2013 SPRING REVIEW

CANDIDATE SURVEY RESULTS

FIXED INCOME, CURRENCIES & COMMODITIES

EQUITIES

INVESTMENT BANKING

RISK MANAGEMENT

QUANT RESEARCH & TRADING

ELECTRONIC TRADING

INFORMATION TECHNOLOGY

HEDGE FUNDS

ASSET MANAGEMENT FIRMS

PRIVATE EQUITY

APRIL 2013

COMPENSATION DATA ANALYSIS METHODOLOGY

The Options Group 2013 Spring Review is the result of three months of work contributed by over one- hundred consultants and research professionals. Total compensation is calculated as base salary plus bonus (cash and non-cash), and are denominated in US dollars.

ABOUT OPTIONS GROUP

Founded in 1992, Options Group is a leading global executive search and strategic consulting firm for the financial-services industry. Since 2000, we have maintained a local presence on five continents and have placed thousands of mid- to senior-level professionals in all areas of the financial services industry at a range of institutions. With over one-hundred consultants and market intelligence analysts worldwide, Options Group has a thorough knowledge of key competencies in the financial industry and is at the cutting edge of global hiring services and compensation trends for securities, investment banking, hedge funds, asset management, private equity and information technology. Options Group possesses a track record of consistently providing expeditious and comprehensive executive search and market intelligence services to clients. For additional information, please contact: Jessica Lee jlee@optionsgroup.com.

ABOUT OPTIONS GROUP INTELLIGENCE UNIT (OGIU)

Options Group Intelligence Unit is the business information and research arm of Options Group. Through its extensive global network of analysts, consultants and client relationships, Options Group Intelligence Unit is uniquely equipped to assist senior executives in making more prudent business decisions by providing timely, accurate and reliable analysis worldwide on financial firms and market trends. Options Group is committed to delivering value-added market intelligence and strategic consulting in addition to our world-class executive search services.

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INTRODUCTION

The Options Group Intelligence Unit (OGIU) conducted a global survey between February and March and received over 7,000 responses. The survey included twenty specific questions designed to assess beliefs about compensation trends and to capture additional perspectives from our clients. The following are select results of the survey.

The Pattern of Guaranteed Bonus has Changed within the Financial Services Industry

Across all regions and firm types, 17% of all respondents received either a verbal or contractual guarantee for their 2012 bonus. The percentage was lower at bulge bracket and non-bulge bracket, at 8% and 13% respectively. Among hedge funds/proprietary trading firms, asset managers and broker-dealers, the percentage were close to industry base rates (i.e., 17% to 19%). Physical commodities trading firms, private equity firms and local/boutique firms were above average, with 23% of respondents receiving some form of guarantee in 2012. 27% of all respondents employed at technology firms and 35% of those employed by private wealth management organizations received guarantees. At one time, banks frequently guaranteed bonuses to lateral hires, whereas hedge funds, private equity firms and boutiques were less likely to do so. Thus, we feel that the pattern of guarantees has changed across sub-industries.

While bonus guarantee does not mean increase in total compensation, no guarantee may be worse.

At bulge bracket and non-bulge bracket banks, nearly one-quarter of those who received bonus guarantees reported no change in total compensation in 2012 from 2011. Approximately 8% experienced a decline in compensation of at least 10% year-over-year. Further, of those who received guarantees, over 30% of those at bulge bracket firms and over 20% at non-bulge bracket firms reported total compensation increases of at least 30%. Of those who did not receive a guarantee, approximately 20% received no change in compensation while a quarter of all respondents reported compensation declines of at least 10%. The percentage of non-guaranteed respondents who received total compensation increases of at least 30% were about half the percentage of those guaranteed (or 14% those at bulge bracket banks and 11% non-bulge bracket banks).

One-third of those who received guarantees from hedge funds/proprietary trading firms had no change in total compensation from 2011, while 8% experienced a decline of over 10%. Approximately 28% of those with guarantees reported compensation increases of over 30%. In contrast, 23% of employees without guarantees were paid flat year-over-year and 13% experienced declines over 10%. 24% of those without guarantees received an increase in total compensation in excess of 30%.

For respondents employed at technology firms, both guaranteed and not guaranteed reported roughly the same changes in compensation. 10% were paid at least 10% less, and 50% were paid at least 10% more.

Based on the results of this survey, physical commodities trading firms are an exception to the overall pattern. None of those whose bonuses were guaranteed received less compensation, though 20% were paid flat year-over-year (versus 22% of those without guarantees.) An average of 6% of all respondents across all other firm types who received guarantees reported receiving less total compensation in 2012 from 2011.

New hires are not receiving guarantees. Contractual bonus guarantees for new employees are increasingly rare. Options Group estimates that that figure has fallen almost 40% over the last two years, from 28% in 2010 to 17% in 2012. In addition, of those who received guarantees, *only 14% were given to new hires, and the remaining 86% were given to incumbents*.

"Fair compensation" may be more closely related to expectations than increase in compensation. Comparing all firms, 61% of those with bonus guarantees reported an increase in total compensation, while 49% of those not guaranteed reported an increase in total compensation. However, 72% of those guaranteed said their compensation in 2012 was fair versus 33% of those not guaranteed. Of those who reported that their compensation was unfair, 20% had received contractual guarantees.

Demographics of those who received contractual guarantees (weighted percentages):

		US	UK, EU & Switzerland	Hong Kong, Singapore & Australia	Brazil	Emerging Markets - India, China, Central America, Mexico, & CEEMEA
Firm Type	High	Insurance - 18%	PWM & physicals - 28%	Consulting - 17%	Insurance - 47%	Insurance - 28%
	Low	BBB & local banks - 2%	B/D & Consulting - 0%	Boutiques - 0%	B/D & PE - 0%	BBB & non-BBB - 1%
Role	High	Operations - 23%	Wealth Advisors - 42%	Operations - 28%	Wealth advisors - 53%	Wealth Advisors - 55%
	Low	Bankers - 6%	Bankers & traders - 4%	Quants - 5%	Traders & quant's - 2%	Traders - 1%
Title	High	Executive/Partner - 46%	Director - 30%	Associate - 30%	Executive/Partner - 49%	Executive/Partner 32%
	Low	Director & VP - 12%	VP - 8%	VP - 8%	MD - 5%	MD - 9%
Securities	High	Credit - 13%	Other - 40%	EM Equities - 24%	Other - 40%	Other - 33%
	Low	EQD, Rates & FX - 3%	Credit, FX, EM, Rates - 0%	Credit & FX - 0%	Credit & EQD - 0%	Credit - 0%

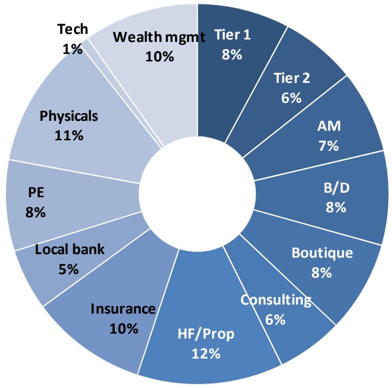
Although it is not surprising that banks are not high on the list, our survey revealed that the types of firms that offered contractual guarantees in 2012 were not the firms most would have expected (i.e., insurance companies and consulting firms.)

Changes in Total Compensation

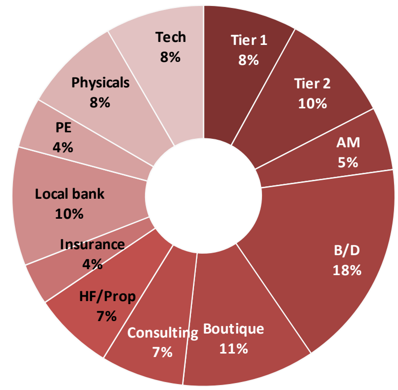
What percentage change in your total compensation (base + bonus) did you receive in 2012 from 2011?

- Increased over 30%
- Increased 10% to 29%
- Increased less than 10%
- No change
- Decreased less than 10%
- Decreased 10% to 29%
- Decreased over 30%

Distribution of YoY Increase in Total Compensation 30%+ by Firm Type



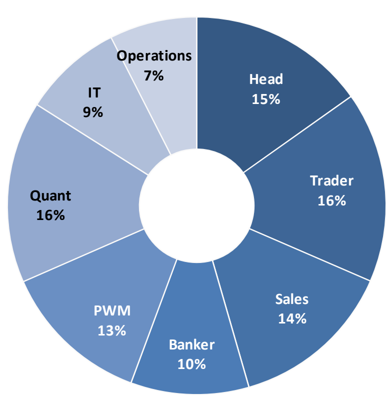
Distribution of YoY Decrease in Total Compensation 30%+ - by Firm Type



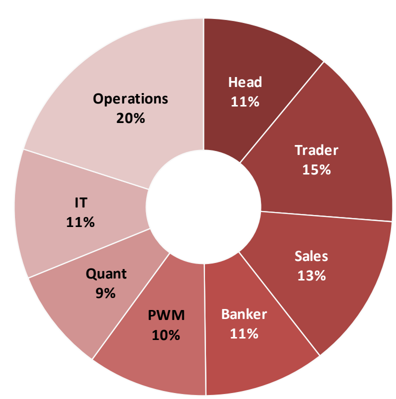
		US	UK, EU & Switzerland	Hong Kong, Singapore & Australia	Brazil	Emerging Markets - India, China, Central America, Mexico, & CEEMEA
Increased Over 30%	Firm Type	Hedge fund/Prop - 18%	Physicals - 36%	Consulting - 23%	Insurance - 30%	PE - 32%
	Role	Quant - 19%	Wealth advisors & traders - 21%	Quants - 15%	Wealth advisors - 38%	Wealth advisors - 49%
	Title	Executive/Partner - 41%	Director - 25%	Associate - 39%	Executive/Partner - 52%	Associate - 35%
	Securities	Mortgages - 15%	Commodities - 20%	EM Equities - 36%	EM Equities - 27%	Other - 295
Decreased Over 30%	Firm Type	B/D- 19%	Physicals - 19%	B/D - 27%	Boutiques - 47%	Local banks - 55%
	Role	Operations - 19%	Bankers - 18%	Wealth advisors - 27%	Operations - 38%	Wealth advisors - 26%
	Title	Executive/Partner - 46%	Directors - 30%	Executive/Partner - 44%	Associates - 42%	Directors - 42%
	Securities	Mortgages - 19%	Prime services - 24%	Rates - 21%	Other - 43%	EM Credit - 55%

The above charts are weighted results by firm type. As a general guideline, the top 10% receives the largest compensation increases while the bottom 10% receives the largest compensation decreases. Only physical commodities trading firms and hedge funds/proprietary trading firms were above this average for the group that received compensation increases over 30% (an indication that that these firms probably performed better.) Conversely, firms that fell below this average of 10% most likely underperformed. Those that reduced compensation by more 30% to over 10% of their employees probably performed poorly, and it is reasonable to expect that they will experience layoffs and high turnover. Firms that awarded the largest compensation declines to less than 10% of their employees may have outperformed or may have made headcount reductions before awarding bonuses. Employees at asset management firms, private equity firms and insurance companies should have the lowest risk of headcount reductions, and employees at broker-dealers are at greatest risk of losing their jobs to layoffs.

Distribution of YoY Increase in Total Compensation 30%+ by Select Roles

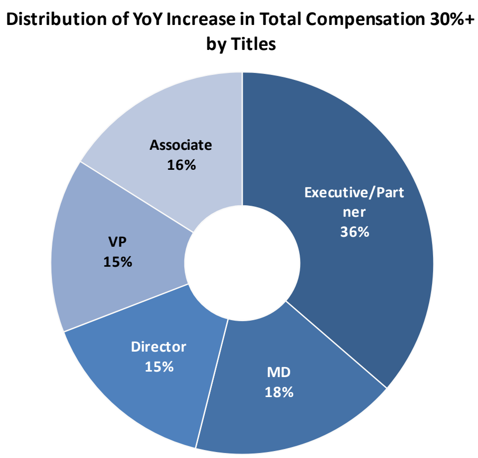


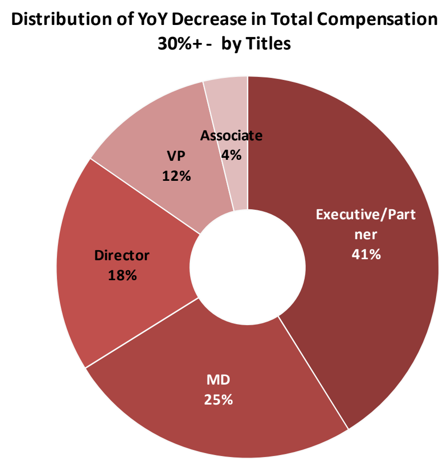
Distribution of YoY Decrease in Total Compensation 30%+ - by Select Roles



For most roles, the ratio of professionals receiving the largest compensation declines is 1:1. The only role with a more favorable ratio is quantitative analysts/traders. Increases in regulations, compliance and reporting requirements paired with difficult market conditions has caused many firms to expand headcount for operations personnel under reduced budgets. Last year was particularly difficult for middle office/operations professionals: For each operations professional who received a total compensation increase of 30%, there were three who received compensation declines over 30%. Despite this unfavorable ratio, nothing in our survey indicates these professionals are at greater risk for layoffs than their front-office peers.

While the most senior professionals, executives/partners, received most of the compensation increases, even more received large compensation declines. Note that, although the percentages of respondents who received the largest compensation increases are evenly distributed from managing director to associate, the percentages of respondents who received the largest cuts in compensation increased from associate to executive/partner.





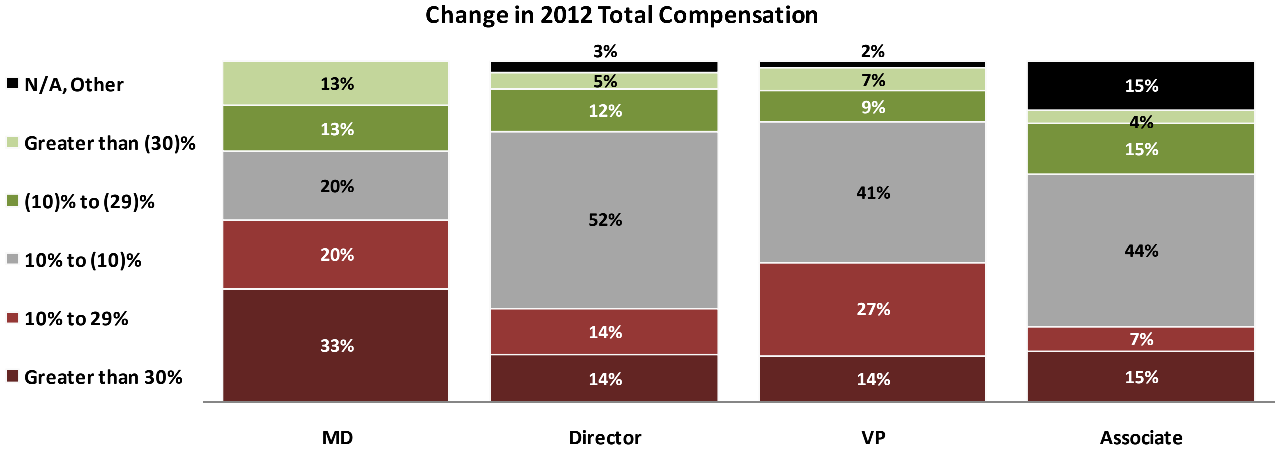
My job is secure.

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

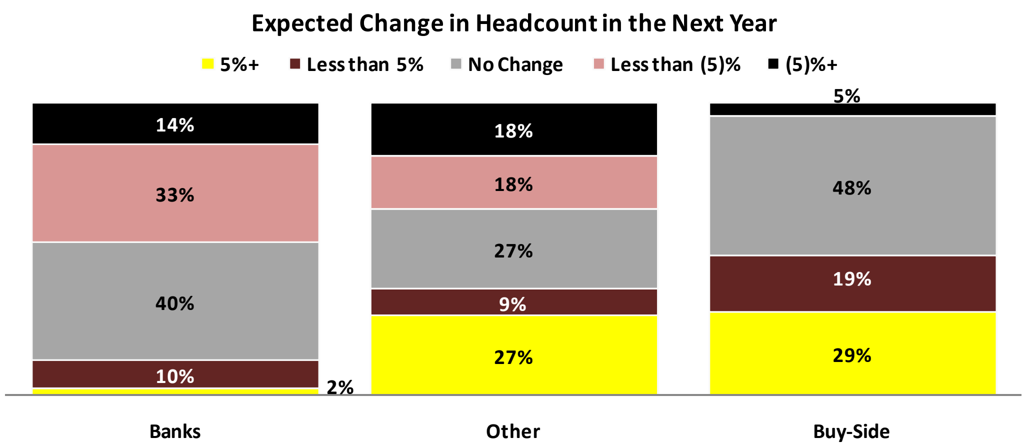
What is your best guess as to how the overall headcount of your group will look a year from now?

- Increase by 5% or more
- Increase by less than 5%
- No change
- Decrease by less than 5%
- Decrease by 5% or more

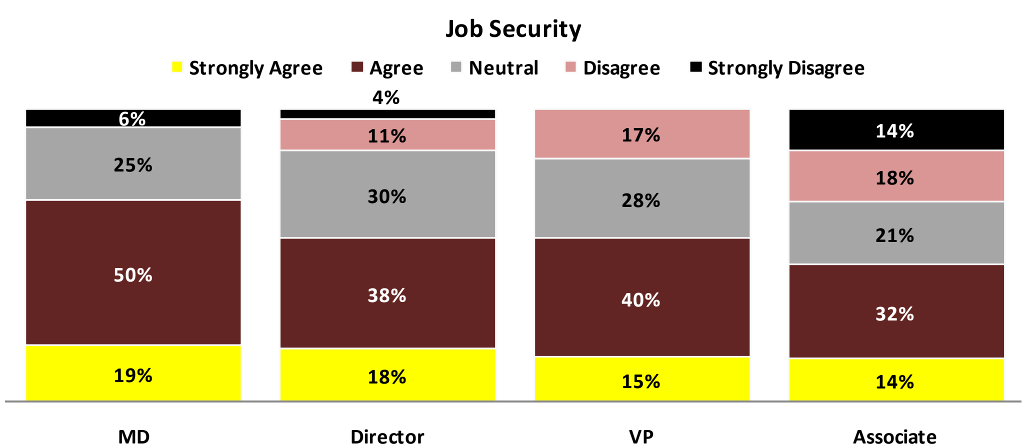
Responses regarding job security are from all levels. Assuming senior professionals are more likely to be aware of managements hiring/layoff intentions, responses regarding headcount change are from those director-level and above.



“N/A, Other” refers to those who those that did not have comparable year-over-year changes in total compensation.



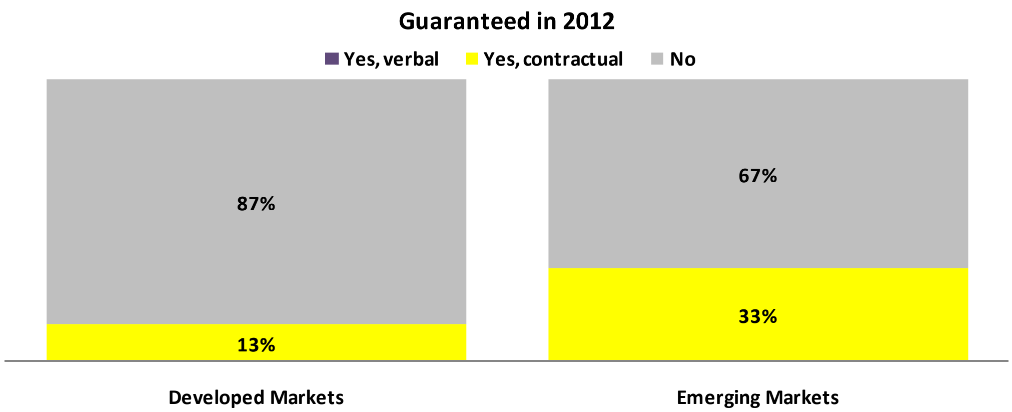
Results are based on responses from director-level and above.



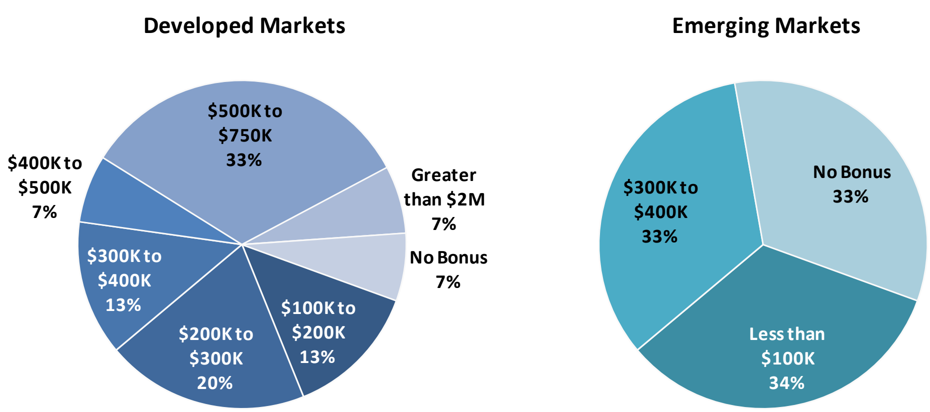
MISCELLANEOUS

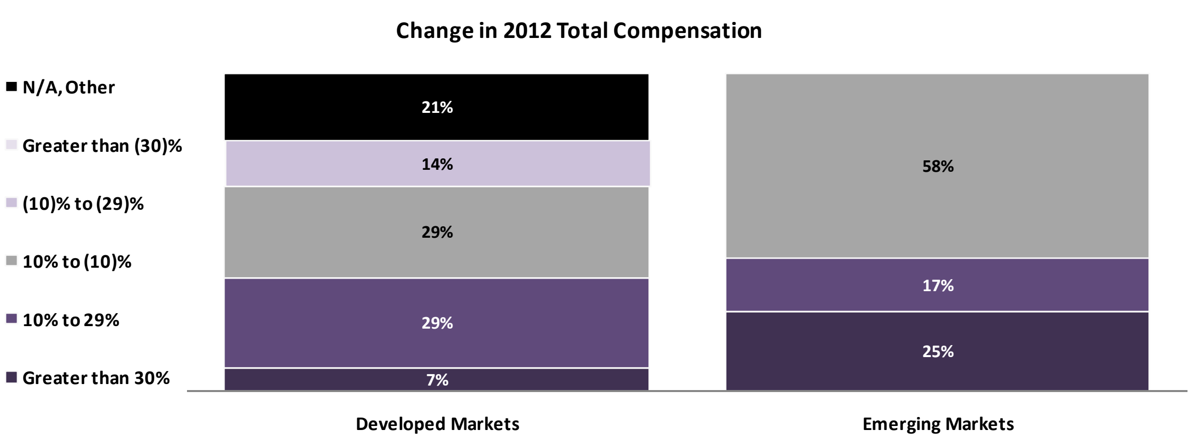
LEGAL

Survey results based on 36 legal professionals in developed markets (US, UK, EU, Switzerland, Japan, Hong Kong, and Singapore) and emerging markets (Brazil, China, India, Colombia, Peru, Mexico, Chile, and CEEMEA).

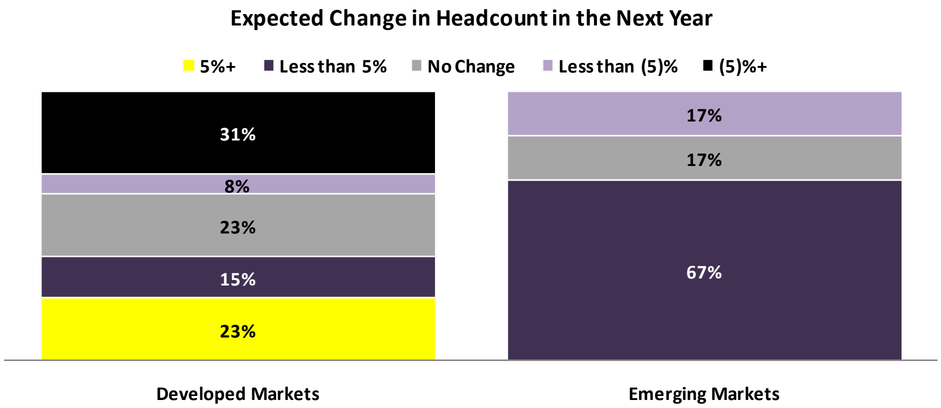


AVERAGE 2012 TOTAL COMPENSATION (BASE AND BONUS, IN USD)

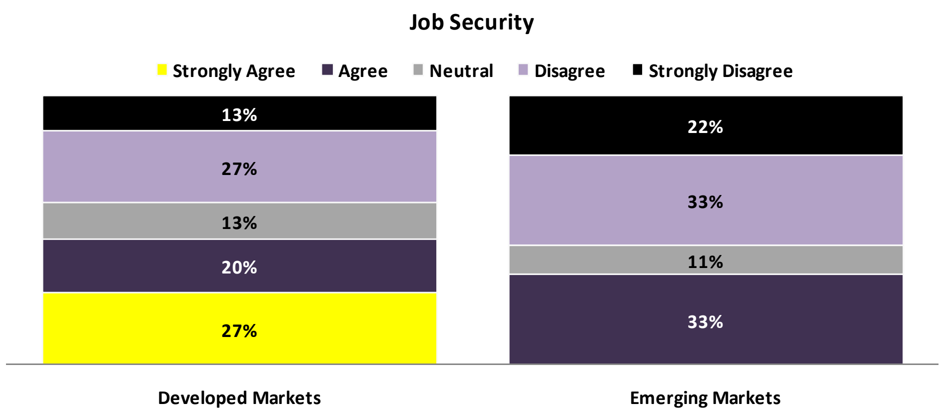


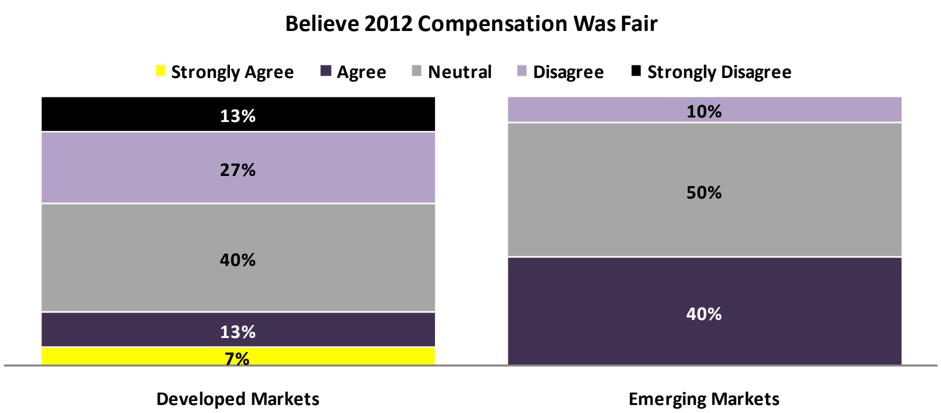


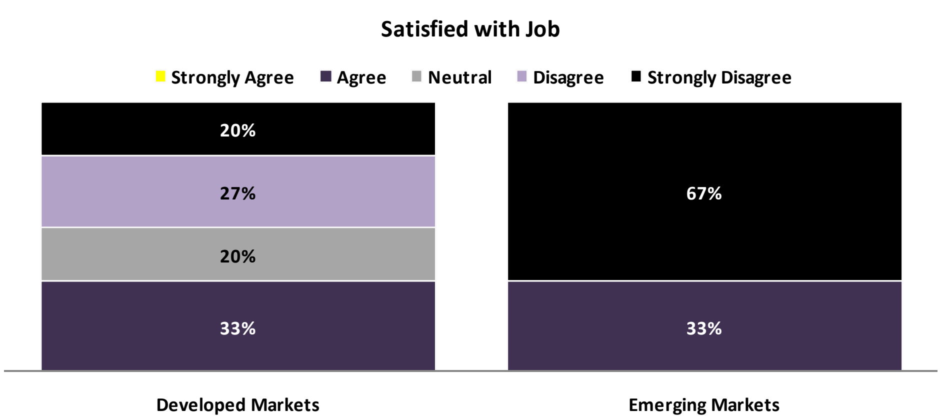
"N/A, Other" refers to those who did not have comparable year-over-year changes in total compensation.



Results are based on responses from directors-level and above.







DEFINITIONS AND CATEGORIES

We reclassified respondents as managing director, director, vice president and associate. We did not reclassify respondents who selected “partner,” as partnership universally implies specific ownership or a stake in his or her firm. Although these definitions vary by firm and region, we have reclassified respondents based on years of experience and range of base salaries to define these titles as:

Title Categories

Managing director: at least ten years of experience and/or annual base salary above USD 300K for tier 1 and tier 2 banks.

Director: between six and nine years of experience and/or annual base salary above USD 200K for tier 1 and tier 2 banks.

Vice president: between three and six years of experience and/or annual base salary above USD 200K for tier 1 banks and above USD 150K for tier 2 banks.

Associate: three years or fewer years of experience and/or annual base salary below USD 150K for tier 1 banks and above USD100k for tier 2 banks.

Senior portfolio manager: at least 7 years of experience and/or base salary above USD 250K at a hedge fund.

Junior portfolio manager: less than 5 years of experience and/or base salary below USD 150K at a hedge fund.

Regional Categories

Australia – Australia

Asia – Hong Kong, Singapore & Korea

Brazil – Brazil

CEEMEA – Nigeria, UAE, Iraq, Kenya, Russia, South Africa, Turkey & Croatia

China – China

EM Asia (Asia Emerging Markets) – India, Philippines & Sri Lanka

EU – Belgium, Luxemburg, Denmark, France, Germany, Italy, Austria, Sweden, Spain & Netherlands [Note: Denmark and Sweden are not part of the EU, but this region was the most appropriate region among the categories]

Japan – Japan

Latam – Chile, Peru, Colombia, Mexico, & Argentina

Switzerland – Switzerland

UK – England & Ireland

US – US & Canada

Developed markets – US, UK, EU, Switzerland, Australia, Japan, Hong Kong, Singapore

Emerging markets – China, India, Brazil, Colombia, Peru, Mexico, Asia-Pacific, CEEMEA

Firm Categories – by respondents’ selection of their firm’s primary business

Tier 1 (bulge bracket) banks – Bank of America Merrill Lynch, Barclays, Credit Suisse, Citigroup, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley, UBS

Tier 2 (non-bulge bracket) banks – other multi-national banks such as Societe Generale, BNP Paribas, RBS, Macquarie, etc…

Local banks – includes regional banks, regional or local commercial banks and merchant banks

Boutiques – specialized financial services firms

AM – asset management firms
HF/Prop – Hedge fund or proprietary trading firms
Consulting – consulting firms
PE – Private equity or real estate investment firms
Insurance – insurance and reinsurance firms
Physicals – energy trading firms, mining companies, integrated oil companies
Tech – technology companies include hardware and software vendors, internet companies, IT related advisory firms
Wealth mgmt – private wealth management firms including single and multi-family offices
Buy-side firms – hedge funds, proprietary trading firms, private equity firms, and asset management firms

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