

PSD FINANCE & BANKING

RISK SALARY SURVEY

MAY 2007

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PSD



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1. Introduction

About PSD Group

PSD is an international recruitment services organisation. The Group is listed on the London Stock Exchange and operates across Europe and Asia Pacific. Recruiting at all management levels across support functions up to Board level, our mission is to deliver outstanding results and exceptional levels of service to provide specialist expertise in each area of our business.

About PSD Banking & Finance

The PSD Risk-Banking team has been established since 2001 specialising in placing experienced Risk professionals at Analyst to Director level. The clients that we work with range from Investment Banks, Corporate Banks, Investment Managers, Hedge Funds, Consultancies and third party service providers. The Risk team is a market leader in providing mid to senior hires and provides clients with two key services: database search and retained search.

About our Survey

The 2007 salary survey is a confidential quantitative survey. Three thousand risk professionals were approached and 21% responded.

The main purpose of the survey is to provide a picture of the average salary and bonus paid in the four main Risk functions: Market, Credit, Quant and Operational. The survey also provides an insight into the post bonus mood in the market and levels of expected growth in 2007/2008.

The survey data is published in full and as such should be reviewed in its entirety, taking into account the range of people and institutions surveyed and consequent impact on data.

We expected bonuses to be much higher as the market is very active and the demand for highly skilled professionals continues to grow, however, packages have only moderately increased compared to 2005. The highest bonus increase was at a Director level and the highest salary increases were at Analyst and Associate level across all four Risk Functions.

Within the function, market risk professionals appear to have higher salaries. Based on the roles we have worked on this year, we expected the quantitative candidates to have the highest salaries. After considering the responses it became clear that the reason for the skew in data was because most of the market risk responses came from front office professionals while the quantitative candidates that responded are closer to the middle office.

76.1% of respondents had an increase in salary and the average increase was 15.32%. Confirming that 2006 was a successful year for the Financial Markets and employers keen to retain their best talent rewarded them.



23.9% of respondents informed us that their salary didn't increase during the last twelve months. Near half of the applicants said that their basic salaries and bonuses were not competitive with rival firms.

Our opinion is that candidates are comparing themselves to individual cases of colleagues securing particularly strong offers rather than taking a holistic and factual view of the market.

Close to 60% of respondents believe that the department post bonus morale is 'satisfied' and only a small percentage think that their bonuses exceeded their expectations. However 45% replied that their bonus was not competitive with rival firms.

Interestingly at PSD we witnessed a significant increase in both sign on and bonus guarantee in comparison to 2005. The market has definitely changed on the bonus issue and candidates are no longer willing to accept a "discretionary performance related bonus" and instead require a likely average number before committing to join.

Benefits remain an important factor when considering employment offers and clients are increasingly offering a wide range in their flexible benefits packages. That said, the value of monetary benefits such as pension, stock options and car allowance are still considered more important than gym membership, extra holiday, cheaper insurance etc.

Based on the salary survey 2007 looks to be another strong year for Risk Management with 74% of respondents employers recruiting and of those 30% are recruiting to expand. This is further highlighted with only 1.4% of clients anticipating redundancies and 4.3% experiencing a headcount freeze.



2. Market Commentary

The market in 2006 continued to experience the high levels of demand witnessed in 2005. There was a notable increase in recruitment levels at PSD with a 20% increase in jobs filled indicating that the Risk market continues to grow. Although there was an increase in overall risk recruitment, Credit and Quantitative Risk experienced the highest levels of activity and in Market and Operational risk there was a consistent level of activity.

Credit Risk

The Credit Risk area experienced the highest levels of demand reminiscent of the demand felt in 2003/2004 for Market Risk professionals.

In particular, there was a significant increase in jobs registered for Credit Risk Modellers, for both methodology and validation roles, indicating that a number of institutions are still investing considerable resources to meet the Basel II requirements in order to be able to calculate capital under Basel II in 2008.

Credit Analysis also experienced an increase in demand with requirements for both FI and NBF. Candidates with EMEA experience had a particularly good year with the vast majority of requirements being placed for candidates with experience of the region. Commodities remain a hot area as the Banks continue to expand their footprint in this market.

Credit Risk experienced the highest levels of contracting requirements for both traditional interim requirements and specific Basel II projects.

Market Risk

There has been no change in demand for Middle Office Market Risk professionals. The market is relatively fluid but certainly not experiencing the highs of previous years.

In comparison, as Investment Banks have expanded into new markets the demand has increased in the Front Office for Market Risk Managers. This area is notoriously difficult to recruit for at the experienced level as candidates are in short supply and well remunerated at their current Banks. Recruiting at an inexperienced level also poses problems due to in depth product knowledge being integral to the role.

The limited supply of candidates coupled with a need for strong product knowledge, technical skills and commercial profile ensure that these candidates received the highest level of total compensation with the highest bonus component.

Quantitative Risk

Quantitative candidates remain in high demand across both the buy and sell side. The continued growth in the complexity of products and models ensured that the demand in this field remains high consistently year on year. The Quantitative field is vast with demand across Front, Middle and Back office however the specifics of each role are niche and as such there are a limited population of candidates.



Quantitative Risk Cont.

In order to fill roles successfully our clients have had to take a more creative approach to hiring, looking further a field than Europe to the Middle East, Asia and the US, as well as being flexible on academics and experience. In this field it is rare for a candidate to tick all the boxes and when this is the case clients have had to put together very attractive packages to lure and secure the candidate.

As with the other Risk functions the majority of Quantitative candidates view the “Front Office” as the most attractive place to work. Consequently sourcing experienced candidates for Middle Office Model Validation roles can prove difficult and so clients have been forced to take a longer-term view and either hire at the level below or flex on specific product knowledge.

Operational Risk

There was no increase in demand for Operational Risk professionals in 2006. Pockets of recruitment occurred in Investment Banking and Asset Management predominantly to replace existing staff or due to a small increase in department size.

The operational risk market is less fluid than the other risk functions with candidates’ average length of service being longer than their Market and Credit Risk counterparts.

The operational risk field has moved on in terms of complexity and the need to hire candidates with relevant industry background e.g. Fund Management, Investment Banking, Private Banking remains a prerequisite.

In contrast, the demand in Professional Services for experienced Operational Risk professionals remains high and consequently a significant number of candidates moved from in house roles to work for the big Four Risk practices.



3. Survey Results

1. Please highlight the type of financial institution you work for



2. Please indicate what qualifications you hold



3. Please indicate the number of qualifications other members in your team hold

	Min	Max	Avg
1) MBA	0	30	2.55
2) PHD	0	80	6.00
3) MSc	0	50	4.89
4) DEA	0	0	0.00
5) CFA	0	12	1.63
6) FRM	0	20	3.18



4. Do you think professional qualifications affect salary level?



5. Please indicate the basic salary and bonus for yourself and if known, for those in your team

	Basic 2007	Bonus 2007	Basic 2006	Bonus 2006
1) Director Market Risk	118,541	115,600	110,333	92,000
2) VP Market Risk	86,667	38,000	83,750	48,750
3) Associate Market Risk	60,000	23,280	49,500	10,500
4) Analyst Market Risk	50,500	14,611	46,429	13,416
5) Director Credit Risk	116,667	93,200	94,667	71,000
6) VP Credit Risk	83,000	62,142	83,833	56,000
7) Associate Credit Risk	54,500	18,750	54,286	18,571
8) Analyst Credit Risk	43,778	18,875	40,800	16,562
9) Director Operational Risk	107,033	57,000	107,950	42,250
10) VP Operational Risk	82,650	34,500	79,520	31,000
11) Associate Operational Risk	54,000	25,667	45,500	23,250
12) Analyst Operational Risk	33,900	16,750	33,375	14,200
13) Director of Quantitative Analytics	112,500	112,500	110,000	110,000
14) VP Quantitative Analytics	90,833	67,400	90,000	57,000
15) Quantitative Associate	63,000	27,200	57,800	23,000
16) Quantitative Analyst	47,000	13,200	40,750	12,600



6. Has your salary increased during the past 12 months?

1) Yes		76.1% (54)
2) No		23.9% (17)

7. If yes, by what percentage has it increased?

Mean (average) 15,32

8. Do you think that your current salary is competitive with rival firms?

1) Yes		40.8%
2) No		43.7%
3) Don't Know		15.5%

9. Do you think that your current bonus is competitive with rival firms?

1) Yes		32.4%
2) No		45.1%
3) Don't Know		22.5%

10. Please indicate your department's post bonus morale

1) Dissatisfied		32.3%
2) Satisfied		58.5%
3) Exceed expectation		9.2%

11. Which of the following benefits does your organisation offer?

1) Flexible Benefits	42.0%
2) Car/Allowance	36.2%
3) Non-Contributory Pension	39.1%
4) Contributory Pension	47.8%



5) Share Options/Scheme	42.0%
6) Medical Insurance	89.9%
7) Mortgage Subsidy/Allowance	23.2%
8) Life Cover/Death in Service	71.0%

12. What is the guaranteed value of these benefits?

Max:	400000
Min:	0
Mean (average):	19,934.45
Median:	1,000.00
Mode:	0
Range:	400000
Std. Deviation:	71,499.11

13. How many staff does your Risk department currently have?

Max:	350
Min:	0
Mean (average):	34.38
Median:	10.00
Mode:	4
Range:	350
Std. Deviation:	60.71

14. How many people have been recruited in your team in the last 12 months?

Max:	25
Min:	0
Mean (average):	4.33
Median:	2.50
Mode:	2
Range:	25
Std. Deviation:	5.24



15. How would you describe your company's current recruitment situation?



16. How many Risk professionals do you intend to recruit during 2007?

Max:	20
Min:	0
Mean (average):	2.77
Median:	1.00
Mode:	0
Range:	20
Std. Deviation:	4.36



4. Contact Us

We hope that this information has been of benefit to you. Should you require more detailed information or if there is a particular recruitment need with which we can help, please do not hesitate to contact us.

Your views are important to us and we would be pleased to receive your feedback on this survey.

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