

# WHAT TO EXPECT IN FICC HIRING IN 2018

Authored by OGiQ



OGiQ is Options Group's catalyst for growth, providing recruiting and strategy professionals with unique, value-added advice, products and human talent management solutions for our clients. Distilling intellectual capital from raw research and over 16,000 interviews conducted each month across the firm, OGiQ produces advanced analytics, proprietary tools and information essential to our executive search and consulting businesses. Externally, OGiQ partners with our clients to provide real time competitive intelligence and benchmarking for all aspects of their businesses.

## INTRODUCTION

Toward the end of 2017, we interviewed a large number of market participants regarding 2018 prospects. Many of them believe that the recent US tax reform bill could translate into a modest boost for US growth this year and could also have a positive impact on some selected areas within fixed income, currencies and commodities (FICC) hiring. Government bonds, European credit and commodities will continue to be severely challenged, however, and several banks are still reassessing resources for those desks. Market sentiment anticipates only modest returns for US high grade in 2018. Prospects for US high yield and emerging markets credit businesses are currently much stronger and hopeful than for high grade; and opportunities for talent in those sectors should be abundant. Many securitized products sectors tightened in 2017 but the overall market still remains strong, with high demand for human capital across the range of products. FX will continue its importance as a significant revenue contributor and we anticipate many traders and sales people moving in 2018. Commodities

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desks will need to capitalize on a few tactical opportunities that will arise throughout the year and redeploy some of their talent.

In FICC, most banks see the adoption of leading technology as critical for competitive differentiation. The increasing deployment of automation and AI are creating substantive knock-on effects on operations, talent, and business strategy, especially for FICC trading, which has been severely challenged in recent years.

Many banks scaled back desks due to post-crisis regulation, higher operating costs and declining revenues. However, front-office technology innovation has brought efficiencies and possibly new sources of growth. To make such transformative leap and to win market share, firms must have the right talent to build and operate these new business models. We believe that banks that build the right capabilities and ride out near term pressures to stay with the FICC business could see big pay-offs. Goldman Sachs has deployed bots to trade odd lots in corporate bonds so that human traders can focus on more lucrative work. AI is also fueling innovation, as in UBS’ “adaptive strategy” offering that customizes strategies for clients. Sophisticated predictive analytics applied to transaction data are giving bankers the ability to anticipate client needs better. Options Group has a dedicated data science and analytics team that is helping our clients recruit top talent across the technology spectrum.

### FICC Performance Overview



Source: Company earnings reports

## OPTIONS GROUP HIRING ACTIVITY FORECAST BY REGION

① = High Activity    ② = Moderate Activity    ③ = Mostly Replacement Hires  
 ④ = No Activity    ⑤ = Headcount Reductions Likely

Sell-Side – Banks, Broker-Dealers & Boutiques							
	US	EMEA	ASIA*	JAPAN	BRAZIL	INDIA	AUSTRALIA
Commodities †	2	3	3	-	3	-	4
Credit	3	2	1	2	3	3	3
Rates	3	2	2	3	2	2	3
Foreign Exchange	3	2	3	4	3	2	3
Securitized Products	3	4	-	-	3	-	3
Emerging Markets	3	2	-	-	-	-	-
Cash Equities	4	3	5	5	2	3	3
Equity Derivatives	2	3	3	4	2	4	3
Prime Services	3	4	3	4	2	-	-
Investment Banking	3	3	3 †	3	1	2	2
Private Wealth Mgmt.	2	2	3	-	1	1	1
Information Technology	1	2**	3	-	1	1	2
Electronic Markets	2	2	3	3	-	1	3
Quant Research & Analytics	2	3	2	2	-	2	3
Risk Management	3	2	3	3	2	3	2
Operations	4	4		3	3	2	
Buy-Side – Hedge Funds, Asset Managers, Private Equity & Proprietary Trading Firms							
	US	EMEA	ASIA*	JAPAN	BRAZIL	INDIA	AUSTRALIA
Investment	3	2	3	3	2	4	2
Quant/Systematic Trading	1	2	1	3	-	1	3
Distribution	3	2	3	3	2	3	1
Operations	3	2	3	3	3	4	-
Information Technology	2	2	1	3	3	2	-
Risk Management	3	2	3	3	2	3	2

\*Asia = Hong Kong and Singapore

\*\*Germany

† NE Asia is a 3, SE Asia is a 2

## CREDIT

### US Key Trends

- There is more movement among senior professionals and hiring remains at moderate levels across sales and trading.
- Candidates are receiving premiums of 20% to 50% to switch firms, most of which are guaranteed.
- With so many bonus guarantees written, this will reduce bonuses most likely at the expense of sales, which may encourage salespeople to move throughout this year.

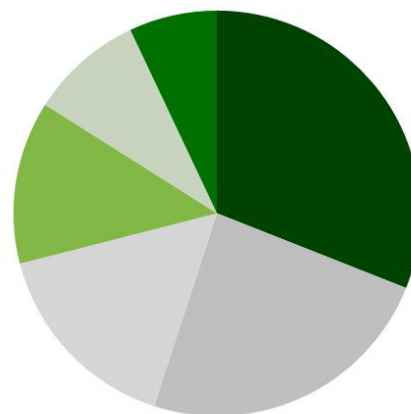
### EMEA Key Trends

- Junior flow traders are in the highest demand.
- Senior hedge fund salespeople and continental European coverage salespeople were in lowest demand in 2017.
- Junior professionals were expected to receive up to 30% increases in total compensation to switch firms over 2017.

### ASIA Key Trends

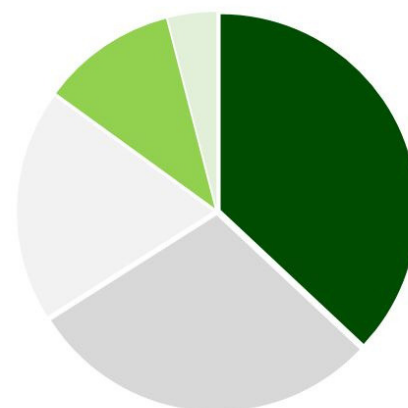
- Due to the supply and demand imbalance of credit professionals in the region, compensation levels are buffered from revenue declines due to difficulty recruiting replacements.
- Hiring activity is equally weighted between sales, trading, and structuring.
- Candidates receive on average a 15-20% increase in total compensation to switch firms.

### Primary Reasons for Making a Move (Managing Directors)



- Career Advancement (31%)
- New Challenge (24%)
- Platform Advantages (16%)
- Dissatisfaction w/ Leadership (13%)
- Higher Compensation (4%)
- Layoff (7%)

### Primary Reasons for Making a Move (VP/Directors)



- Career Advancement (37%)
- Higher Compensation (29%)
- More Interesting Work (19%)
- Better Firm Reputation (11%)
- Layoff (4%)

## RATES

### US Key Trends

- Hiring activity is weighted more on trading. Sales will be relatively quiet with firms selectively hiring for real money coverage.
- Firms are more aggressive when it comes to counter offers, with a higher level of urgency to retain top talent.
- Candidates receive on average a 20% increase in total compensation to switch firms. Exceptional candidates can receive up to 40% increases to move.

### Rates Professionals Compensation Expectations at Banks (Global)

Level (Years of Experience)	% Expected to be Paid Fairly for 2017	% Paid Fairly for 2016
MD (15+)	83%	67%
Director (8-14)	46%	26%
VP (5-8)	56%	41%
Associate/Analyst (0-4)	52%	57%

Source: Options Group 2017 Fall Survey Report

### EMEA Key Trends

- European government bond (EGB) traders, inflation traders, and junior linear rates traders are in the highest demand while flow rates sales and macro strategists are in lowest demand.
- Strategists and hedge fund sales are most vulnerable to pay cuts in 2018.
- Candidates receive, on average, 30% to 35% increases in compensation to switch firms. Exceptional candidates (e.g., those with specialized functions, or who can increase market share) receive 40% to 50% increases to switch.

### ASIA Key Trends

- There is a notable increase in the number of senior macro salespeople and traders receiving bonus guarantees to switch firms.
- Macro structurers fluent in Mandarin and macro salespeople from mainland China are typically paid at the higher end of compensation ranges.
- Candidates receive, on average, 10% to 20% increases in total compensation to switch firms.

## SECURITIZED PRODUCTS

### General Key Trends

- Regulatory events have positively impacted the demand to hire talent in origination, sales, trading, structuring, and investments, and particularly for ABS, CLOs, and CMBS. Private label RMBS was notably less active.
- Last year, bulge bracket banks hired mostly for replacement purposes, but were aggressive with both counteroffers to retain staff as well as to upgrade existing hires.
- Last year was a particularly active year for agency MBS trading, and CLO banking groups also made substantial additive hires.
- Hiring in sales has primarily been to upgrade and was active in the first half of the year, but then quieted down considerably.
- Demand for hiring junior-level structurers has risen, and, given the limited pool of talent, firms have resorted to sometimes doubling compensation offers.
- We also see hiring activity among hedge funds increased.
- Given the high level of movement and bonus guarantees written this year, existing employees may be adversely impacted by potentially smaller bonus pools.
- Firms are aggressive with counteroffers, in some cases increasing compensation more than 50% to retain personnel.
- Senior professionals typically receive around 20% increase in total compensation to switch firms. Junior hires receive between 25% to 40% increases to switch.

### FICC Job Satisfaction and Security in the US and Canada

Firm Type	% Satisfied w/ Job	% w/ Job Security
American Bank	77%	75%
British Bank	71%	60%
European Bank	67%	71%
Swiss Bank	86%	86%
Canadian Bank	90%	80%
Japanese Bank	75%	75%
Boutique	40%	75%
Broker-Dealer	69%	33%
Insurance Firm	88%	88%
Long Only	71%	87%
HF AUM > \$5B	76%	61%
HF AUM \$1B-\$5B	76%	61%
Private Debt/Real Estate	50%	83%

Source: Options Group 2017 Fall Survey Report



## FOREIGN EXCHANGE

### US Key Trends

- Conventional sales are most vulnerable to headcount reductions
- For candidates to consider moving to a similar firm, they receive offers with average increases of 20%.
- For candidates to move to less-notable outfits, they typically receive average increases of 30%.

### EMEA Key Trends

- Mixed hedge fund performance is driving hedge fund talent back to banks.
- More banks are merging voice and electronic desks into one hybrid desk.
- In the first quarter, firms were offering candidates compensation increases of around 25% to move. As hiring activity cooled, premiums leveled off at 20%.

### ASIA Key Trends

- Hiring demand is weighted toward options trading and structuring.
- Similar to European desks, banks are merging voice and electronic desks. This is raising hiring demand for hybrid electronic and conventional traders.
- Candidates receive, on average, a 10% to 15% increase in compensation to switch firms.

## COMMODITIES

### US Key Trends

- Hedge funds will continue to hire commodities talent, specifically paper traders, predominantly from other hedge funds, and physical trading firms.
- Metals and agriculture origination and structuring remain active. Oil, natural gas, metals, and agriculture traders and research analysts are also in demand; to a lesser extent so are power traders, given illiquidity and large infrastructure needs.
- Non-bulge bracket banks expanding in the region will typically offer professionals a 20% to 25% increase in compensation to switch firms. Established firms will offer potential recruits between 10% and 15% higher to move.

### EMEA Key Trends

- Hiring activity is primarily for futures traders.
- Desks are staffed fairly lean, but another light revenue year could result in slight headcount reductions.
- Candidates receive on average 10% to 15% to switch firms.

## COMMODITIES (CONT.)

### ASIA Key Trends

- Commodity trading firms continue to selectively hire talent from banks.
- Since trading firms typically offer percentage deals, there is no comparison in pay levels at banks.
- Candidates moving from a bank to a bank receive typically 10% to 15% increase in base salary.

## EMERGING MARKETS

### LATAM Key Trends

- Hiring activity in 2017 was focused mostly on EM credit trading and EM macro sales. This year, activity is expected for EM credit sales and EM macro trading.
- Counteroffers for 2017 were more aggressive than 2016 year with firms offering, in some instances, over 50% increases, to retain personnel.
- Change in total compensation to switch firms averages between 20% to 25%.

### CEEMEA Key Trends

- EM rates trading hiring was most active in 2017, particularly for Turkey. EM local structuring and EM flow sales were least active in 2017.
- Professionals for year end 2017 were expected to receive on average 20% increases to switch firms, and exceptional
- EM traders may receive up to a 30% increase.

**Overall, Asia Pacific FICC headcount growth expectations in 2017 were bleak, with the vast majority of professionals surveyed holding the belief that headcount would not go up in the region.**

**Interestingly, job security in the FICC space in Asia Pacific remained very high.**



## FIXED INCOME PRACTICE LEADERS



### **Meri Miller, Managing Partner**

Meri is a Managing Partner in the New York office. She joined in 2006 and oversees our global rates business. She also works across the fixed income arena in credit, mortgages, EM, and FX. Her intimate understanding of the industry, along with her experience in serving the needs of the bank and hedge fund communities, has significantly broadened Options Group's coverage of these markets. Prior to joining Options Group, Meri was a Managing Director in Rates Sales focusing on Hedge Fund Coverage at Bank of America. Meri graduated from Boston University's School of Management and completed graduate coursework at NYU's Stern School of Business.



### **Raveen Shah, Managing Partner**

Raveen is a Managing Partner in the London office. He joined Options Group in 2000 and covers the firm's European Fixed Income practice, working as a generalist across all asset classes with a particular focus on derivatives products. As a Managing Partner, he has broad experience in conducting searches at all levels across Interest Rate/Credit Sales, Trading, Structuring, and Emerging Markets. Prior to joining Options Group, Raveen was called to the Bar at Middle Temple. He holds a LLB from the London School of Economics.



### **Richard Stein, Chief Growth Officer & Head of OGiQ**

Richard is a Partner, Chief Growth Officer and Head of OGiQ at Options Group. Richard has originated and executed search and competitive intelligence assignments for major investment banks, hedge funds, asset managers and alternative investment firms around the globe. In addition to Richard's responsibilities for client relationships and search execution, he is also the Global Head of OGiQ. Richard is responsible for the Firm's Strategy and Corporate Development Function, Firmwide Marketing, and Talent Analytics. Richard was CEO of Futures International and also served as Senior Client Partner at Korn/Ferry International.

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