

A LONG AND SHORT-TERM VIEW OF BREXIT: OPTIONS GROUP WEIGHS IN

David Korn, Head of EMEA and Managing Partner of Options Group in London, discusses Brexit and its implications.

The effects of Brexit appear to be wide-ranging, particularly in the business sector where thousands of companies are today grappling with how to handle both its short and long term implications. For those who operate in the recruitment and talent acquisition arena, the stakes are just as high and, for search firms, their key counsel and recruitment strategies are imperative to a successful outcome for many of their clients. In the following interview, David Korn, Head of EMEA and Managing Partner of Options Group in London, addresses Brexit and its implications.

Since its founding more than 25 years ago, Options Group has become one of the preeminent executive search firms specializing in the financial services industry. Mr. Korn is responsible for the firm's European operations, overseeing London, Zürich, Frankfurt, Dubai and Amsterdam. He is also a member of the firm's management committee. Mr. Korn joined Options Group in 1999 and has been a key figure in establishing and managing the firm's equities business on the continent. He has enjoyed building and developing relationships with many of the top-tier and emerging equity houses.



What is the general feeling now in your firm, and with clients, about Brexit?

The long term impact of Brexit is unclear but many of our financial services partners continue to review their long term plans in light of how they think Brexit will impact their business. We have two views - one longer term and one shorter range. Our view is that in the long run, London will remain a key global financial center. This is because of its location, traditions, regulatory and corporate governance structure, infrastructure and the diversity and quality of its talent pools. While London will remain a major global money center, the migration of finance towards Asia, driven by China will continue in our view. In the near term, financial services companies in EMEA and London are being buffeted by uncertain economic growth, a renewal of loan loss concerns, additional capital requirements, etc., in addition to Brexit. These forces are having a far greater impact on financial growth in Europe than the uncertainty of the impact of Brexit for our clients at the current time. Options Group believes that the predictions of gloom and doom for the UK and London have been somewhat

exaggerated, although several banks have started to reallocate human capital resources outside of the UK. There has been a slight up-tick in confidence over the past few months borne out by a recent surge in house prices, strengthening of sterling and an increase in public consumption. Change invariably leads to opportunities, and London financial firms have shown a resiliency over the years that makes us optimistic. If you recall the same predictions occurred when the EU was first established and the UK decided to keep the pound sterling. London has a tradition of "Keep(ing) calm and carry(ing) on."

It strikes us that uncertainty is one of the biggest issues.

How is that uncertainty affecting client companies and how have you reacted to this internally?

As noted, business expansion is being far more impacted by other non related Brexit issues. The implications of Brexit have yet to become clear, and their impact is still to be determined. Hiring continues mainly in the form of upgrades or new growth areas. Fintech remains very buoyant. For Options Group it is business as usual and full steam ahead as we continue to build market

share in the region. We need to remember that the proportion of employers expecting to increase staff over the six months has not dramatically changed since Brexit. We have increased our own headcount in response to demand and continue to field many reverse inquiries from recruiters at other firms who see our scale and commitment to EMEA. We have been pleasantly surprised by the firms seeking to get approval by the Financial Conduct Authority to open offices in London. These are firms that need to build and acquire talent.

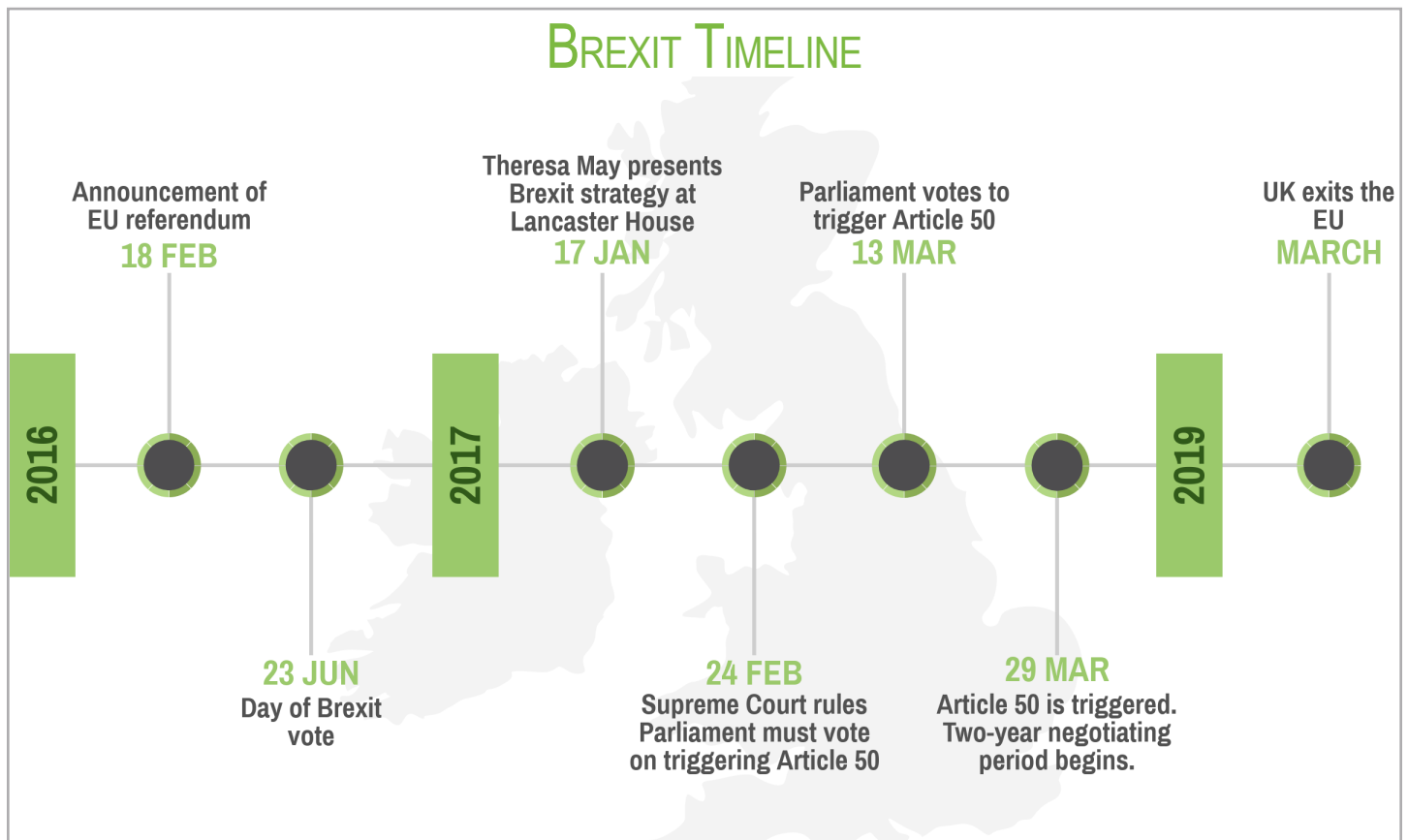
Do you think there is a short-term effect on hiring or on any decision making or on projects and strategies going forward from companies within the financial services sector?

We have not seen a major impact on hiring in spite of the media. It is generally in the fourth quarter that hiring budgets for 2017 are firmed up. Some of our clients are using this as a talent hedging strategy and see it as healthy re-engineering; others are waiting to see what their next steps should be while others are using it as a buying opportunity and upgrading their teams. There has been some discussion about where to base jobs post Brexit but much of this has been exaggerated by the press. While France has begun courting bankers with new tax breaks for expatriates and Frankfurt, Amsterdam and Luxembourg are also making

strong pitches. Ireland is also the only English-speaking country that offers a base in the euro zone and a future in the EU. While Ireland could be a good location for middle to back office positions, we see London remaining as the natural leader for front office positions. We have seen the shift in some positions from London to the continent and back for many years. It is all part of the natural cycle of firms weighing their options and trying to be as flexible as possible on their human capital talent options.

Do you have a sense of how big do you think the losses might be or will there be losses at all? What are some of the specific concerns for financial services hiring in particular?

We see no major losses short term associated with Brexit in the near term. There have been many negative forces at work since 2008 that have impacted the City adversely, especially on executive compensation and regulatory reform. That said, the initial reports that 40,000 jobs would be immediately impacted by the Brexit vote has not so far materialized. Options Group tracks the movement of around 350,000 professionals in the City of London. Around 10 percent of those actually come from other places in the EU and we see no burning interest on the part of these Europeans to be repatriated home anytime soon. After all, London remains the Sixth Biggest French City and is only getting bigger.



Address the effects of Brexit long term. One thing that strikes us is that it seems to threaten to take Great Britain out of the sweep of the future (and even the here and now), which is globalism. What are the implications of this from a broad perspective but also for you as a search consultant?

Global finance is based on having the best people, the best ideas and access to capital. Global finance is no longer about office locations as much as it is about people, ideas and capital. Britain has had strong trading relationships around the globe for over 300 years. The European Union itself is a relatively recent phenomenon since 1972 and while globalism is here to stay, the UK is forging ahead with a new raft of trade agreements with Asia, the US and South America. This will provide new and different talent acquisition opportunities especially in trade finance, global payments, commodity finance and all aspects of infrastructure finance.

There's been so much talk about Brexit's effect on the younger generation. How does this element fit into the puzzle for recruitment in your sector?

Options Group has always been at the forefront of junior streams of talent starting from our interviewing the top five percent of S.T.E.M straight from university. We are moving a lot of this talent to fintech and tech firms and see a huge pipeline for 2017.

Is there a positive side to this that everyone's missing? Will any businesses or recruiters in the UK gain because of this? Is there any silver lining?

Change drives opportunity. As Winston Churchill once said, "opportunity is missed by most people because it is dressed in overalls." Our firm is a leader in cross-border talent movements and we will continue to leverage and benefit from all talent flows into and out of London.

Options Group believes heightened market volatility and an uncertain political environment often lead investors to raise cash or shift to lower risk portfolios. This in turn creates opportunities in the capital markets for our clients to position themselves correctly on the right side of these movements. What can we expect Next for Talent Management in the UK post-Brexit?

Moving deliberately in a transformed landscape, the underreported story of the talent-management professions is the already

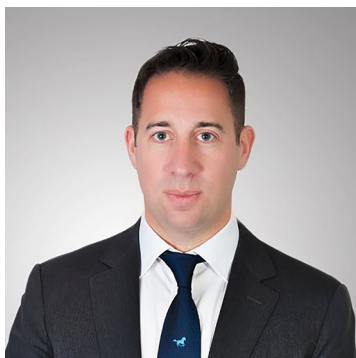
remarkable power of predictive tools in hiring and, more importantly, in nourishing talent. Those furthest along in thinking about the future of talent strategy are becoming a force in organizational design, management assessment, HR process, coaching and leadership development. Like the clients we serve, we're challenging convention and defining new ways of working

A constant in a successful search firm's value proposition will remain the degree to which its wisdom is esteemed by clients—wisdom not just about talent but about the direction of the client's industry and the world it occupies. Such wisdom will be informed by organizational context—the near-term and long-term needs of a management team, of an organization and of the business environment in which they operate, all of it married to the human genius for framing problems and finding answers. More than 20 years ago McKinsey coined the term "war for talent". Back then the speed with which digitization would transform our economy—indeed our world in its totality—could only be guessed. The guesses were far short of the revolution that's still going on. Parts of the talent-management profession were slow to grasp the meaning of the revolution. For those adaptive enough to embrace the revolution the opportunities of the next 20 years will change them utterly.

Current Outlook for UK Financial Services and Hiring

In a rebuff to the UK, which is seeking to put financial services and the jobs that go with it at the heart of a trade deal with Europe, an EU27 meeting in January 2018 concluded that any future arrangements should be based on "equivalence" — the revocable access given to third-country institutions — rather than a wide-ranging new pact. This has raised further uncertainty on the future of jobs in the City and there continues to be friction in the ongoing negotiations taking place. Ensuring that financial services employment is not adversely affected by Brexit is a top priority for the UK, since the sector is Britain's biggest source of exports and tax revenue, as well as jobs. Many bankers continue to believe that there is still concern that the EU will not want to lose "influence" over the UK financial sector, which would also impact the EU financial sector. Banks, payment service providers, insurers, asset managers and brokerages, and credit-rating agencies are all positioning themselves accordingly as Brussels toughens its criteria for granting equivalence to systemically important non-EU financial centers.

OPTIONS GROUP TEAM



David Korn is a Managing Partner and is responsible for our European operation, overseeing London, Zurich, Frankfurt, Dubai and Amsterdam. He is also a member of the company's Management Committee. David joined Options Group in 1999, and has been a key figure in establishing and managing Options Group's Equities Business in the continent. He also has familiarity with senior-level placements on a global basis. While David has vast experience with cash equities and equity derivatives in both sales and trading, his particular expertise lies in the Program Trading world and all Automated Execution Services. He has enjoyed building and developing relationships with many of the top-tier and emerging Equity Houses.

Having earned a BA in Business from Leeds University, David was briefly a trainee Chartered Accountant before transitioning into executive search. Prior to joining Options Group, David worked with a boutique executive search practice in London, gaining valuable equities experience at various levels within Global Markets. David is also a Governor of Mapledown School, where he sits on the Financial committee.



Raveen Shah is a Managing Partner in the London office. He joined Options Group in 2000 and covers the firm's European Fixed Income practice, working as a generalist across all asset classes with a particular focus on derivatives products. As a Managing Partner, he has broad experience in conducting searches at all levels across Interest Rate/Credit Sales, Trading, Structuring, and Emerging Markets.

Prior to joining Options Group, Raveen was called to the Bar at Middle Temple. He holds a LLB from the London School of Economics.



Richard Stein is a Partner, Chief Growth Officer, and Head of OGiQ. He joined the firm in October 2014. With over 25 years of consulting and recruiting experience, Richard is one of the industry's top advisors. His expertise lies in the financial services industry, across wealth management, risk, capital markets, consumer banking, technology and operations. Throughout his career, Richard has originated and executed search and competitive intelligence assignments for major investment banks, hedge funds, asset managers and alternative investment firms around the globe.

In addition, Richard is also a member of the Partners Operating Committee for The Options Group, Richard is directly responsible for the firm's Strategy and Corporate Development Function, Firm-wide Marketing and Client Coverage, Business Development and Consultant Support, Competitive Intelligence, Talent Analytics and Consulting, as well as OG University (training and talent development).

Richard began his career at Options Group before founding his own firm, Futures International. He remained at Futures International through its merger with Whitney Group until 2003, then served as Senior Client Partner at Korn/Ferry International. Richard holds a Bachelor's Degree from the University of Buckingham.

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- What to Expect in Equities Hiring in 2018
- What to Expect in Private Wealth Management Hiring in 2018
- The Cost of a Bad Hire Can Be Astronomical
- Growth is Not Just a Matter of Getting Bigger; It's a Function of Getting Smarter
- 'Equal Pay' Laws Are Accelerating the Evolution of Recruiters as Strategic Advisors
- Asset Management vs. Hedge Fund Hiring Trends
- Making the Most of the Hedge Fund Talent Shortage
- H-1B Visas: The Bottleneck Stalling the Global Flow of Skilled Talent

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