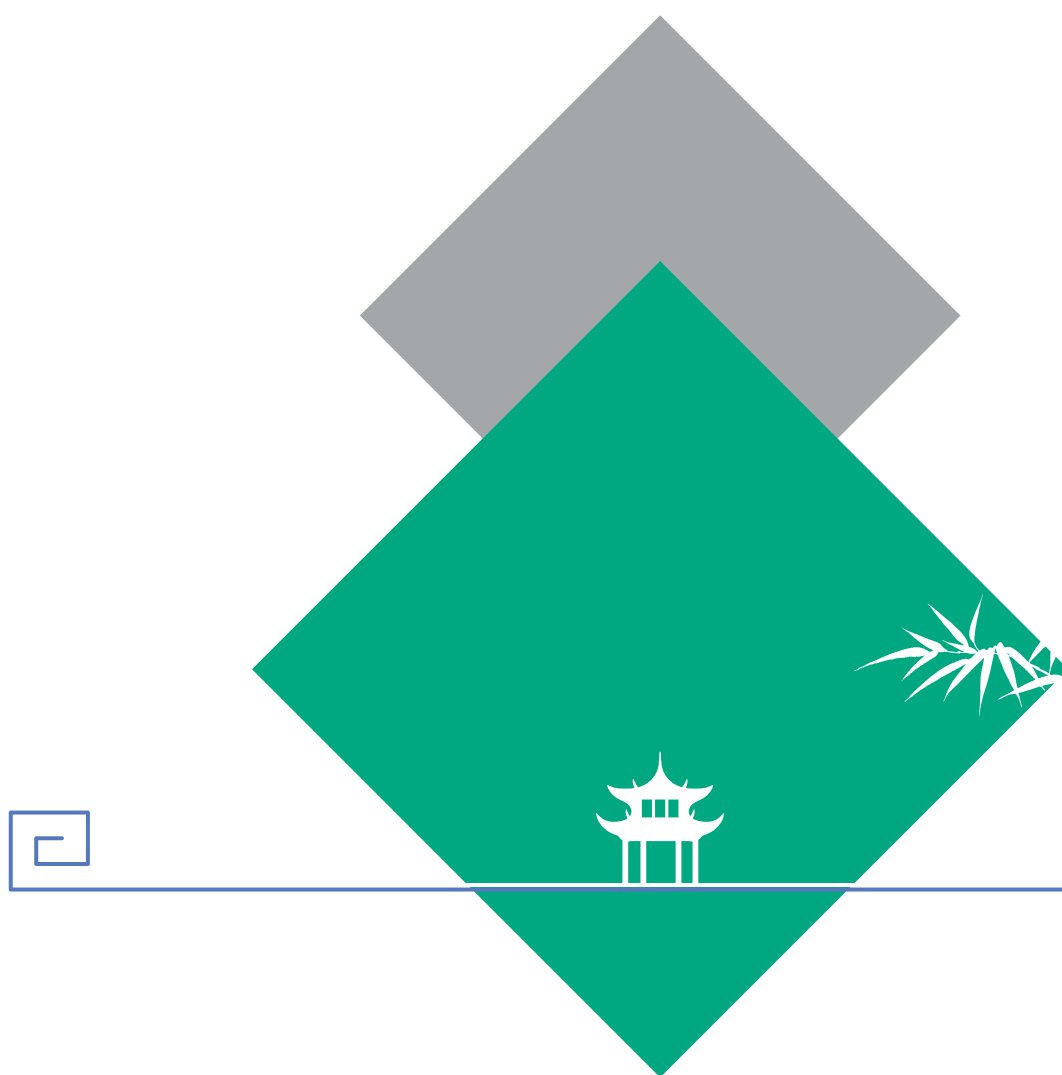


FINANCIAL TALENT DEVELOPMENT IN CHINA 2016







CONTENTS

1.	Purpose	2
2.	Summary	3
3.	Research Background	4
4.	The Overall Situation and Tendency of the Financial Sector	6
5.	The Situation and Trends of Industries within the Financial Sector	17
6.	Regional and Hierarchical Differences as well as Tendency of the Financial Sector	23
7.	Inspirations for Financial Institutions and Talents	26
8.	Summary and Outlook	29
9.	Report Sponsors	30





PURPOSE

In the period of economic transformation, China's financial sector is facing new opportunities and challenges. How should financial institutions and those who work in the financial sector grasp the opportunities and cope with the challenges?

This Report was prepared by CFA Institute, Roland Berger Strategy Consultants and LinkedIn and is intended to provide financial institutions and those who work in the financial sector with a helpful reference.

Integrating the abundant resources of CFA Institute, unique strategic consulting services of Roland Berger, and enormous database information of LinkedIn, this Report reviews and analyzes the talent strategy of the financial sector so as to find out the characteristics of talent flow at the present stage, help financial institutions gain an accurate understanding of the change trend of the talent strategy in the future from a macroscopic perspective, and provide a reference for employees working in the financial sector to make their career plans.





SUMMARY

In its current stage of economic development, China has to deal with the slowdown in economic growth, make difficult structural adjustments, and absorb the effects of previous economic stimulus policies simultaneously, as its economic growth declines and its transition of economic structure begins.

Its financial sector is shifting from inefficient and blind development to steady development, showing new trends of institutional reform, developing a multi-level capital market, and inclusive finance.

As the financial sector continues to grow in China, particularly, driven by emerging innovative business and modes, the market demands for financial talents are increasing and thus causing more frequent talent flow in the financial market. However, since the salary level of the financial sector is much higher than that of other sectors and the financial sector has a certain threshold for employment, its talent flows mostly take place within the sector.

At present, the financial sector continues to develop mixed operations, so interdisciplinary talents are essential for the business development of financial institutions in the future. Although the talent requirements of different industries within the financial sector vary, educational background, international professional qualification certificates, as well as cross-industry and interdisciplinary knowledge and experience tend to be more valued for talent development of the sector. It is worth mentioning that Internet finance has given a significant impact on traditional finance and attracted lots of outstanding talents. However, due to its high requirements for business innovation, Internet finance is still plagued with severe shortage of talents. Internet finance features a free and easy work atmosphere, which helps it attract talents from all walks of life, including the Internet, finance, and IT industries and even outstanding talents from foreign countries.

In addition, in recent years, Chinese financial institutions have been expanding operations in cities other than first-tier cities, but the volume and quality of talents in these cities still lag behind those in first-tier cities. For the purpose of business expansion, financial institutions in cities other than first-tier cities may attract outstanding talents with economic compensation and career development motivation in the form of talent dispatch or incubation. Financial institutions have different demands for talents at different levels; for example, qualification certificates make a difference in applying for an entry-level or intermediate position within the financial sector but have little influence on applying for a senior position.

Based on the current situation and tendencies, this Report makes a summary analysis of and puts forward suggestions on the talent strategy of financial institutions. On the one hand, financial institutions need to make a reasonable plan on their talent demands and recruit talents from within and outside the financial sector through diversified channels including head hunters, M&A, and off-site business centers; in the process of talent selection, financial institutions shall proceed from the needs for business development and innovation, lay emphasis on talents' comprehensive qualities and abilities, including their educational background, international professional qualification certificate, cross-industry knowledge and skills as well as relevant overseas experience. On the other hand, financial institutions shall provide talents with opportunities of emerging business by establishing a flexible job rotation and training system, so as to ensure the expertise and creativity of employees; also, financial institutions shall focus on establishing a flexible mechanism for talent promotion, introducing diversified salary systems, and arranging work place for their employees as appropriate.

Those who work in the financial sector shall first of all pay attention to key growth industries and areas of innovation, properly consider development opportunities in different cities, and have their long-term development goals in mind so as to choose their industry and position as appropriate; second, they shall develop themselves into interdisciplinary talents by improving their comprehensive quality, professional level, and creativity, so as to adapt to their career development.



- Note: In this Report, the financial sector is mainly classified into banking, insurance, securities, and fund industries, and such classification also applies to the analysis of the development and talent markets of the sector.



RESEARCH BACKGROUND

After 30 years of high-speed growth, China has to deal with the slowdown in economic growth, make difficult structural adjustments, and absorb the effects of previous economic stimulus policies simultaneously. According to the 13th Five-Year Plan of China, the Chinese government has lowered its projected GDP growth rate to 6.5% for the next five years, and China's economy is expected to maintain a medium- to high-level growth rate. Meanwhile, its traditional industries will turn themselves into high value-added industries. The macroeconomic data show that, in 2014, the proportion of the GDP of the tertiary industry stood at 49%, up 10% from 2010.

At present, China's outdated production capacity has been phased out gradually, the export and investment growth are beginning to slow down, the domestic consumption growth is accelerating, its capability of independent innovation has been further strengthened and emerging industries like the Internet industry are growing rapidly, and China is implementing its strategies of "Made in China 2025" and "Industry 4.0", which are expected to further promote the scale expansion of advanced manufacturing and strategic emerging industries of the country. In addition, the Chinese government has put forward in the Report on the Work of the Government for 2015 that it will give great impetus to "mass entrepreneurship and mass innovation" and relax restrictions on market access.





Against such a backdrop, transformation and upgrading are in the making in all economic fields of China. Likewise, the traditional financial sector is also facing opportunities for transformation from extensive high-growth development to steady development. During the 13th Five-Year Plan period, the Chinese government will deepen the supply-side structural reform in the financial sector, further optimize the allocation of resources, establish a multi-level capital market, and channel great energy into developing inclusive finance.

Besides, we believe that the development of the financial sector will show two major trends in the future:

On the one hand, industrial regulation is expected to keep in line with international standards over time and the level of marketization is expected to deepen. As the reform of liberalization of interest rates has been basically completed, the regulatory authorities will further lift controls over mixed operation and channel the investment of nongovernmental capital into the financial sector.

On the other hand, China's unique market circumstances have boosted the high-speed development of Internet finance, signifying the advent of the era of "Internet +." As a result, customer demands and new requirements on service capabilities of financial institutions are predicted to increase; for example, financial institutions are required to provide convenient and customized services via the Internet. Traditional financial institutions have begun to take the road of disintermediation and inclusiveness, and the 13th Five-Year Plan also clearly proposed that the Chinese government would channel great energy into developing inclusive finance and encourage traditional financial institutions to speed up their Internet-related deployment.

The talent strategy of financial institutions needs also to be adjusted so as to follow closely the changing trend of the financial sector. As the industries under the financial sector grow rapidly and the types of financial institutions increase, financial institutions are attaching greater importance to the comprehensive abilities of talents. Meanwhile, in order to meet the requirements of the new development tendency of the financial sector, financial institutions need to pay particular attention to professional competence for specific businesses and creativity for emerging businesses.

In general, the financial sector is undergoing new changes of employment standards and more frequent talent flow. How to attract and foster talents has become a benchmark for financial institutions to develop their talent strategies and a key for their business transformation and upgrading.





THE OVERALL SITUATION AND TENDENCY OF THE FINANCIAL SECTOR

Overall steady growth

According to the statistical data of China Banking Regulatory Commission (CBRC), by the end of 2015, banking institutions had a total asset of RMB194.17 trillion, an increase of RMB26.01 trillion over the end of 2014, up 15.47% on a year-on-year basis. As is shown in Figure A, the total assets of the banking industry grew steadily, but the growth rate was gradually declining. Due to economic downturn and structural adjustment, the era of high growth of the banking industry has come to a end, and the industry is now facing a new challenge of business transformation.

Meanwhile, as the multi-level capital market improves gradually, people have increasingly raised the awareness of financial asset allocation over time, and insurance, securities, and fund industries have realized steady and robust growth. By the end of 2015, the total assets of the insurance industry had reached RMB12.36 trillion, an increase of RMB2.20 trillion over the end of 2014, up 21.66% on a year-on-year basis. By the end of 2015, the total assets of the securities industry had reached RMB6.42 trillion, an increase of RMB2.33 trillion over the end of 2014, up 56.97% on a year-on-year basis. By the end of 2015, the total assets of the fund industry had reached RMB13.61 trillion, an increase of RMB6.94 trillion over the end of 2014, up 104% on a year-on-year basis, much higher than 58% of 2014.

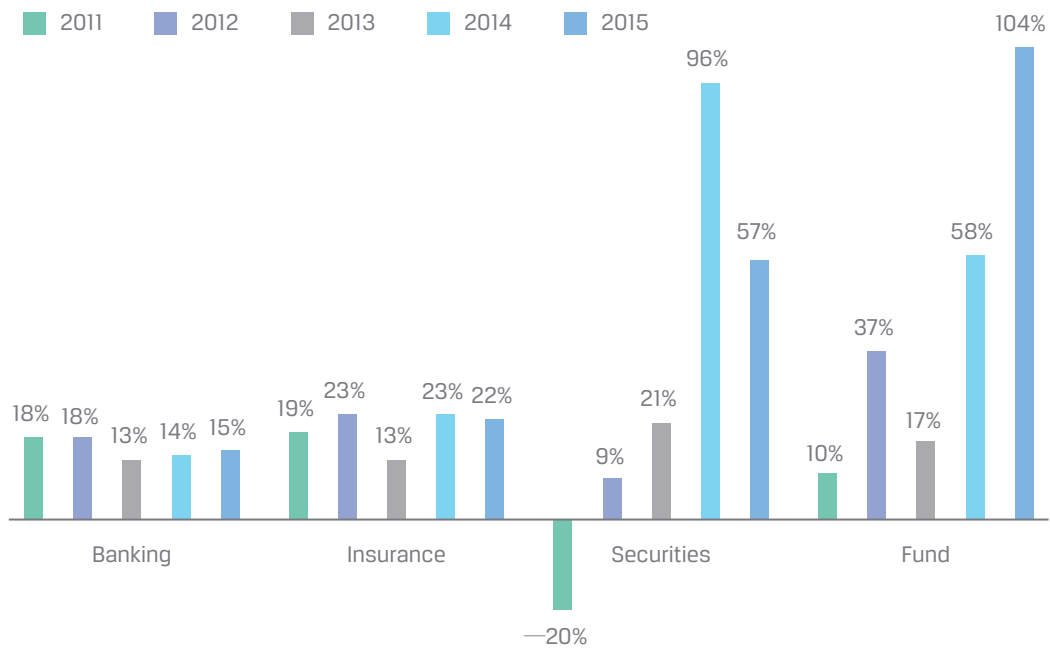
In addition, the emergency of innovative business including Internet finance has also facilitated further transformation and development of the financial sector.

On the whole, it is predicted that in the next few years, while the banking industry will maintain steady growth at a lower level, all the other industries within the financial sector will maintain steady and rapid growth.





Figure A: Growth rates of total assets of all industries within the financial sector



The fund industry consists of public funds and private funds.
 Data source: Wind, CBRC, CIRC, CSRC, AMAC

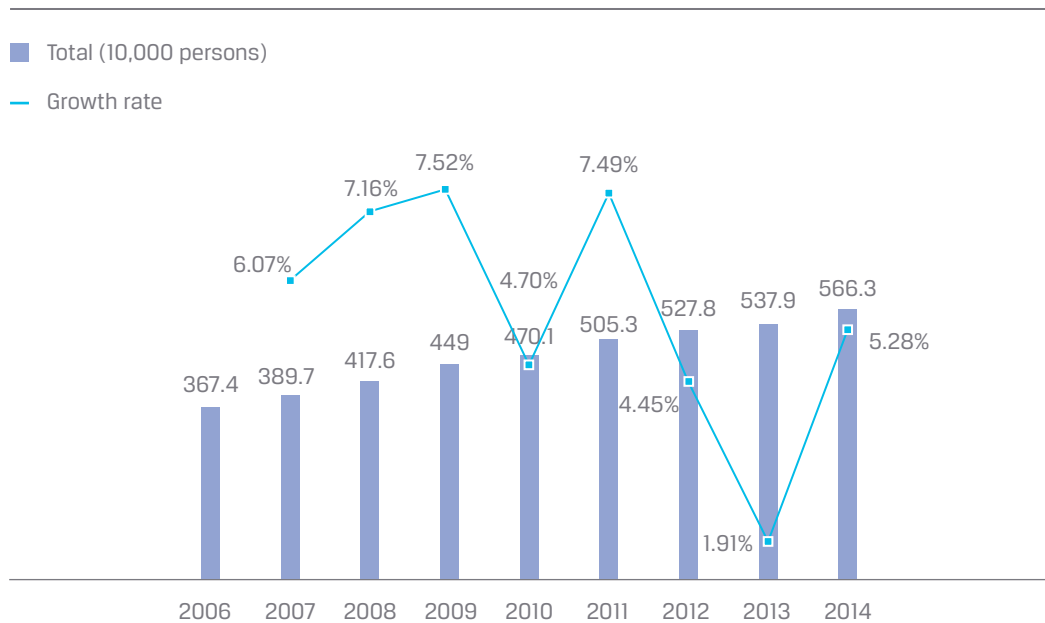


Increasing workforce

Thanks to the steady and rapid development of the financial sector, the number of employees working in the sector will also keep growing. The annual growth rates of employees working in the financial sector were 7% between 2007 and 2012, but lowered to 4.45% and 1.91% in 2012 and 2013 respectively. However, thanks to favorable policies and financial innovation, the growth rate recovered rapidly to 5.28% in 2014, and the workforce of the sector reached 5,663,000. It is predicted that the workforce of the financial sector will continue to rise in the next few years.

The banking industry has been where financial talents are most concentrated, with the number of its employees approaching half of the total workforce of the financial sector. However, as the banking industry enters a transitional period, it is predicted that, in the next few years, its talent demand will continue to maintain a low-speed growth, while that of the insurance, securities, and fund industries is expected to continue to rise.

Figure B: Workforce of the financial sector (2006—2014)



Data source: Database of the National Bureau of Statistics of China





More frequent talent flow

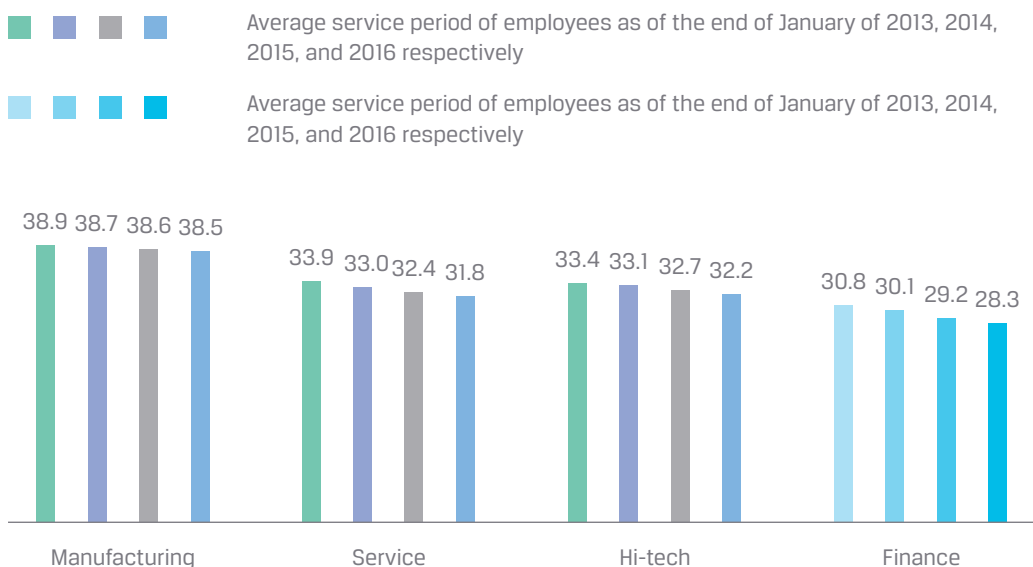
As the financial sector keeps growing and its industries differentiate, the talent flow within the sector becomes more frequent. Compared with the average service period of those who work in other sectors, that of those who work in the financial sector is obviously shorter, namely only 28.3 months, and the figure is still declining. It is closely linked with the continuous growth of innovative businesses of the financial sector in recent years, which will surely result in a high personnel turnover rate.

Frequent job changes have also brought challenges to the implementation of talent strategy of financial institutions. Driven by the market, most financial institutions have expanded their new services and developed mixed operation in recent years, and some have seen an annual staff growth rate of 20%—30%. Taking the annual turnover rate of about 12% into consideration, it means that such financial institutions need to recruit new employees that account for one third of their existing employees, and such huge personnel recruitment brought unprecedented pressure to the human resources departments of such financial institutions.

However, as China continues to improve its financial system and the financial market becomes increasingly mature, its financial sector is expected to keep up with that of developed countries. Compared with the average service period (54 months) of employees working in the financial sector of developed countries, we believe that though the talent flow of the sector will continue to accelerate in the near future, the average service period of the employees working in the financial sector will increase and level off in the medium and long term as the market grows. Nevertheless, before the market becomes fully mature, the recruitment pressure of financial institutions will remain and even continue to rise, and therefore financial institutions shall prepare for this.

The high turnover rate also provides employees working in the sector with great opportunities. They need to closely follow the trend of innovation of the sector and improve their own professional competence and comprehensive abilities so as to find positions that are suitable for themselves and assist themselves in laying a firm foundation for their career development in the future.

Figure C: Average service period of employees working in different sectors (month)



Data source: LinkedIn



High mobility of talents within the sector

Although the talent flow of the financial sector becomes more frequent than that of other sectors, it takes place mostly within the sector, indicating that the financial sector is more attractive than other sectors.

According to the survey data of LinkedIn, amongst the talent outflow from financial institutions, 82% still work in the financial sector, higher than 78% of the Internet industry, 70% of the fashion industry, and 69% of the retail industry. Those who work in the financial sector seldom give up their accumulation of knowledge about the sector and choose to enter other sectors. In contrast, the financial sector requires high expertise and in-depth understanding of the market, resulting in a very low ratio of talent inflow, namely 20%, much lower than the average level (nearly 30%) of other sectors.

Globally, it is common that financial talents seldom work in other sectors, and vice versa. Nevertheless, under the new situation where Internet finance gives constant impacts on the traditional financial sector and financial institutions further develop mixed operations, the financial sector demands more multi-disciplinary talents. In the next few years, the industrial barrier of the financial sector is expected to be broken and cross-industry talent flow is likely to rise.

For employees working in the financial sector, it is essential for them to constantly enrich their knowledge so as to increase their competitiveness in the future. (Figure D)

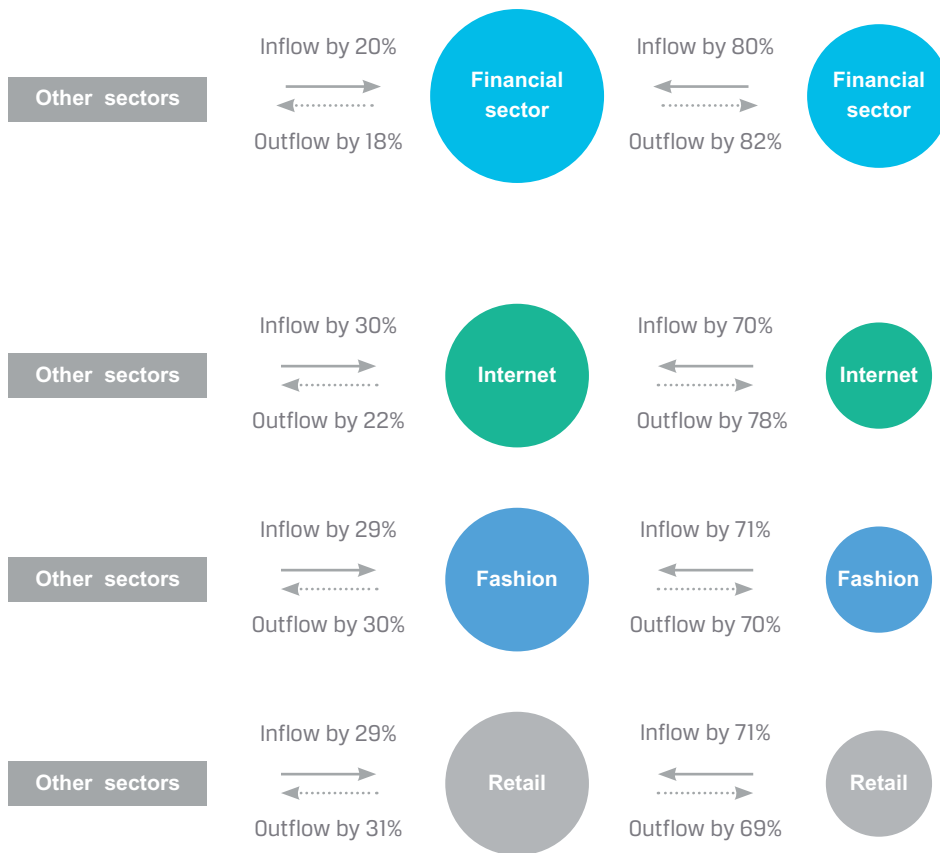
“Nowadays, almost all major companies of the financial sector are expanding their operations and engaging in mixed operation, and therefore, inter-disciplinary talents are in great demand. Professional analytical ability, the width and depth of thinking, and all-round qualities are relatively important.”

HR director of a large insurance assets management company





Figure D: Talents of the financial sector tend to flow within the sector, and there are few cross-sector talent flows.



Data Source: LinkedIn





The salary level of the financial sector is much higher than that of other industries and the growth rate of the financial sector of China is higher than that of developed countries

Another reason for the low cross-industry mobility of talents in the financial sector is that the average salary level of the financial sector is much higher than that of other industries. According to the annual statistical report of China's National Bureau of Statistics, in 2014, the average salary of China's urban employees was RMB56,360, while that of the financial sector was RMB108,273, which is nearly twice that of all sectors. It can be seen that the average salary of the financial sector was much higher than that of other industries.

And the growth rate of the salary level of China's financial sector was much higher than that of developed countries in the same period. Take the United States as an example. In 2013, the growth rate of the financial sector of the United States was 2.85%, while that of China was 11.04%, nearly four times that of the United States. In 2014, the salary growth rate of the financial sector of China slowed down and stood only at 8.65%, over 2.6 percentage points higher than 5.99%, the salary growth rate of the financial sector of the United States.

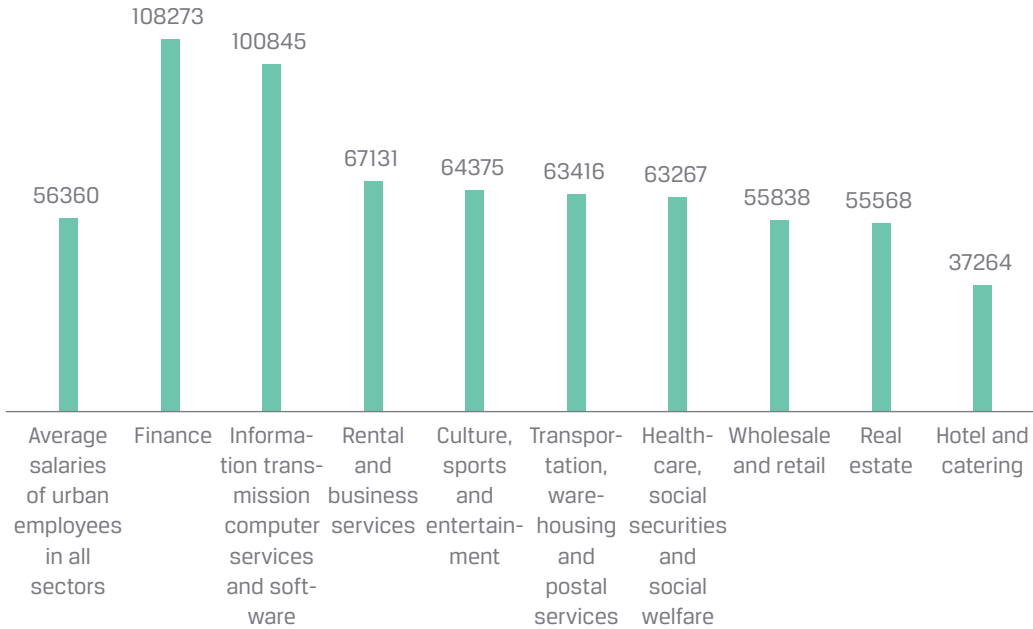
We believe that the financial sector will attract more and more entry-level talents due to its high income. Therefore, in spite of the increasing talent demand, the talent supply of the sector will also increase, and therefore the talent supply and demand of the sector will keep balance, with a great shortage of high-end interdisciplinary talents and innovative professionals. (Figure E)



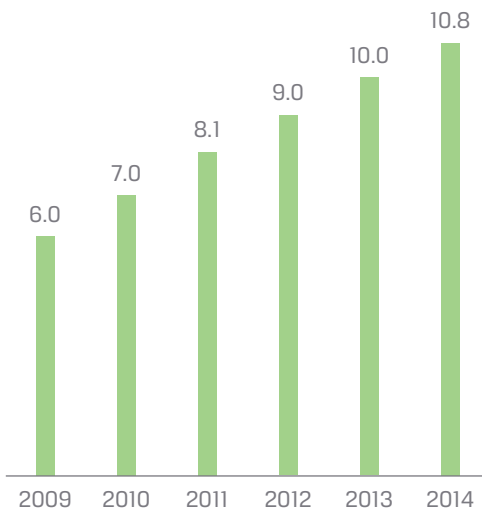


Figure E: Comparison between growth rates of average salaries of urban employees in the financial sector of China and the United States

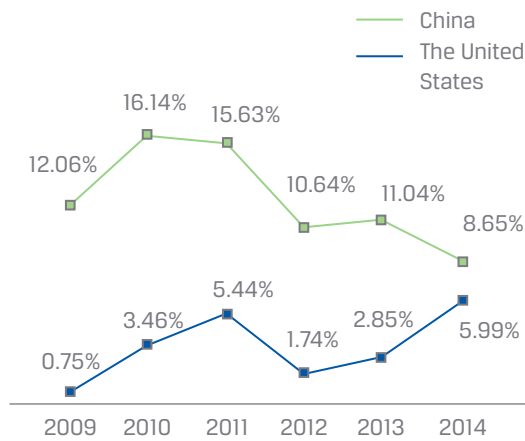
Average salaries of Chinese urban employees in 2014 (RMB)



Annual average salary of Chinese urban employees in the financial sector (RMB)



Comparison between growth rates of average salaries of urban employees in the financial sector of China and the United States (%)



Data source: US. Bureau of Labor Statistics, annual statistical reports of the National Bureau of Statistics of China



Diversified compensation and incentives

All financial institutions are striving to establish closer ties between performance and compensation and the previous stereotyped compensation system no longer applies. It is a general trend for financial institutions to “tailor” their compensation and incentives. Basic salary, employee benefits and stock ownership incentive are basic forms of compensation and incentives tailored for talents of the financial sector.

In recent years, as the talent flow of the financial sector becomes more frequent, financial institutions have to establish their incentive mechanism so as to retain talents and stabilize the management, and long-term return models including stock ownership incentive have been increasingly adopted.

In fact, as an innovative compensation and incentive system, stock ownership incentive has become relatively mature and is now widely used in developed countries including the United States. By analyzing the stock ownership incentive mechanisms of some representative financial institutions including Citigroup Inc., Bank of America and Wells fargo between 1996 and 2005, we find that such mechanisms have several key common points that can be learnt by domestic financial institutions:

- Bank shareholders make stock compensations for the management;
- Implementing salary & incentive package and laying emphasis on the integration between short-term salary incentive and long-term salary incentive;
- Attaching importance to incentive for all the employees.

With policy support, major financial institutions of China have begun to explore the application of stock ownership incentive mechanism since 2013 (as is shown in Figure F).

For example, in October 2014, the Bank of Chongqing, a bank listed on the Hong Kong Stock Exchange, launched a stock ownership incentive plan for its eight executives, with a total amount of approximately RMB5 million. In November 2014, Minsheng Bank announced that it would launch its employee stock ownership plan in the form of private placement in the A-share stock market, and the plan was targeted for 4,000—5,000 core employees of the bank, with a total fund of RMB8 billion.

In spite of the difference in incentive targets, the main purposes of the above two cases are the same, namely, integrating the salary systems of executives and employees with short-term benefits and long-term development of company, so as to increase their initiative and corporate loyalty, enhance business development and promote future development. The incentive mechanisms hold the institution together from top down and bring new life to the traditional banking industry.





Figure F: Stock ownership incentives of financial institutions for the purposes of retaining talents and stabilizing the management

August, 2013	Ministries and commissions jointly released the Notice on Further Clarifying the Issues related to Transfer of State-owned Shares of Financial Institutions.
October 8, 2014	Board of the Bank of Chongqing deliberated on and approved its stock ownership incentive plan.
November 7, 2014	Minsheng Bank announced that it would carry out its employee stock ownership plan by private placement in the A-Share market.
April 10, 2015	China Merchants Bank announced its employee stock ownership plan.
June 17, 2015	Bank of Communications announced that its plan on deepening reform had been approved by the State Council.
July 3, 2015	Changjiang Pension Insurance Co., under CPIC, took a lead in taking part in the mixed-ownership reform for SOEs.
July 16, 2015	Huatai Securities announced its employee stock ownership plan.
July 21, 2015	Haitong Securities announced the draft of its employee stock ownership plan.



Foreign financial institutions become less attractive

In recent years, as China's financial institutions grow stronger, foreign financial institutions have become less attractive to talents.

According to the survey data of the drain rate of fresh graduates in the previous three years in the Research Report on Market Supply of and Demands for Basic Financial Talents in Beijing and Shanghai, the average drain rate of Chinese banks was 11.17%, and that of foreign banks was 18%. The above changes were mainly caused by the three factors below: first, in terms of corporate brand and scale, Chinese financial institutions now have achieved rapid development in China and even in the world, and their attraction to talents and customers is as good as or even greater than that of foreign financial institutions; second, in terms of business development, most foreign financial institutions are not acclimatized to China, have made little progress in China due to regulatory reasons, and their scale and profit are not ideal; third, in terms of personal career development and salary level, the performance of foreign financial institutions is on the decline, while Chinese financial institutions can provide employees with a better platform and more competitive salary.





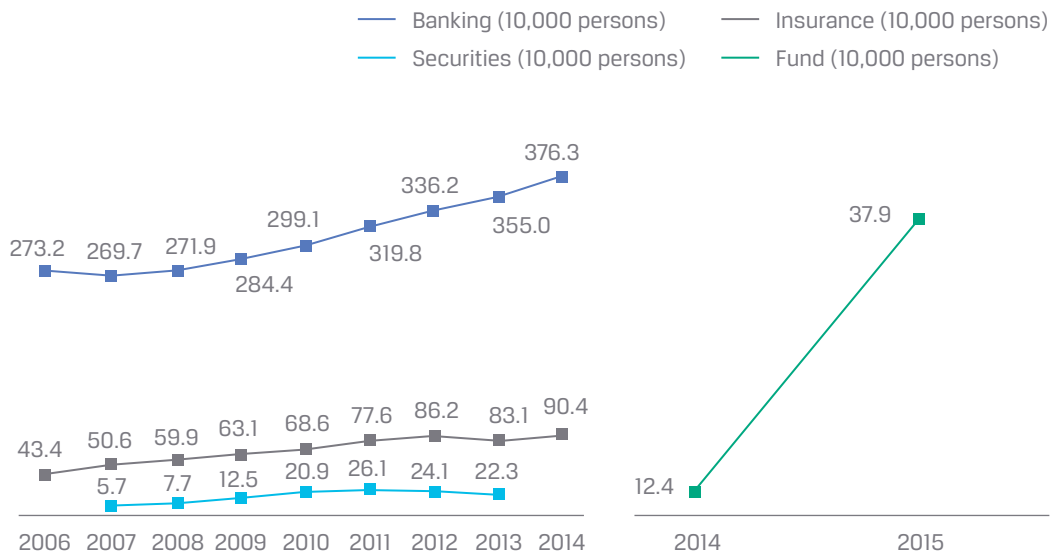
THE SITUATION AND TRENDS OF INDUSTRIES WITHIN THE FINANCIAL SECTOR

The number of employees working in the banking industry accounts for half of the talents of the financial sector, and the private funds see the greatest growth

By the end of 2014, the number of employees of the banking industry had reached 3.76 million, accounting for half of the total employees of the financial sector, followed by the insurance industry which also showed steady growth of workforce.

The number of employees working in private funds rose sharply and reached 379,000 in 2015, an increase of 250,000 over the 124,000 at the end of 2014, up 205%. It was closely linked with the rise of the private equity fund industry—the number of private fund managers had grown exponentially from 4,955 at the end of 2014 to 25,005 at the end of 2015. However, as regulators gradually standardize and tighten their supervision on private fund managers, the growth of such private fund managers is expected to slow down in the future.

Figure G: Workforce of the industries within the financial sector (2006—2014)



Data source: Wind



The talent demand standards of industries within the financial sector vary

As functional businesses of the industries within the financial sector become more specific, the talent requirements of such industries vary. As is seen from recruitment of graduates in recent years, many financial institutions have relaxed restrictions on “major”; by contrast, whether a candidate graduates from a prestigious university has become the foremost criterion for recruitment.

All heads of the major types of financial institutions believe that it is essential to recruit interdisciplinary talents since all financial institutions are engaged in mixed operations. The fact that a job applicant graduates from a prestigious university can prove his/her learning capacity to some extent and lay a solid foundation for developing himself/herself into an interdisciplinary talent.

However, the standards for talent selection vary with the business nature of the industries within the financial sector, as is shown in Figure H. Positions that have a strong demand for professional knowledge, such as actuary and risk controller, tend to require better educational background and qualification certificates, which explains why the securities, fund, and insurance industries have higher requirements on the major of job applicants on the whole.

Figure H: Criteria for financial institutions to recruit fresh graduates

Type of financial institution	Foremost criterion	Important criteria
Banking	Comprehensive quality	<ul style="list-style-type: none"> · Comprehensive quality · College & university · Social practice
Securities	College & university	<ul style="list-style-type: none"> · College & university · Major · Educational degree · Finance-related professional certificate
Insurance	College & university	<ul style="list-style-type: none"> · College & university · Major · Educational degree · Finance-related professional certificate
Financial services	College & university	<ul style="list-style-type: none"> · College & university · Major

Data source: Research Report on Market Supply of and Demands for Basic Financial Talents in Beijing and Shanghai (2015—2016)



International qualification certificates (CFA[®], FRM, and CPA) become more and more important

In recent years, international qualification certificates have become popular in China and have been increasingly accepted by financial institutions since they can partially prove the qualification of a job applicant. Although different industries accept different qualification certificates due to the difference in functional business, as is shown in Figure I, it turns out that international qualification certificates play an increasingly important role in job application due to their authority.

International qualification certificates are generally accepted by all financial institutions due to the following three reasons:

First, it takes extra-curricular learning and examinations to obtain an international qualification certificate, so a qualification certificate is proof that the certificate holder has a high requirement on himself/herself;

Second, a qualification certificate can prove that its holder has accumulated certain knowledge in the corresponding field;

Third, since it needs a large amount of time and energy to obtain a qualification certificate, those who have obtained corresponding professional qualification certificate tend to have a relatively clear career plan and special skills or knowledge, and it is easier for them to excel.

For those who work in the financial sector, obtaining an international qualification certificate can not only effectively consolidate and enrich his/her industrial knowledge but also prove his/her capabilities. As international qualification certificates play an increasingly important role in the financial sector, their holders tend to be in a better position in the competition.

“These certificates can basically prove that their holders have high requirements on themselves, and they have accumulated certain professional knowledge and set a clear goal, which makes them more likely to make success.”

HR director of a large insurance assets management company





Figure I: Ranking of international qualification certificates in the financial sector

Overall		1			CICPA ¹
		2			CFA ²
		3			PMP ³
		4			CPA ⁴
		5			ACCA ⁵
Sector	Ranking	Certificate	Sector	Ranking	Certificate
Accounting	1	Certificate for accountant	Banking	1	FRM ⁶
	2	ACCA		2	CFA
	3	CPA		3	PMP
	4	Primary accountant		4	AFP ⁷
	5	Intermediate accountant		5	Intermediate accountant
Capital market	1	Certificate for securities professional	Financial services	1	Certificate for securities professional
	2	CFA		2	CFA
	3	CPA		3	PMP
	4	FRM		4	Certificate for securities professional
	5	Certificate for accountant		5	CPA
Insurance	1	PMP	Investment banking	1	Certificate for insurance professional
	2	FLMI ⁸		2	CFA
	3	Certificate for insurance professional		3	CPA
	4	FSA ⁹		4	FRM
	5	ASA ¹⁰		5	ACCA
Investment management	1	CFA	Risk management and private funds	1	CFA
	2	Certificate for securities professional		2	Certificate for securities professional
	3	CPA		3	CPA
	4	FRM		4	PMP
	5	PMP		5	Certificate for accountant

1. CICPA: The Chinese Institute of the Certified Public Accountant

2. CFA[®]: Chartered Financial Analyst[®]

3. PMP: Project Management Professional

4. CPA: Certified Public Accountant

5. ACCA: The Association of Chartered Certified Accountants

6. FRM: Financial Risk Manager

7. AFP: Associate Financial Planner

8. FLMI: Fellow, Life Management Institute

9. FSA: Fellow of the Society of Actuaries

10. ASA: Associate of the Society of Actuaries

Data Source: LinkedIn



Traditional financial institutions value local experience while Internet finance institutions favor talents with overseas educational background

As the financial sector is projected to expand its global operations, it is particularly important to attract talents with overseas educational background and international vision in terms of the development of talent strategy. However, our interview shows that local financial institutions prefer those who obtain the bachelor degree in China and then pursue further studies abroad. When recruiting such overseas returned talents, financial institutions tend to take consideration of the domestic university that job applicants had graduated from and make it the foremost criterion for admittance, while considering such job applicants' overseas experience less important.

For this, local financial institutions have their explanation: first, on the one hand, overly westernized talents with overseas educational background may not adapt to the culture of local enterprises, and on the other hand, local enterprises tend not to accept the working culture brought by such talents.

Second, overly westernized overseas returned talents may not have a good understanding of the current situation of China's financial market. Moreover, quite a few financial institutions believe that, the quality of overseas returned talents varies greatly and what financial institutions are familiar with and can make comparisons are the educational background of such talents in China, but Internet finance is an exception.

As an emerging business, Internet finance is highly Internet-based, which determines that Internet finance institutions would embrace easier and freer corporate culture than traditional financial institutions, and favor overseas returned talents with stronger creativity and richer experience. It is reported that Internet finance companies are trying to create an easier and freer corporate culture so as to attract overseas talents.

On the whole, China's domestic financial services will be internationalized to a greater extent and Chinese financial institutions need to learn constantly from developed countries with sound market mechanisms. No matter in institutional development, business model, or product innovation, financial institutions need to constantly recruit foreign talents so as to promote the development of the financial sector of China. Financial institutions need to further improve and strengthen their strategic deployment for the recruitment of overseas talents in the next few years.

“The corporate culture of China is different from that of other countries including the United States; for this reason, it is very likely that returned overseas Chinese talents do not adapt themselves to the corporate culture of China and thus cannot give full play to their abilities. In other words, to attract overseas talents, Chinese companies must create a corporate culture that is suitable for returned overseas Chinese talents and give them a free rein.”

Hui Zhang, CFA, Founding partner of Puhui Finance



Internet finance varies greatly from traditional finance

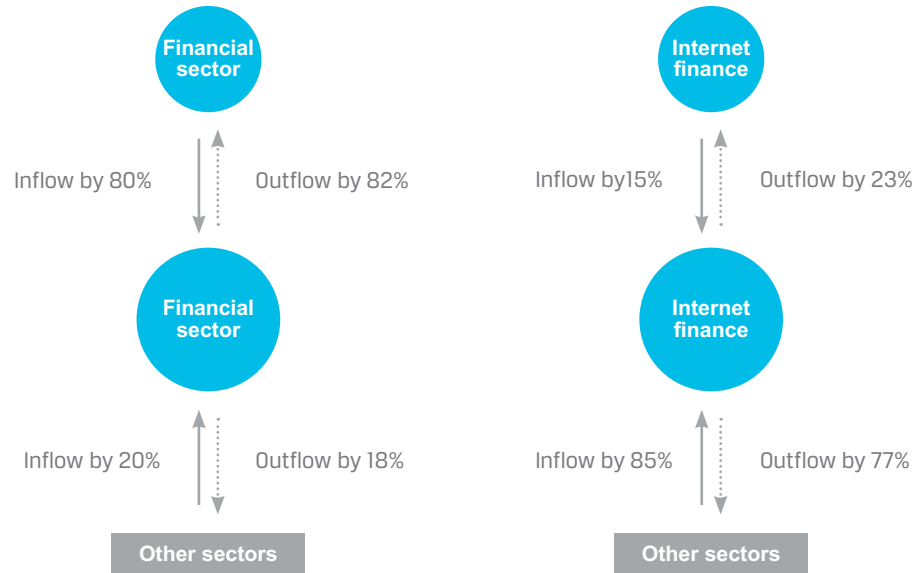
The innovativeness of Internet finance as a concept and the explosive growth of it as an industry have caused fundamental mismatch between talent supply and demand in the industry and severe shortage of Internet finance talents.

As shown in Figure J, the inflow rate of Internet finance is merely 15%, indicating that Internet finance as an emerging industry has no sufficient “in-house” talent reserves, and employees of the industry come mostly from such industries as finance and IT and have been developed into first-generation Internet finance talents. In face of the talent shortage, Internet finance companies are trying to enhance the usability of existing talents by changing their mindset and encouraging financial talents and Internet talents to communicate with and learn from each other.

The target customer base of Internet finance is different from that of traditional finance, and the systematic theory and risk control model used by the traditional financial sector can not be applied directly to Internet finance, so the talents of the traditional financial sector are not totally suitable for Internet finance. Most employees working in Internet finance are still exploring a series of issues ranging from the business model to product development, and what Internet finance companies need are interdisciplinary and innovative talents.

As the founder of an Internet finance company says, Internet finance doesn't need followers; what it needs are outstanding talents who can find their own operational mode without any example to follow.

Figure J: Compared with the traditional financial sector, Internet finance has higher demands for cross-industry and interdisciplinary talents



Data source: LinkedIn



REGIONAL AND HIERARCHICAL DIFFERENCES AS WELL AS TENDENCY OF THE FINANCIAL SECTOR

There is still a gap between talent volume of first-tier cities and that of other cities

Amongst different types of cities, the growth rate of financial talent volume of second-tier cities is 83%, followed by 72% of first-tier cities and 63% of third-tier cities. However, the quality of talents in second/third-tier cities still lags far behind that in first-tier cities, and most high-end talents tend to work in first-tier cities so as to enjoy better career development, living conditions, and opportunities for their children's education.

Two ways for solving difficulties in talent recruitment in non-first-tier cities

Due to the gap between the talent volume of first-tier cities and that of other cities, it is inevitable for financial institutions to encounter difficulties in talent recruitment when expanding business in non-first-tier cities.

Through interviews we find that financial institutions tend to solve the problem by means of talent dispatch and talent incubation.

Talents are reluctant to leave first-tier cities directly for third/fourth-tier cities, but it is easier to transfer them from a first-tier city to a provincial capital; second, it is necessary to compensate talents who are transferred to a city at a lower level through economic incentives and providing them with opportunities for better career development. Undoubtedly, we must compensate the talents financially; besides, we shall assist them in planning their career development, and promotion is the best way to spark their working enthusiasm.

When expanding business in third/fourth-tier cities, financial institutions need to incubate talents in their branches in corresponding provincial capitals, and then dispatch them to third/fourth-tier cities of the corresponding provinces.





The demands of financial institutions for talents at different levels vary

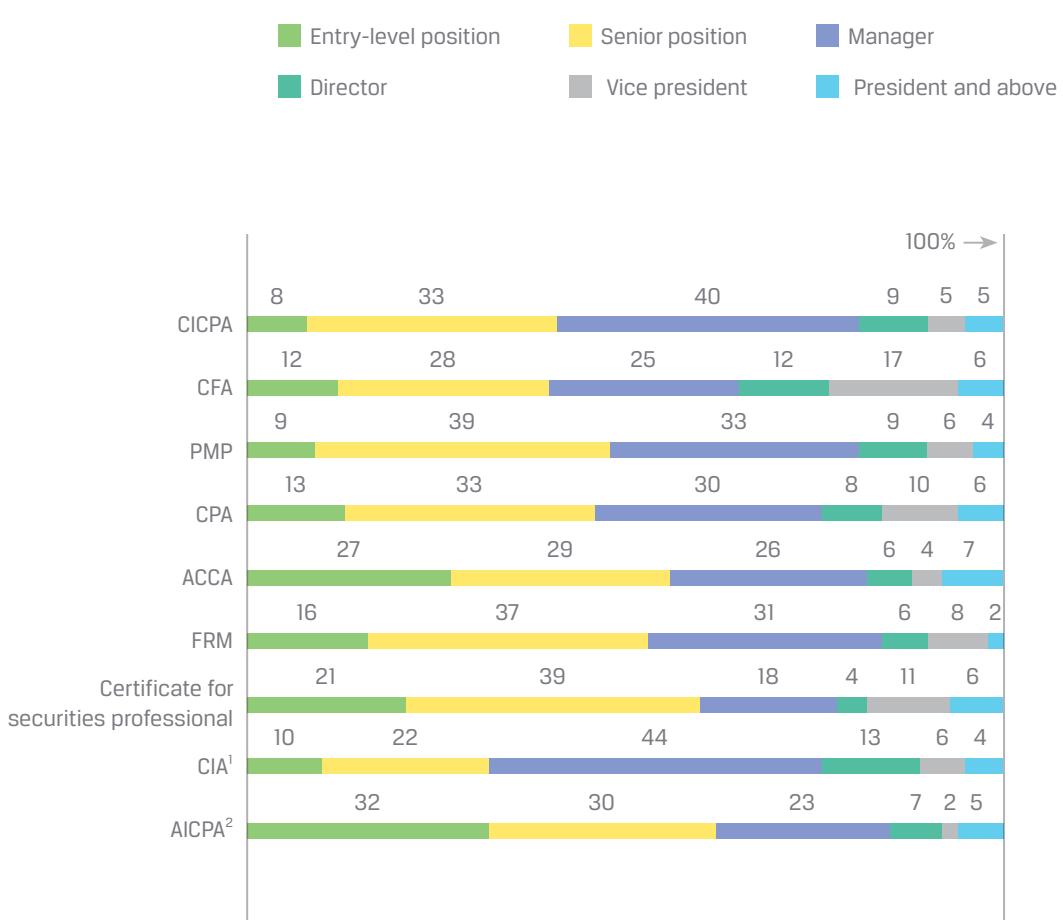
Financial institutions have different demands for talents at different levels, and have set corresponding different standards for talent employment. On the whole, for junior talents and middle management, educational background and qualification certificate are more important. For senior talents, financial institutions attach greater importance to their professional experience and other comprehensive capabilities such as management and communication that are beyond finance itself.

According to the survey data of LinkedIn, the holders of major finance-related professional qualification certificates are mostly entry-level and intermediate personnel including those who work at entry-level positions and senior positions as well as managers, while personnel who are directors, vice presidents, or presidents seldom hold such certificates. It also proves that the qualification certificate has a greater influence on entry-level and intermediate positions of the financial sector while making less impact on senior positions. For those who apply for a entry-level position, due to limited work experience and little information available for financial institutions to judge the quality of such job applicants, a certificate can help solve the problem of information asymmetry and is an effective evidence of professional competency and quality of such job applicants. Generally speaking, those who apply for senior positions have rich experience and profound background, from which a recruiting company can judge what quality and professional competency such applicants have, so the certificate has lower reference effect.





Figure K: Proportions of qualification certificate holders to employees at different positions in the financial sector (%)



1 CIA: Certified Internal Auditor

2 AICPA: American Institute of Certified Public Accountants

Data source: LinkedIn





INSPIRATIONS FOR FINANCIAL INSTITUTIONS AND TALENTS

Talent strategy of financial institutions

Against the backdrop of the fast development of the financial sector and changes of talent supply and demand, financial institutions need to closely follow the trends and adjust their talent strategy in terms of talent recruitment and talent development.

Recruiting talents through diversified channels

- **Grasping the opportunities for industrial transformation and making a reasonable plan on personnel employment.** Against the backdrop of steady growth and mixed operation of the financial sector, financial institutions shall make arrangements in advance and actively attract outstanding talents. Also, financial institutions shall define the demands of all their departments and business divisions for personnel employment, make HR plans in a holistic way, and recruit talents to meet their needs.
- **Expanding and diversifying recruitment channels and paying close attention to talent flow in the financial sector.** Financial institutions shall actively expand and diversify the recruitment channels within and beyond the financial sector by recruiting experienced professionals through headhunting, acquiring new business teams of Internet finance through M&A, and attracting high-end talents from first-tier cities by setting up off-site business centers in these cities. Meanwhile, since the financial sector has large talent flows, financial institutions shall pay close attention to talent flows in the financial sector and leading foreign financial institutions, following the changes of relevant talent markets in a timely manner so as to acquire talents they need.
- **Establishing a scientific employment standard and placing emphasis on comprehensive quality and ability.** In the process of talent recruitment, financial institutions need to judge talents comprehensively. Financial institutions should lay emphasis on cross-industry knowledge and advanced overseas experience in consideration of future development, besides traditional educational background, professional background, knowledge and skills, and industrial experience. It is worth noting that international qualification certificates (CFA, FRM, and CPA) are very important benchmarks due to their professional authority and internationality, and such certificates are particularly important for recruitment of junior talents and intermediate managers.
- **Strengthening local talent development and making overall arrangements in overseas talent markets.** It is easier for local talents to adapt themselves to local market and corporate culture, so financial institutions shall pay close attention to training them so as to give full play to their capabilities and strengths. Overseas talents with advanced knowledge and rich experience may help bring excellent experience and thoughts of foreign countries into China, thereby facilitating the development of new businesses. Therefore, financial institutions shall establish special channels for recruiting overseas talents according to development requirements; introduce returned overseas talents who have international vision, advanced industrial experience, and certain understanding of local markets; and assist them in better integrating into the domestic market.





Providing diversified opportunities and incentives for talent development

- **Establishing a comprehensive job rotation system and fully improving the promotion channels.** Financial institutions shall first of all gain a full understanding of talent flows so as to define their requirements on talent development; second, financial institutions shall fully tap the potential of internal job rotation, establish a fair job rotation mechanism with wide coverage, and provide employees with opportunities for emerging business development so as to help them achieve better career development in a diversified way; in addition, financial institutions shall establish a sound promotion channel and set up a flexible talent mechanism, so as to provide competent persons with enough promotion opportunities and change the inefficient and unfair employment mechanism commonly found in many large enterprises.
- **Raising the sense of belonging amongst employees and establishing a mechanism of employee training.** Financial institutions shall communicate actively with their employees so that the latter will have a clear and unified understanding of the corporate plans on future development, and link employees' career development with corporate development to a great extent so as to raise employees' sense of belonging; in addition, financial institutions shall strengthen in-house talent development, and particularly, provide some professional knowledge and skill trainings related to innovative business, so as to maintain their expertise, creativity and comprehensive quality.
- **Offering comprehensive salary plans and developing a multi-incentive mechanism.** First, financial institutions shall establish market-based and competitive compensation mechanisms and implement such mechanisms by establishing subsidiaries to run innovative business. Second, financial institutions shall make multi-incentive compensation plans and put the stock ownership incentive mechanism to good use so as to meet the employees' expectations and demands.
- **Maintaining vitality of the markets in first-tier cities while effectively encouraging talents to work in other cities.** Financial institutions shall set up relevant business organizations in first-tier cities so as to attract and retain high-end talents. To effectively motivate talents to work in second/third-tier cities, financial institutions shall establish a reasonable compensation system and incentive mechanism, adopt a sound salary support system, and help talents make their career development plans, so as to encourage them to work in such cities.



Suggestions for those who work in the financial sector

Those who work in the financial sector shall choose a job based on the change trends of the sector, raise their abilities so as to meet the employment standards of financial institutions, develop themselves into interdisciplinary and innovative talents, and chart a better course for career development.

Choosing an appropriate area and position to work

- **Focusing on growth-oriented industries and innovative areas.** The financial sector maintains steady growth on the whole and the proportions of its industries are becoming increasingly balanced. Therefore, when choosing an industry, the applicant should take into full consideration the industrial segmentation and development tendency of the financial sector. Job applicants may focus on growth-oriented industries and innovative areas including asset management, private equity funds, and Internet finance, broaden their horizon, and choose a job that is in line with the industrial development trend and personal abilities.
- **On account of regional differences of the financial sector and the current situation of imbalanced supply and demand in non-first-tier cities, it is recommended to fully consider the job opportunities in such cities when applying for a job.** When choosing a work place, financial talents shall carefully weigh the job opportunities in non-first-tier cities on the basis of their own conditions and strive to break new ground, in order to get higher salary and better benefits, accumulate richer experience in business development, and gain more promotion opportunities in such cities.
- **When choosing a job, applicants shall have their long-term development goal in mind and take full consideration of salary level and multi-incentive mechanism.** Financial talents shall adjust their expectations as appropriate on the basis of the salary level and the development tendency of the financial sector, give full consideration to short-term and long-term incentive schemes on salary, welfare and stock ownership, etc, and take the overall situation and long-term development of the financial sector into consideration.

Raising personal abilities to adapt to career development

- **Sharpening the competitive edge and improving the comprehensive quality by raising professional level, acquiring international qualification certificates, and working or studying overseas.** When selecting a university and major, financial talents shall understand that educational background is more important than professional background. However, for some highly-specialized positions, talents shall not only make sure that their expertise is geared to the needs of job and learn relevant knowledge and develop skills required but also strive to obtain international qualification certificates (CFA, FRM, and CPA), especially for posts related to accounting, investment management, and investment banking, etc. In addition, financial talents shall work harder to accumulate work experience at home, gain a better understanding of local market and cultivate creativity through overseas study and work, gather experience in developing new business and good practices of overseas institutions for management and operation.
- **Improving comprehensive abilities, accumulating cross-industry experience as well as keeping updated with the latest development of non-financial sectors including the Internet industry.** Mixed operation represents a development tendency of the financial sector, and financial talents shall pay attention to accumulating experience from and beyond the sector, particularly, gather cross-industry knowledge and develop cross-industry competency by keeping a close eye on and drawing experience from non-financial sectors, and those who work in non-financial sectors may also jump to the financial sector by enriching their financial knowledge.



SUMMARY AND OUTLOOK

The current situation of talent development of China's financial sector reflects indirectly the positive changes of the economic strategy transformation and the institutional reform of the financial sector of China. However, during the period of economic transformation, such problems as defective talent development mechanism, unclear standard for talent assessment and excessive concentration of talents in first-tier cities have emerged. As the financial sector evolves and financial institutions and their employees develop over time, these problems are expected to attract greater attention and be ultimately solved.

Through analyses in this Report, we believe that, the financial sector will remain one of the most attractive workplaces to talents in the future. It is predicted that the financial sector will maintain steady growth on the whole, its industries will grow in a diversified way, its regional development will show characteristics of differentiation, and its innovative business model will bring about new changes. Therefore, the talent market is likely to remain brisk, talents will flow from the financial sector to various industries, financial institutions will attach greater importance to comprehensive quality and abilities, and the salary level will still take a leading position, but the growth will slow down over time.

In the future, against the backdrop of steady development and continued progress of China's economy, the financial sector is expected to be injected with fresh vitality.

This Report will continue to focus on talent development and talent flows of the financial sector from the perspective of a third party so as to help employers and professional talents objectively judge the future trend of the sector.





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To be more in line with the current situation of the China's financial market, CFA Institute China has initiated professional researches on China's economic transformation, financial innovation, and internationalization of capital markets, so as to develop its leading position regarding expertise about the local market.





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The Chinese market is a key pillar of Roland Berger Strategy Consultants' international expansion. Since our first project in China in 1983, the consultancy has grown rapidly: The five Chinese offices (Shanghai, Beijing, Hong Kong, Taipei and Guangzhou) now have 360 consultants dedicated to working extensively with both leading Chinese and international companies.

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LinkedIn

LinkedIn's founders are Reid Hoffman, Allen Blue, Konstantin Guericke, Eric Ly and Jean-Luc Vaillant. LinkedIn started out in the living room of co-founder Reid Hoffman in 2002.

The site officially launched on May 5, 2003. At the end of the first month in operation, LinkedIn had a total of 4,500 members in the network.

The company is publicly held and has a diversified business model with revenues coming from talent solutions, marketing solutions and premium subscription products.

Headquartered in Mountain View, Calif., LinkedIn also has US offices in Chicago, Los Angeles, New York, Omaha, San Francisco, Sunnyvale and Washington D.C. International LinkedIn offices are located in Amsterdam, Bangalore, Beijing, Dubai, Dublin, Graz, Hong Kong, London, Madrid, Melbourne, Milan, Mumbai, Munich, New Delhi, Paris, Perth, São Paulo, Singapore, Stockholm, Sydney, Tokyo and Toronto.



