeing competing offers from traditional shops, FAANG companies, or other industries, the number of candidates who may have previously been averse to the risky nature of the crypto space are now being drawn to the fast-paced, high-impact, and greenfield nature of development work, and the sheer amount of opportunities in these environments.

Looking at the long-term prospect of remote or hybrid working styles has led to a continued push for desktop interoperability on the trading desk to integrate desktop applications and automate workflows for more efficiencies and oversight, as well as open APIs. As the need for better access to liquidity and execution data, and pre-trade and post-trade, analytics continues to increase in demand. We expect there to be more demand for data engineering, strategy, and governance talent, but also a push for seamless interoperability of data between applications available through one desktop.

With this change also comes the shift in appetite for front office infrastructure to adopt the cloud migration approach that has proven to be secure, scalable, easily deployable, and efficient ecosystems in middle and back office functions.

The need for technology hires to support the growth happening in the trading and quant space, paired with the investment in the above areas and new platform/product offerings from traditional financial services firms will prove for another incredibly in-demand and candidate-driven market in 2022.



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Fintech Sales

In Europe, the Fintech sector is ripe with environmental, social, and governance (ESG) hiring activity. Sustainability has moved from the margins to be of critical importance, evident with the sustainable investments that were pumped into the sector. Across the continent, sustainability is a hotbed in fintech, propelling innovative projects forward so firms can be equipped with endless streams of fundamental data, ESG bond scoring, ESG reporting, sustainable bond analytics, and much more. In order to facilitate this demand, we have observed several existing boutique firms to be acquired by high-profile global franchises, perhaps in an attempt to leverage technological capabilities and sharpen their services. Additionally, other vendors are opting for in-house development to improve their offering.

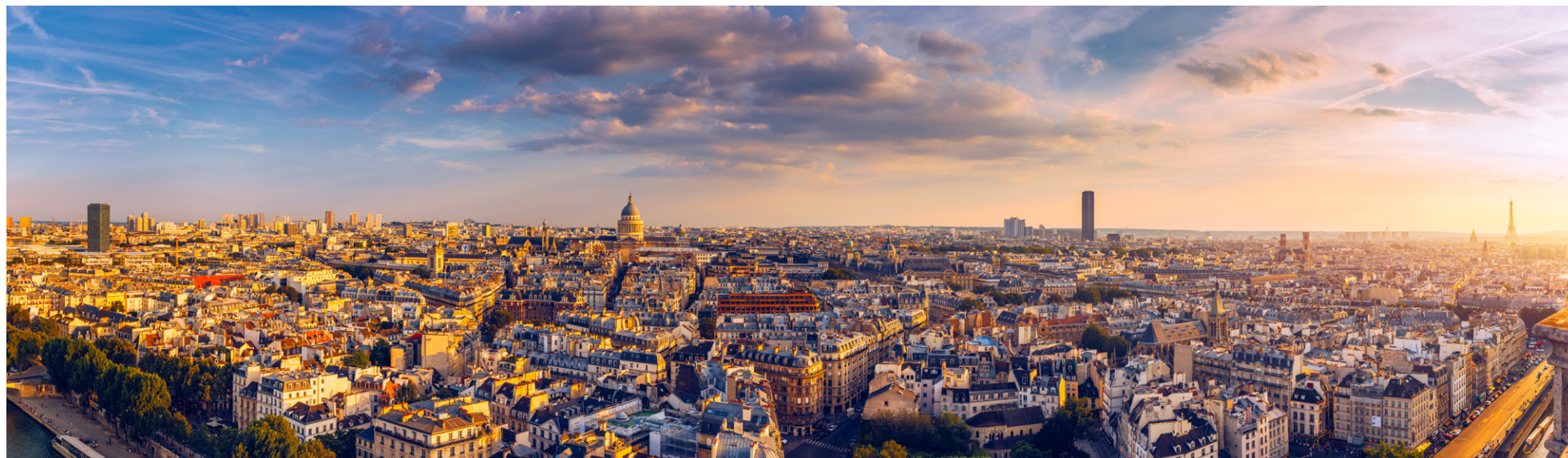
Budgets for new software-as-a-service (SaaS) including OMS, EMS, PMS, RMS, trading & reg-tech, were slashed way back in 2020 to maintain existing solutions and reduce huge costs of onboarding new enterprise solutions. However, there has been a significant bounce back, and palpable movement within the talent community coincided with this growth. New business sales & account managers

with specialist product prowess are extremely sought after, which highlights that this is a very volatile and fast-moving market.

Despite the rippling impact of the global pandemic and the ubiquitous disruption to economies, fintech companies have stayed afloat and even thrived in this context, and we predict this year to be no different. Although they might face hurdles along the way, particularly with the challenges in an already over-saturated digital market, we believe that companies will go to great lengths to differentiate themselves and stay ahead of the pack. To achieve this, ESG will be a critical foundation and important element of any fintech's DNA. As fintech's join forces with the sustainable finance wave, all major data & analytics vendors have incorporated these data streams into their offers, which will thereby position them for a value-packed robust offer.



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Sales & Trading

Sales and trading institutions have accelerated their growth hiring tactics. At the beginning of 2021, credit trading and corporate risk solutions noticeably picked up in hiring, with the latter hallmarked by an astronomical demand during the back end of 2021. Structured investment solutions units, from banks through to issuers and brokers also had a strong appetite to add to their teams.

Across cryptocurrency and digital assets, traditional financial services platforms and banks ramped up talent acquisition to meticulously build out teams, adding to the demand from fintech and funds that had previously led the charge in their record-breaking hiring activity.

The emphasis on sustainability and environmental policies acted as a vehicle to amplify hiring in ESG, carbon, and renewables across the board. Specialist ESG analysts along with sales personnel are a hot commodity.

European banks scrambled to load up vacancies last year. Following on from the developments of post-Brexit centralised hubs, specifically in Frankfurt, hiring across front office roles was buoyant – a combination of a willingness to grow, coupled with the need to fill replacement hires. As front office positions supercharged hiring activity across European sales and trading verticals, agility and speed of execution was the top-level agenda.

After a laggard pace at the start of 2021, many sales and trading teams in Paris hired in abundance, which subsequently had a knock-on effect to compensation levels swelling. Amsterdam also witnessed growing hiring activity, despite the smaller volume of sales and trading market leaders in this region. Madrid and Geneva closely followed their Dutch counterparts, particularly amongst non-banking platforms. London emerged post-Brexit as remarkably resilient in talent acquisition, with a shift towards hiring for domestic coverage along with non-EU markets such as CIS, Africa, the Middle East, and LATAM regions.

As mentioned earlier, ESG, carbon, and renewables are the hot sectors for hiring. Firms will be likely to hire under a new mandate and outside the traditional direct competitors which in effect will satisfy demand in a tight candidate pool as many will look to NGOs and corporates for an additional supply of talent.

Professionals with FX and rates experience we believe will be widely sought after. Yet, demand for this cohort with the relevant crypto experience outpaces supply, and we anticipate this to escalate competition.

From an institutional standpoint, we expect hiring to magnify in structured products and cross-asset solutions, with firms vying for business-nuanced talent coming from the boutiques.



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Investment Management

Hiring activity in 2021 took centre stage as a result of several fund launches within the sector, as well as senior hires at large funds, such as Millennium & Verition. A considerable number of mid-market firms were playing catch up to the conservative hiring efforts of 2020, with many punctuated by a rapid hiring strategy and filling seats at the analyst/associate level. On the flipside, L/S equity funds did not extensively hire as they would traditionally, perhaps a correlation between fund performance and negative turns in Q3/Q4.

In a space that was often regarded as niche, investment continued to flow into private markets. Hiring continued on a bullish footing throughout real estate, infrastructure and private debt, covering all levels of seniority too.

As would be expected, the strong demand for investors to obtain exposure to asset classes with more sustainable risk profiles/low interest rates was a force of change – the market expanded their capabilities with hires made across key verticals including, logistics, data centres, fibre, and distressed credit.

A considerable difference within fundraising has been driven by post-Brexit regulation around fundraising from the EU, which resulted in placement agents searching for senior distribution professionals and offices to be registered locally, centred around Frankfurt and Paris. A trend we observed year-on-year was, namely, to identify candidates with strong networks in the Nordics and DACH region – given the prominence of the regions and difficulty in raising capital. Irrespective of asset class, candidates with experience in origination/sourcing from specific regions are desirable, typically as employers look to flesh out their Pan-European teams.

We expect to see a greater volume of hiring to pick up across the DACH region, specifically in the PE/VC space. Mid-senior level, from VP level upwards, are projected to be the kingmaker in investment management, leading to a trend percolating across the senior end of the market.

With the limelight thrust firmly on diverse representation in the workforce, many firms might strive to have a 50/50 balance within their shortlists. Today, at the junior end, markets may have a slightly more even split, but fall short at the director level, with only 20-80 representation.



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Risk Management

Hiring within the risk management discipline has frankly gone through the roof. A confluence of factors from heightened regulatory requirements, Brexit-related growth in mainland Europe, to the rise of fintech's around every corner, have contributed to risk talent demand.

The central area of growth was in quant risk, with an increase in model development, model validation, and stress testing as many non-US banks matured their model risk departments. Additionally, operational risk roles across business continuity management and IT security saw massive upticks.

Given the extensive growth of fintech platforms and challenger banks, new risks are constantly surfacing. The allure towards the fintech scene has only intensified talent acquisition activity, which is perhaps powered by a greater desire to say goodbye to classic hierarchical structures and opt instead for a more agile business setting.

Despite some well-established banks cutting costs and decreasing teams, hiring for risk management positions trended upwards. However, for many managers in risk, there was a source of frustration in 2021 - the inability to sign off external hires to help mitigate upcoming challenges. As this expertise can rarely be found internally, last year we saw many risk management teams fail to get off the ground – a trend that had a knock-on effect with a wave of resignations. Candidates have placed an emphasis on flexibility as well, with many not willing to jump ship from their current location even for a new position.

Interestingly, Berlin saw many risk management businesses looking to set up shop, closely followed by Vienna, which arose as a desirable location for retail banking professionals. Many 'Brexit Banks' are also shifting their trading desks into Europe.

The credit risk ecosystem is driven by innovation in machine learning and artificial intelligence, operational risk is facing a number of challenges with the rise of outsourcing, and financial risk is magnifying due to the emergence of highly nuanced regulatory requirements. Bundling all these factors together, as risk management develops to become an increasingly complex and fast-changing corporate environment, the need for mission-critical talent to keep pace with these pressing sector demands is likely to intensify.

Alongside prioritising acquisition efforts by generating a strong pipeline of risk professionals, employers might address their talent risks, namely, to consider upskilling and connecting their employees to one another and leadership positions.



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Wealth Management

Wealth managers and private banks have shown remarkable resilience. The industry benefited from both AuM growth and cost reduction, and as profit pools increased by 2% across Europe, private banks looked to reinvest to achieve continued growth. This has played a critical role in hiring trends as the demand for wealth management talent grew exponentially in 2021, with many family offices, pure-play private banks, and multi-national global banks ramping up their talent acquisition strategies.

The greatest employment gains and competition was at Director level for 'hunter' private bankers, particularly bankers with a concentrated book of Ultra-High-Net-Worth clients. The demand for investment advisors dropped off in 2021, however, we anticipate by the end of Q1 2022 demand will increase.

The Covid-19 pandemic has slowed down development of 'Robo-Advisors' as clients have increasingly requested personal relationships to help guide them through choppy waters. Leveraging digitalisation and developing key account managers are important to private banks, and those that adapt and embrace agile ways of working will be in a favourable position to attract and retain industry-leading talent.

Movement away from key private banking players towards independent wealth management companies, such as multi-family offices or external asset managers, is a notable trend that has resurfaced in the market. Several EAMs have hired aggressively luring private bankers away from the big banks – a trend we expect to continue.

UK private banks have largely focused on developing the domestic market, with a particular emphasis on the regions, as well as hiring across emerging markets and the ever popular UK Res-Non Dom. Glancing across to Switzerland, the region followed a similar trajectory to the UK – Banks developed their domestic coverage with Swiss onshore. In addition there has been a renewed interest in UK Res-Non Dom clients and a continued focus on all emerging markets (Middle East, Latin America, and /or Russia). In Luxembourg, the greatest demand was in European coverage as the region capitalised on post-Brexit impacts. The hottest talent in Luxembourg has been bankers covering the German market.

Private Bankers typically hold fire until post bonus season, patiently waiting to take action and pursue greener pastures. This could spark a cluster of issues for banks further heating up the hiring frenzy with the added urgency to replacing exiting talent. We also expect banks to resume hiring for investment advisors to help manage the assets of newly acquired clients later in the year.

Women are controlling more of the world's wealth, yet female representation and wage parity continue to dominate headlines. It appears publicly listed businesses place more focus on gender diversity than those privately owned. To combat this issue, we observed a large number of private banks throw their weight behind the 'Women in Finance Charter'. Those that have signed up to the initiative have committed to achieving, firstly, at least one qualified female candidate on the slate for all mid-to senior level vacancies, and secondly, to develop a range of progressive policies to support flexible working across the UK. An additional way that wealth management and private banking could appeal to women is by 'affirmative action' – internally promoting female talent within the organisation and typically providing a balanced shortlist of at least 50% of female candidates.



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Compliance

As far as challenging years go, 2020 was hard to top. Despite post Brexit-related uncertainty and changing market dynamics as a result of the global pandemic, businesses recruited compliance talent in earnest last year.

Tech-based change and flexible working capabilities catapulted fintechs up the ranks, and to service this demand, many firms enlarged their headcount efforts to better support clients and ensure compliant obligations were fully realised. This is most clearly evident in trading platforms such as Trade Republic. During the first chapter of Q1, several consultancy projects took shape, particularly as the market was yet to regain stability and hire full-time professionals. Changes to AML regulations trickled into an increased interest for more capable compliance officers, perhaps the challenges of N26 emphasised their significance in the market.

Last year, there was a steady flow of growth into Luxembourg. Post-Brexit plans and CSSF clamping down on new AML legislations impacted the region, with a number of Third-Party Management companies kickstarting their trading endeavours. Across BeNeLux, the Selby Jennings compliance team spotted many boutique asset managers, MIFID entity launches, and private equity firms materialise throughout the region, especially in Luxembourg. Although Luxembourg is set to predominately be the

European financial HQ and hub for asset managers, this activity caused a major uplift in the market. Casting a glance to the Netherlands, this region kept to a similar orientation. Numerous trading firms launched entities in Amsterdam and built out their European headquarters, once again, in response to the Brexit trade deal and compliance teams centralising in Europe.

We expect hiring activity to gather momentum in the first quarter of this year. It is likely that the hypergrowth of fintech's will only amplify throughout 2022 due to the competitiveness of the market, as the prospect of joining a dynamic business with an exciting market presence is appealing to many compliance specialists. We predict ESG to be on the radar for financial institutions – a metric that is essential to long-term business viability and, in turn, raising the bar for compliance specialists to provide assistance in their company's ESG efforts.

Regarding the more granular compliance positions, AML professionals are an increasingly valuable resource across all European financial institutions, specifically in the 1st line of defence. Local regulators are also implementing new rules and procedures, thus in the 2nd line of defence there is an ever-expanding demand for compliance officers to manage all local regulations.



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Audit



By and large, internal audit functions were tasked with navigating new risks during the world health crisis, but a fresh set of expectations are coming into play now.

The most significant increase in hiring pertains to technical audit roles, primarily in the form of IT auditors. With a laser focused drive towards data-driven business models, IT audit is a key niche that many companies are yet to recognise and hire in full, as it requires a specific background in business informatics/computer science.

We found a hunger for businesses to hire SMEs/senior team members and then to subsequently upskill and develop this cohort into managers. Against this backdrop, fewer senior manager-level roles have become available, but we expect this narrative to shift after the bonus season this year. Credit Auditor roles regained availability, which is perhaps spurred by a need to shift resources to different areas or to make these roles primarily risk-focused. In addition, the external audit sector has undergone some key developments, with smaller consultancies and audit companies taking market share away from the big four, thereby requiring more people to reinforce this growth.

Berlin is a crucial player in the fintech field, especially since many firms have built headquarters there to align with a post-Brexit strategy, coupled with significant injections of funding into the region. Further afield, we have placed internal audit candidates in Zurich, Vienna, Milan, Brussels, and

lastly London, indicating that the market share is available for companies requiring support with difficult-to-fill roles.

The audit profession is changing at an unprecedented scale, as clients are expecting more, and technology continues to advance. With the interchangeable merge of business and IT spheres, it is evident that IT auditing is likely to grow in the next 12 months. However, demand far outweighs supply, with all new audit functions hiring IT Auditors as standard. Clients are finding it easier to train professionals with an IT background in business skills than vice versa, and whilst employers are upskilling their workforce, individuals that attain these technical proficiencies are a hot commodity.

The movement of senior team members, as part of a post-Brexit agenda, is still yet to be completed. Frankfurt is forecasted to be an important district for banking groups, along with Berlin, a city known as an incubator for start-ups, and we subsequently predict both regions to continue rising up the ranks throughout the next 12 months.



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Flexibility, Diversity & ESG



A strong phase of recovery post-Brexit, coupled with markets regaining stability despite the pandemic has shaped the evolving financial services sector dramatically. With many moving parts set to influence the finance ecosystem over the next 12-18 months though, what does this mean for labour markets and talent management within this space?

Firstly, we forecast flexible working, which was catalysed by the global pandemic, to excel new ways to operate and innovate. Financial services institutions should look to place trust in their employee network, and in turn, this onus of trust will also be planted back onto firms to uphold their corporate values and cultural integrity. Secondly, digitalisation is reshaping the financial services function as we know it. Cutting-edge technologies are quintessentially fast-tracking operational practices, and many organisations are harnessing digital tools to provide a nimble service, steering them into the future and beyond. Today, remote working and virtual interviewing are an industry standard, traditional talent acquisition simply won't cut the mustard for firms looking to secure business-critical talent. Those that fail to accommodate or develop with the changing tide might get left behind.

Following the goals set out by the Paris Climate Agreement, there has been a huge surge in financial services taking into account ESG and supplementing this into their business decisions. We expect to see global environmental issues shape the future of finance, with investors already

asking hedge funds for complex ESG data sets, as well as regulators demanding detailed data reporting. To meet investor demand, hedge fund managers are currently using new securities and products to advance integration of ESG – with equity and credit I/s strategies the most adaptable to ESG screening. We expect this to translate into a key hiring trend in the coming year and moving forwards within the entire financial services sector.

Right now, acquiring and retaining specialist financial services professionals is a bottleneck facing leaders today, especially as we are in the midst of a constrictive talent pool. We therefore advise employers to strike while the iron is hot; streamlining interview processes, incentivising candidates through lucrative bonuses or compensation packages, and upskilling the workforce in a bid to retain high calibre professionals.

At Selby Jennings, we have already started advising clients to establish a purpose-driven, 'open door policy', whereby we flag a business-critical diverse candidate to see if they could fill a seat in the business. Regardless of whether this pans out as a direct hire, it provides a company with a glimpse into the type of talent that is currently on the market, their compensation and/or benefit requirements, and could also ultimately push the needle on ED&I, a common theme cropping up across many of the key financial sectors as not only a trend, but a much needed change.

About Us

Selby Jennings is a leading specialist talent partner for banking and financial services. For more than 15 years, we have given professionals peace of mind that the recruitment journey is in expert hands. Our continual investment in best-in-class technologies and consultant training enables us to match candidates and world-leading companies with speed, precision and accuracy. Today, Selby Jennings operates all over the world to help professionals reimagine their careers, globally.

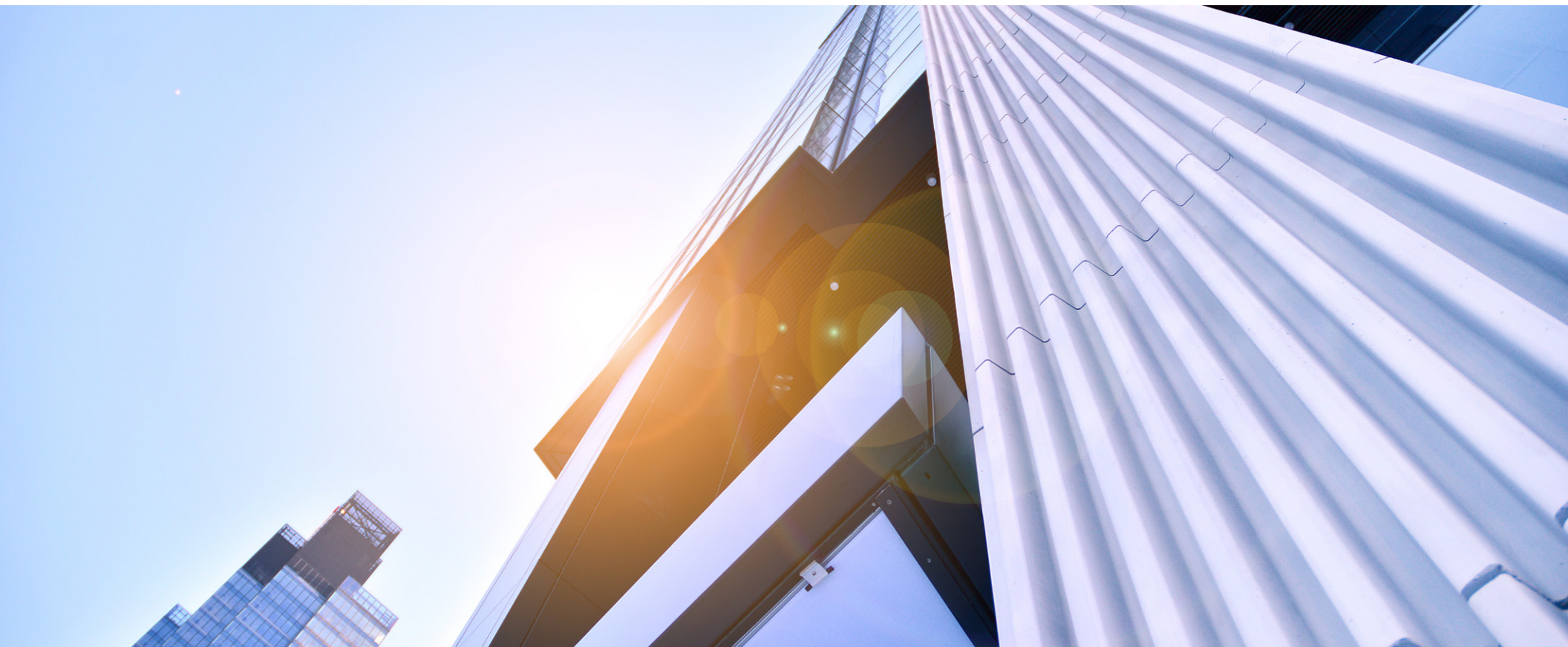
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