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### **2014-Projected Talent Movement Year in China's Financial Sector**

#### **Introduction**

Looking back at the year of 2013, a good number of new policies for speeding up improvement and internationalization of China's Financial Sector had been introduced, and the sector saw relatively good development progress for the year. Individual financial industries had experienced high growth rates, such as the estimated 60% growth rate enjoyed by the Trust industry. With managed assets exceeding RMB 10 trillion yuan at the end of the year, it propelled the industry to surpass the Insurance industry to become the second largest industry in the Financial Sector in China.

The Banking industry continued its remarkable growth from the previous two years, and managed assets have grown into a scale of about RMB 150 trillion yuan at the end of last year. However, liberalization of interest rates and the continuous deepening reform of the Banking industry has affected the industry's short term growth prospects, but nevertheless such measures are seen to be bringing long term benefits to the businesses.

Projecting into 2014, the Financial Sector will see increasing competition due to market growth pressure, eliminated entry barriers as well as widened business scopes. Apart from efforts to reinforce existing businesses, players in the sector will have to face the need for transformation and diversification. Professional financial talents will be in demand to satisfy the needs and drives for various initiatives including new teams, new business lines and product development, market penetration, heightened compliance and regulatory requirements, as well as risk controls.

On the other hand, the large scale re-opening of the IPO market and the anticipated re-invigoration of merger activities as well as the fast development of Internet Finance market, coupled with the continuous development of new financial districts such as the Shanghai Free Trade Zone and the pilot financial zone in Qianhai, Shenzhen, it is

anticipated that there will be increasing pressure on demand for financial professionals. Also, movement of such talents will be enhanced.

### **Demand from New Business Development and Product Innovation**

For this year, “transformation” and “diversification” may seem to be the key words for the Financial Sector in China.

In the last few years, the Trust industry has enjoyed remarkable growth, topping the growth rate chart in the Finance sector. Continuous but slowing growth rate is expected for this year. In addition to core business consolidation, the industry also needs to focus on transformation and business diversification. Changing from the ‘conduit’ role and debt financing management business model with heavy reliance on real estate clients into a more diversified model of investment as well as asset and wealth management model will be a key approach. Consequently, notable increase in the demand for relevant talents, especially at the senior management level, will be observed. How to best utilize the industry’s current success for better product innovation as well as enhancement of the industry image to attract talents from other industries will seem to be the key challenges of the Trust industry.

For the Banking industry, it is generally anticipated that interest rate liberalization will continue the previous year’s trend in this year and hence negatively affect the profit growth rate of commercial banks. The Banking industry also sees the need to enhance its competitiveness in the sector by business transformation and diversification. The pilot asset and wealth management and financing program introduced at the end of last year has allowed direct participation in the asset management services market by the Banking industry, and it is speculated that the market will become a “mixed-industries” battle field. With the general opening up of business scopes in the Financial Sector, China is said to be beginning an era of “Pan-Asset Management” or “Pan-Wealth Management”. In terms of talent demand, apparently people with cross industry experiences in debt financing, equity financing, merger and acquisition and wealth management will be much sought after.

On the other hand, the growth in leaps and bounds by the new Internet Finance industry seen in the year of 2013 in China was perceived by many to be only just the beginning. Compared with the traditional Banking business, the seemingly higher flexibilities, mobility, penetration as well as platform efficiency offered by Internet Finance is believed to be able to continuously attract domestic and overseas investment in a large scale to fuel its speedy growth. It is speculated that successful players in the business may eventually become competitors with the Banking industry in the areas of personal wealth management, consumer as well as mini and micro enterprise financing. Talents with product development, wealth management and/or internet business experience are likely to be targets for hiring by the industry.

The Insurance industry saw a steady year of development last year. Since the industry requires unique skill sets for their talent hires and relatively lower professional financial expertise for their junior staff, the financial professional talent market seemed to be less affected by the industry as a whole. For this year, insurance companies are hopeful that the introduction of insurance businesses on the internet together with the improved management system will open up new business opportunities to the industry. Thus, the Insurance industry may prospectively take up a more proactive stance in the very competitive wealth management and internet-based businesses in this year.

Talent demands in the Internet Financial market and the emphases on new financial products will call for people with experiences in the financial, internet, and IT areas. It is anticipated that the need for establishment of new teams and development of new business lines will enhance the demand for senior management, team leaders as well as people with cross industry experience.

### **Demand from Business Expansion and New Policies**

Apparently, global economy for this year is generally expected to be stable with steady growth. The Chinese economy will also maintain its growth, and to certain extent, still depend on domestic consumption as one of the fueling factors. Owing to domestic and external factors, liquidity for the first half of the year will remain tight in China. Facing challenges such as the liberalization of interest rates and new capital sufficiency requirements, coupled with competition from new market entrants, the Banking industry expects decreasing growth rates and consequently, hiring needs will not be increased. On the other hand, the overall deepening reform in the industry for improvement in corporate governance, risk management and information disclosure as well as new business development needs will somehow enhance professional talent demand.

Foreign banks in China experienced relatively slower growth last year. In the near future, since their income will still rely largely on interest spread, the liberalization exercise may continue to have an adverse impact on foreign banks' competitiveness in developing domestic clients in China. Nevertheless, the Chinese financial market is gradually opening up to foreign players, and more business scopes and opportunities are being offered by the new financial zones. If foreign banks can leverage on their international networks and experience in more sophisticated financial products, they may still be able to see reasonably good prospects in China.

In this year, new banks bearing their own risks and established with predominantly civilian capital will be initiated, and a high level of interest in participation has been expressed by many enterprises. With the setting up of these new banks, demand for financial sector talents will inevitably be stronger, especially for senior leadership talents.

The large scale re-opening of the IPO market this year posted good news to investment banking and securities companies. However, owing to the performance of the current

secondary stock market and the pressure on liquidity, apparently the Investment Banking industry seems only planning to be more active in the second half of the year, when the current backlog of IPO cases have been reasonably absorbed. Also, the solving of the management stock incentive issue is an encouraging element for investment banks and funds to attract and retain their talents this year.

In terms of the joint venture securities firms, caution and mixed attitudes towards business prospects have been observed. In any case, the re-opening of the IPO market and the recent performance of the Growth Enterprise Market in China have positively influenced the equity investment as well as the merger and acquisition markets. It is speculated that investment banking and equity funds may begin to flourish again in China in 2014. As far as talent demands are concerned, the Investment Banking industry will certainly be competing with the Banking and Trust industries for investment and M&A managers.

It is worth noting that the Finance Leasing industry has received strong support from China's senior officials, and focused development has been one of the main directions in the agenda. It is believed that many relevant policies and detailed rules will soon be introduced. Finance Leasing has long been a major business component in the international financial market, and prospects are looking good in view of China's continuous demand for big-ticket leasing. Opening up of the market, widening of business scopes together with relaxation of entry requirements, coupling with focused development of financial pilot zones in Shanghai and Shenzhen, apparently Finance Leasing may become another demand area for financial talents in China. With the advance of time, and the introduction of market economy rules to ensure bearing of own risks and orderly market withdrawal mechanisms, it is expected that civilian capital dominated financial institutions such as finance leasing and consumer finance companies will gradually appear in the market.

The anticipated vigorous Financial sector, together with introduction of new policies and rules and strengthening of risk control and compliance requirements, as well as demand from new IPOs and related merger and acquisition activities, will generate ever increasing demand for experienced talents from financial service teams in professional firms in the Accounting, Legal and Financial Consulting fields. At the same time, ever increasing client demand will also step up the need for resources in such professional firms. These firms will therefore have to meet with bigger challenges in satisfying such talent needs in the year.

### **Demand from New Financial Zones and Investment Funds**

The establishment and maturity of new financial zones such as the Shanghai Free Trade Zone and the Pilot Financial Zone in Qianhai, Shenzhen will certainly offer business opportunities to both domestic and foreign financial institutions. As far as professional financial talents are concerned, it is expected that regional demand for such talents will be higher, especially in Beijing, Shanghai and Shenzhen. In view of this, cross-region

movement of talents are expected to increase as well.

The tax deferral incentives on supplementary pensions have become effective from this year. Although currently the scale of such funds may not be overly significant, it is believed that it will certainly be another positive factor for the development of the capital investment, wealth management and the insurance markets.

### **Implications**

Following the market reforms of the Financial Sector in China, industry players will inevitably have to confront with keener competition. Members will have to satisfy ever greater needs for higher innovation, better risk and cost control skills, stronger market penetration abilities, and better investment management experience. Satisfying the various talent needs, establishing professional business teams efficiently and enhancing cohesion among team members will be decisive winning factors in the competition.

We believe the year of 2014 will be a significant demand and movement year for Financial Sector talents. Demand for financial and related talents will increase across the board for the front, middle and back offices. Asset management, investment, risks, product development, business and management talent needs will be high. Starting from the first half of the year, talent movement will speed up, cross-industry movement will be obvious, and demand for specific regions may be acute. Demand for non-traditional, innovative banking business talents will be keen. Talents with multi-industry experience, senior management, product development, risk and compliance experts will be notably sought after.

For the second half of the year, assuming there is no significant fluctuation in the Chinese and the global economies, and following the gradually reducing impacts caused by the withdrawal of the US government's quantitative easing exercise, it is believed that demand for relevant talents may surge and some of the financial talents may appear to be in short supply. The sector will crave for talents with financial, internet business and IT experiences in China. Moreover, talents in the overseas financial markets may also be recruited as additional resources.

### **HR Action**

To help accomplish the corporate missions and plans, the HR function will play a more important role. HR management in the Financial Sector should cater for their own business and talent needs at an early enough stage to proactively devise HR and recruitment strategies for ensuring better results.

HR management should also review the existing talent movement trends and the compensation structure and incentive schemes. At the same time, enhancing of corporate images and culture, stepping up of professional and cross-industry training, strengthening

of staff communication etc should also be reinforced in order to create better impacts. In the fierce market competition environment, industry players have to balance their opportunities and challenges. Staying close to the talent market, recruiting professional talents for high quality teams are inevitably key factors for business successes.

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