SALARY SURVEY 2020

RISK & QUANT MARKET UPDATE

THE RECRUITMENT MARKET WITHIN LONDON IS AN EVER-EVOLVING ONE, AND 2019 HAS HAD MORE OF AN IMPACT ON THE STATUS QUO THAN IN YEARS PREVIOUS. 2018 WAS CHARACTERISED BY A SURPRISING LEVEL OF GROWTH WITHIN THE RISK SECTOR AS BREXIT FAILED TO HAVE THE IMPACT ANTICIPATED. IN 2019, BREXIT BIT BACK AND HIRES HAVE BEEN DOWN ON 2018 NUMBERS. UNEMPLOYMENT CONTINUED TO TUMBLE, AND IS NOW DOWN TO AROUND 3.7%, A SIMILAR LEVEL TO THAT AT THE END OF 2018, HOWEVER STAGNATION IN THE ECONOMY HAS HAD AN IMPACT ON EXPANSION OF RISK DEPARTMENTS.

The economy has grown year on year on average by about 1.9%, however this has slowed down considerably since 2015 (the last year where it grew by at least 2%). 2018 saw the economy grow by 1.4%, and continued to grow well at the start of the year, however this slowed to only 1.0% in Q3. The economy is predicted to have grown by 1.4% by the end of the year, but at time of writing, it remains to be seen.

The reason I bring up the economy when talking about the risk market is because recruitment itself is market let. There are two ways in which roles come to market, either by people leaving a company, or via a company expanding their team. As the economy slows down so do the number of roles on the market. This has been reflected in the risk market as new roles taken in this year have fallen by 9% on 2018's numbers.

This however is not all doom and gloom for risk professionals, as the skills in demand, particularly within risk have shifted from 2018. Much has been made of the rise in wages for banking professionals within the city of London in the past year as reported in the financial press, climbing from £48,500 on average to £53,000 in the second quarter of 2019. From a risk perspective, however this rise in salaries comes from a greater demand in that middle management band of risk professionals. The band of employees with an average salary of around £60,000 and around 3-5 years' experience. The number of juniors hired has been lower than in 2018, as has been movement of c suite level hires.

While there has still been movements in these sectors, recruitment at the junior end of the market has declined.

This is of course a generalisation of the risk market, but if we look at the areas of risk specifically, we can note the changes on a micro level that have taken place in the past 12 months.

Within the credit risk market, we have seen a greater focus on the second line of defence. Many banks within the city have chosen to restructure their departments due to the regulatory pressures (both ICAAP and ILAAP having large impacts) as well as error mitigation. A trend has developed to move credit departments firmly back to middle office from a front-middle office position. This makes the credit risk frameworks easier to maintain, however it remains to be seen whether the generalists will find a place in these new structures. This means that the skills in demand this year have been primarily the number crunching, and analysis rather than client or stakeholder management. In general, there has been an increase in the number of both Corp and FI credit analysts, however we have seen a decline in the number of credit structuring, and the more exotic leveraged finance credit roles.

The operational risk market has seen a turbulent year. In the first half of 2019 demand declined combined with an increase in redundancies as some banks looked to centralise risk departments. This had a large impact on the operational risk market in early 2019; however, the market recovered towards the end of the year. The motivation seems to be a need to bolster control and RCSA frameworks due to the publishing of a letter from the PRA towards the end of October. It seems that regulator focus is on robust frameworks as a measure of success within risk departments and as such has driven an increase in operational risk hiring towards the end of 2019. At time of writing, it is still too soon to tell whether this will be sustained, but the outlook is more optimistic than it was at the end of Q2 for operational risk professionals.

Market risk has remained steady in the past 12 months. Financial Service providers have focussed primarily on the areas surrounding market risk such as investment and prudential risk; however, there has still been growth within the traditional market risk areas. This growth has come from the mid-tier banks primarily as top tier establishments have mainly replaced leavers at the same if not more junior levels. Mid-tier banks have looked to expand and bolster their market risk departments in order to make up ground compared to top-tier banks who already have established market risk departments. In 2019 FRTB will play an impact as the implementation date of Jan 2021 nears, so expect more hiring in regulatory market risk areas across all banks. As market volatility has increased, it only makes sense that market risk hires will continue to remain strong as Financial Services providers look to minimize losses.

The quantitative job market has grown as we predicted last year to see a continued hiring effort within the mid-tier banks and asset managers. This is due to the establishment of teams in 2018 as mid-tier banks and asset managers sought to catch up with top tier banks and hedge funds, however has perhaps not been as drastic as we expected. The majority of growth has instead come from the usual Top tier Banks and the Buy-side who have always had an appetite to hire within the quant market. Large Asset Managers and Banks have branched out into attribution and internal quantitative business analysis providing more options for those trained in traditional quantitative skills. There has been sustained hiring within market risk and credit risk modelling functions at a similar level to those seen in 2018. Model risk and model governance have also remained at a similar level of hiring, within similar establishments to those seen in 2018. Furthermore, the quant sector is also the sector that has seen the most regular and sustained hiring of juniors within all establishments. Top tier university graduates can still find roles within the city with relative ease, and establishments are still hungry to hire to the top talent before they go elsewhere. The focus in hiring has been Python coding professionals as Python continues to be the dominant coding language for quantative professionals in the City. It would seem that the quantitative revolution is not yet complete within the London banking market.

In summary, the London risk recruitment market is intrinsically linked to the economy of London, and the current level of uncertainty felt by financial service providers is being reflected in the areas in which they hire. I cannot predict the overall nature of what will happen in 2020 as at time of writing we are awaiting an election and the outcome of Brexit. I will go on record as predicting that quantative functions will continue to grow, as they have been year on year. In times of uncertainty risk remains a robust hiring area as clients look to sure up their assets and look to minimize losses. Whether this will be at a higher level than seen in 2019 remains to be seen. The impact of upcoming regulatory change will continue to drive hiring; and there is reason to be cautiously optimistic about the London economy. As a result, risk recruitment in London remains one of the key areas for hiring within the London banking market.

RISK & QUANT – PERMANENT, LONDON

BASIC SALARY (£ PER ANNUM)

Role	Analyst	AVP	VP/AD	SVP/Director	Head of
Credit Analyst (Corp)	30,000 - 35,000	40,000 - 50,000	50,000 - 70,000	80,000 - 120,000	150,000 +
Credit Analyst (FI)	35,000 - 40,000	40,000 - 60,000	60,000 - 80,000	80,000 - 150,000	170,000 +
Credit Analyst (Comms)	30,000 - 35,000	40,000 - 45,000	45,000 - 60,000	60,000 - 90,000	120,000 +
Credit Analyst (Project and Leverage)	35,000 - 40,000	45,000 - 55,000	60,000 - 80,000	90,000 - 150,000	175,000 +
Credit Analyst (Structured)	45,000 - 50,000	50,000 - 60,000	70,000 - 90,000	100,000 - 150,000	200,000 +
Credit Analyst (Retail)	23,000 - 25,000	25,000 - 40,000	40,000 - 65,000	65,000 - 100,000	120,000 +

CONTINUED BASIC SALARY (£ PER ANNUM)

Role	Analyst	AVP	VP/AD	SVP/Director	Head of
Credit Risk	35,000 - 45,000	40,000 - 65,000	65,000 -110,000	100,000 - 125,000	150,000 +
Ops Risk	40,000	40,000 - 60,000	60,000 -100,000	100,000 - 150,000	150,000 +
Enterprise Risk	45,000	45,000 - 55,000	60,000 - 110,000	100,000 - 150,000	150,000 +
Third Party Risk	35,000	35,000 - 50,000	50,000 - 90,000	100,000 - 120,000	130,000 +
IT Risk	40,000	45,000 - 55,000	60,000 - 90,000	100,000 - 125,000	150,000 +
Market Risk	40,000 - 70,000	60,000 - 80,000	70,000 -100,000	120,000 -150,000	175,000 +
Liquidity Risk	50,000 - 80,000	70,000 - 90,000	80,000 -110,000	130,000 - 150,000	175,000 +
Investment Risk	60,000 - 90,000	70,000 - 100,000	90,000 -120,000	150,000 -175,000	200,000 +
Market Risk Quant	40,000 - 50,000	50,000 - 85,000	80,000 -130,000	120,000 - 160,000	145,000 +
Credit Risk Quant	30,000 - 50,000	45,000 - 75,000	80,000 - 130,000	120,000 - 160,000	145,000 +
Model Validation Quants	45,000 - 55,000	55,000 - 85,000	85,000 - 135,000	125,000 - 185,000	160,000 +
Front Office Pricing Quant	50,000 - 75,000	60,000 - 95,000	90,000 - 140,000	140,000 - 220,000	200,000 +
Quant Developer	45,000 - 55,000	55,000 - 80,000	75,000 - 125,000	120,000 - 175,000	175,000 +