



Manpower Update Report

Banking and Finance Industry

2023



ACKNOWLEDGEMENT

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Introduction

Background

The Banking and Finance Training Board (BFTB) of the Vocational Training Council (VTC) is appointed by the Government of Hong Kong Special Administrative Region (HKSAR) to be responsible for, among other duties, determining the manpower demand of the banking and finance industry in Hong Kong, assessing whether the manpower supply matches manpower demand, and recommending to the VTC the development of vocational and professional education

and training (VPET) facilities to meet the assessed training needs.

Under the current approach for conducting manpower surveys, a full manpower survey will be conducted once every four years, supplemented by periodic information updates through focus group meetings and desk research.

The BFTB completed its latest full manpower survey in 2021. Two manpower update reports will be produced during the period between 2023 and 2024.

The 2023 manpower information update comprises:

(a) a focus group meeting getting the views of industry experts on the latest developments in the banking and finance industry, manpower situation and training needs, recruitment challenges and proposed measures to address the challenges faced by the industry; and

(b) desk research analysing job advisements including qualifications, experience and skills required, and salaries offered by the principal jobs in the banking and finance industry.

Objectives

The objectives of the manpower update are:

- (i) to examine the latest trends and developments of the industries;
- (ii) to explore the job market situation and training needs;
- (iii) to identify the recruitment challenges; and
- (iv) to recommend measures to meet the training needs and to ease the problem of manpower shortage.

Methodology

Overview

With reference to the 2021 full manpower survey of the banking and finance industry, this update report aims to provide qualitative descriptions of the recent development of the industry through focus group meeting, supplemented by making reference to some quantitative data of recruitment advertisements from desk research.

Focus Group Meeting

Members participating in the focus groups are representatives from the banking and finance industry, including:

1. Banks;
2. Securities and futures institutions;
3. Fund houses/ asset management companies;
4. A local tertiary institution; and
5. A young in-service practitioner.

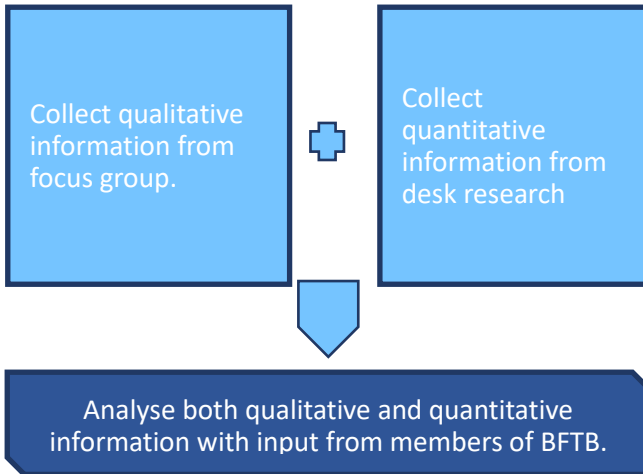
A focus group meeting (1.5 hours) was held on 1 June 2023 and three individual meetings (about 45 minutes to 1 hour each) were conducted in May and June 2023. Members had in-depth discussions on topics selected by the Working Party on Manpower Survey of the BFTB. The discussions were recorded and transcribed to facilitate analysis.

Desk Research

An employment information system was developed to capture the relevant recruitment data from major online recruitment portals. Recruitment records were collected between Quarter 2 of 2022 and Quarter 1 of 2023 for the industry. Collected information was mapped against the list of companies related to the banking and finance industry under the Hong Kong Standard Industrial Classification devised by the Census and Statistics Department. After mapping and removal of duplicated records, a total of 58,792 recruitment records were collected during the research period and served as indicative information of the job market trend.

Data Analysis

The analysis consists mainly of the following three steps:



Limitations

As this is not a full manpower survey, the findings and recommendations of the focus group meeting are more qualitative in nature and the report focuses mainly on the manpower trends. The information of job advertisements was collected from major recruitment websites and the Labour Department. Other channels, such as headhunting for managerial positions, were not covered. Since the data collected is a snapshot of a particular period without reference to any historical data, this can serve as reference information supplementary to the findings of the focus group meeting.

Findings

Factors Affecting the Development of the Banking and Finance Industry

The Banking and Finance Training Board (BFTB) suggested several factors affecting the development of the industry to facilitate discussion by focus groups. Focus group members were invited to give their views on relevant questions in relation to those factors to understand the influences on recent development or changes in respective branches of the industry.

Navigating Challenges, Eyeing Growth

Hong Kong's banking and finance industry is on a steady recovery path, following the global economic moderation of 2022. The city's economy saw a robust rebound in the first quarter of 2023, with a 2.7% year-on-year growth in real GDP, largely due to the resumption of inbound tourism and domestic demand. The unemployment rate dropped from 3.9% in January 2022 to 2.9% in June 2023, signalling a return to normal operations.

As an International Financial Centre, Hong Kong is leveraging its strategic role as a gateway to the Chinese Mainland and a favourable corporate tax system. The National 14th Five-Year Plan, supporting Hong Kong in enhancing its status as an international financial centre and a global

offshore RMB business hub, propels the industry's long-term development. However, the industry is not without its challenges. The recent emergence of banking stress in the US and Europe, higher interest rates, and geopolitical tensions, including the Russia-Ukraine conflict, pose risks to global growth and could spark periodic market volatility. Despite these challenges, Hong Kong's financial system remains resilient and well-prepared to withstand adverse shocks.

Emerging Service Areas

The HKSAR Government is concurrently strengthening traditional financial sectors and boosting emerging domains like green finance, fintech, and virtual assets. These proactive steps are shaping Hong Kong as a bridge for international and Mainland China capital flows.

The Government is also transforming Hong Kong into an international asset and wealth management hub, leveraging Asia's economic growth and deepening financial market liberalisation in Mainland China. Measures include enhancing fund structures, broadening distribution networks, and enticing global family offices to operate from Hong Kong.

Green finance is another area of focus, with initiatives planned to propel Hong Kong into a global hub for green technology and finance.

Moreover, the Government is fostering a vibrant ecosystem for virtual assets, positioning Hong Kong as a global cryptocurrency hub. With regulations allowing retail investors to access certain virtual assets, Hong Kong is set to witness continuous growth in the virtual asset sector.

Technology Evolution

The banking and finance industry in Hong Kong has undergone significant changes due to the evolution of technology. The use of financial technology, or fintech, has allowed for the transformation of banking and financial organisations to operate more efficiently while improving their service to clients. Fintech has been used to drive innovation in financial services globally and change the nature of commerce and end-user expectations for financial services. The application of emerging technologies such as artificial intelligence (AI), blockchain, cloud computing, and big data has been utilised in areas such as payments, clearing and settlement, deposits, lending and capital raising, insurance, investment management, and market support.

To support the healthy development of fintech and maintain public confidence in the banking system, the Hong Kong

Monetary Authority (HKMA) unveiled the “Fintech 2025” initiative in June 2021. Fintech 2025 aims to encourage financial institutions to create their technology roadmap and adopt technology comprehensively, such as big data, AI, machine learning, etc.

The impact of adopting technology within the banking and finance sector is all-encompassing, especially as COVID-19 has made an enormous impact on traditional business models. However, one of the top challenges for fintech adoption is accessibility to people with the requisite skills and capabilities. In response to this, the HKMA launched various talent development initiatives such as the Industry Project Masters Network (IPMN) scheme in September 2021 and the Fintech Career Accelerator Scheme (FCAS) 3.0 in October 2022 to nurture fintech talents and build a fintech-savvy workforce. The Pilot Scheme on Training Subsidy for Fintech Practitioners was also announced in September 2022 to promote the professional development of fintech talent and expand the fintech talent pool in Hong Kong.

Overall, the adoption of fintech in the banking and finance industry in Hong Kong has brought about both opportunities and challenges. The Government is working closely with the industry to enable the long-term sufficiency of fintech talent in Hong Kong and striking the right balance between retaining appropriate flexibility for innovations and ensuring that customer interests are properly safeguarded during the course of fintech development.

Talent Shortage

The talent shortage situation caused by economic recovery and an emigration wave has impacted the banking and finance industry in Hong Kong. The industry is facing a lack of experienced staff, particularly in jobs that require analytical and technical skills. Companies are making adjustments to their salary benchmarks to retain their staff and attract new talent with the necessary skills. To fill the talent gap, employers are hiring from adjacent industries and training them to fulfil roles within mass-affluent relationship management.

Additionally, the younger generation does not find working in the banking industry's nine-to-five regulated environment appealing, leading to a potential change in the junior staff hiring situation. The industry is creating more high-value jobs within the front office space in the banking industry, but there are fewer job takers.

The Government has launched various admission schemes for talents and professionals to enrich Hong Kong's talent pool and enhance its international competitiveness, including the "Top Talent Pass Scheme" for high-end talents and the "Technology Talent Admission Scheme" for technology talents. The recent expansion of the "Talent List" to cover 51 professions aims to attract more high-quality talents to Hong Kong to meet its manpower needs.

Increasing Cross-Border Collaboration

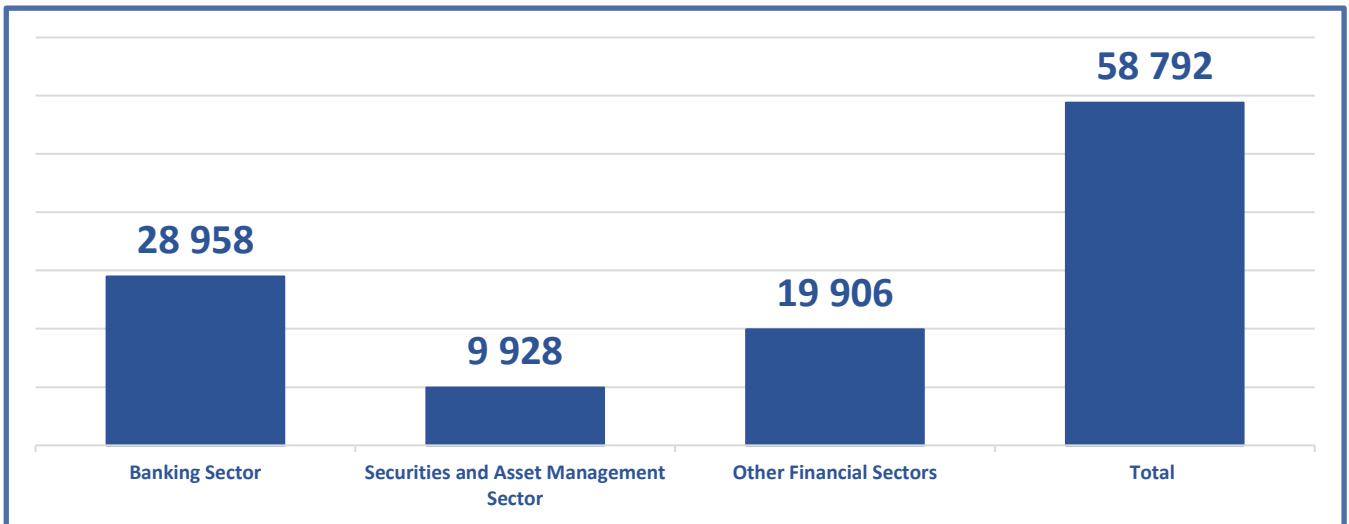
The banking and finance industry in Hong Kong collaborates with their Mainland Office to gain operational efficiency through increased collaboration between Hong Kong and Mainland staff. Secondment of staff to different regions for two to three years and then returning to the home city is a common practice. This type of secondment helps staff to gain knowledge of cross-border operations and products which will facilitate future development. Banks have also started to locate their operational activities to locations according to the nature of the talents and skills they possess. This allows for the efficient use of resources and the optimisation of talent across different regions. The collaboration between Hong Kong and Mainland staff and the strategic location of operational activities according to talent and skill sets have contributed to the operational efficiency of the banking and finance industry in Hong Kong.

Manpower Demand

According to the 2021 Manpower Survey (MPS), the manpower of banking and finance was categorised into three sectors, namely, the Banking Sector, Securities and Asset Management Sector, and Other Financial Sectors. Employers in the Banking and Finance industry forecasted a modest increase of 0.08% in overall manpower demand from 177,907 in 2021 to 178,057 in 2022. It was estimated that the Banking

Sector would have mild growth (0.08%), followed by the Securities and Asset Management Sector (0.02%) but a slight decrease in the Other Financial Sector (-0.02%). However, due to the high mobility of banking and finance practitioners and the severe shortage of labour, there remains a continuous demand for manpower to fill the vacancies, particularly in the banking sector.

Figure 1: No. of Recruitment Advertisements in the Banking and Finance Industry for the Period between March 2022 and February 2023 (By Branch)



Desk research captured 58,792 banking and finance-related recruitment advertisements between March 2022 and February 2023. During the reporting period, a considerable number of job advertisements came from the Banking Sector (50%) and Other Financial Sector (34%). The findings of the desk research suggest that while the overall manpower increase in the banking and finance industry sector may be minimal, there

remains a significant demand for manpower to fill vacancies, particularly in the Commerce and Services Establishment branch.

In 2023, the banking and finance industry in Hong Kong would have a positive development, generating high demand for high-end security and investment talents but not for low-level staff due to digital transformation and the demand for cross-disciplinary skills. The in-demand

occupations include relationship and product managers, risk management, and compliance expertise, particularly those in anti-money laundering (AML) and cyber security. Financial firms are strengthening their risk management capabilities, driving up talent competition for the same and diminishing the pool of risk management

professionals. The in-demand compliance talent can be found in KYC, AML, and Counter Financing of Terrorism. The surging market capitalisation of crypto assets is driving demand for digital asset talent, but suitable candidates require both finance and technology knowledge.

Training Needs

Blending IT with Banking and Finance Knowledge

In today's rapidly evolving banking and finance industry, practitioners need to equip themselves with cross-disciplinary skills. Traditional banking and finance knowledge, combined with IT technology knowledge, is essential to stay competitive. The Hong Kong Institute of Bankers identified technology and data skills, including AI, big data, data analytics, and management, as missing skills for practitioners. In addition, fintech skills like cloud computing, cybersecurity, machine learning, and data analytics are in high demand. IT security is also a vital area of knowledge. By acquiring these skills, banking and finance practitioners can navigate the complex landscape of financial services and position themselves for success in the digital age of finance.

Staying Competitive in Sustainable Finance

Environmental, social, and corporate governance (ESG) and green finance are rapidly becoming key drivers of change in the banking and finance industry. As environmental and social concerns gain prominence, practitioners need to acquire critical knowledge and skills to stay competitive. Understanding sustainable investment strategies, assessing climate risks, and complying with ESG regulations are essential. Additionally, integrating ESG factors into decision-making processes and being familiar with green financing products and green bonds can help practitioners promote sustainable and responsible business practices. With the increasing demand for ESG and green finance knowledge, banking and finance practitioners who acquire these skills will be better equipped to navigate the industry's evolving landscape and position themselves for success in the future.

Adapting to Digital Asset Trends

Banking and finance practitioners in Hong Kong have traditionally received training on securities and futures topics, providing a strong foundation for trade and monitoring practices. By building on this knowledge, practitioners can stay up to date with emerging trends and technologies in the industry, such as cryptocurrency and virtual assets. This enables them to better understand the risks and opportunities associated with these new areas and make informed decisions that benefit their clients and organisations. As the financial landscape continues to evolve, adaptable practitioners who stay current with new developments will be better positioned for success.

Knowledge of Greater Bay Area

Banking and finance practitioners in Hong Kong need to acquire Greater Bay Area (GBA) and cross-border business knowledge to leverage increasing business opportunities and take advantage of the central Government's promotion of talent mobility. Collaboration between Hong Kong and Mainland offices is increasing, with banks locating their operation activities according to staff's skills and talents. With better tech skills in Mainland staff and better commercial sense in Hong Kong staff, cross-disciplinary skills like cultural understanding, customer needs, legal and policy requirements are vital for successful collaboration in this evolving market.

Recruitment Challenges

Banking and Finance Staff Emigrating

The recent surge in outward migration has led to a loss of experienced staff in the banking and finance industry in Hong Kong. According to a survey by the Hong Kong General Chamber of Commerce, 40% of companies are losing skilled workers due to the emigration wave, and 38% of respondents said they had been adversely affected by the loss of emigrating workers, ranging from medium to very high level.

The loss of talent spans a broad range of skills, from engineering and technical services finance and accounting to information technology.

The survey showed that the two most dominant age groups leaving Hong Kong are those aged between 30 and 39 and between 40 and 49. Middle management and first-level management were the two groups more likely to depart compared to those in rank and file as well as senior management in terms of organisational hierarchy.

Focus group discussions within the banking and finance industry highlighted the increasing stringency of compliance requirements, as regulators implement measures to uphold public trust and industry stability. These requirements heavily rely on experienced professionals specialising in risk management and compliance. However, staffing challenges arising from immigration issues, coupled with the time required for newly promoted staff to adapt to their roles, are further exacerbating the situation.

Youngsters Disinterested in Banking and Finance Jobs

Youngsters today are not attracted to the traditional nine-to-five regulated environment of the banking and finance industry. They prioritise a more work-life-balanced environment and have more ambitious career goals. Compared to older generations, they are eager to get promoted and transfer to another position in a shorter period. Some youngsters are less concerned about money and value job satisfaction over everything else. This is a challenge for big businesses, especially the banking and finance industry, which needs to adapt to attract top young talent. Youngsters may have a lack of concern for money due to various reasons, such as over-doting parents or feeling like the 'lost generation' with no hope of landing a job, let alone a career. The focus group

suggests that nowadays the younger generation is motivated to stay with their employers and recommend their organisations to friends by the level of fulfilment they experience in their jobs.

Talent War in Hong Kong

The banking and finance industry in Hong Kong is currently in the midst of a talent war due to a significant outflow of workers and an influx of new businesses from Mainland China. This has created a shortage of talent and triggered a price war for recruitment. To avoid this competition, some banking and finance organisations are extending their recruitment platforms to attract suitable talent from other industries. The COVID-19 pandemic has further contributed to the situation, with strict regulations presenting rare prospects for those who decide to remain in the city. To retain top talent amidst a dwindling pool of potential candidates, banks in Hong Kong are offering significant financial incentives, driving up counteroffers to their highest levels in a decade. The competition for highly skilled tech workers is incredibly intense, resulting in a substantial salary increase of at least 20-30% for finance professionals. The talent war is expected to impact the industry in several ways, such as an increase in operating expenses, an uneven distribution of talent favouring larger institutions, and the emergence of new recruitment strategies.

Recommendations

To meet the future development of the industry, it is considered essential for the Government, education institutions and employers to provide suitable training opportunities to the employees and students in the following areas:

Government

Enhancing Global Talent Strategies for Hong Kong's Financial Hub Success

To ensure Hong Kong's success as a global financial hub, it is crucial to enhance global talent strategies. The Government has implemented various admission schemes, such as the "Top Talent Pass Scheme," "General Employment Policy," "Quality Migrant Admission Scheme," and "Immigration Arrangements for Non-local Graduates", to attract a diverse range of talent and strengthen the city's international competitiveness. Ongoing efforts are needed to continually enhance these initiatives and maintain a competitive edge in the global talent market.

Support measures are essential once global talents are recruited to Hong Kong. Facilitating connections between talents and professional bodies or educational institutions can aid their integration into society and the industry. By providing guidance on obtaining necessary professional licenses and credentials, we can assist talents in successfully transitioning into the workforce and

adapting to the local business environment.

Retaining existing talent is equally important and more cost-effective than constant recruitment. Highlighting Hong Kong's high standards of safety, education, medical care, and arts and culture can attract and retain talent. Competitive salaries and improved cost of living are necessary to ensure international competitiveness. Additionally, the quality of living is a significant consideration for talents. Therefore, improving Hong Kong's ranking in global livability surveys is crucial to maintaining its position as a leading international financial center.

Balancing Compliance and Growth: Overcoming Operational Challenges in a Talent-Short Financial Industry

To safeguard investor interests, maintain market integrity, and foster the healthy growth of the financial industry, regulators must implement effective compliance measures. However, it is crucial to acknowledge the operational challenges these measures present, particularly in light of the industry's talent shortage. Banks and financial institutions may struggle to find the right equilibrium between

regulatory compliance and business development, given the time required for professionals to acquire the necessary skills and knowledge.

In order to facilitate the continued development of the industry, it has been proposed that the Government conducts regular reviews of these measures and extends support to help nurture the required talent pool. This proactive approach seeks to address the industry's challenges and ensure its long-term sustainability.

Through careful evaluation and adjustment of compliance measures, coupled with the provision of necessary support and resources, regulators and the Government can cultivate an environment that fosters both regulatory compliance and industry growth. This collaborative approach recognises the importance of striking a balance between regulatory requirements and the industry's need for skilled professionals, thereby contributing to the overall success and resilience of the industry.

Employers

Automating for Efficiency

Hong Kong's banking and finance industry needs to further implement digital transformation measures to ease the tension caused by the talent shortage. The industry can leverage automation and digitalisation to streamline processes and

free up employees to perform higher-value tasks. Furthermore, there is a need to invest in emerging technologies such as artificial intelligence and machine learning to enhance decision-making and customer service. Collaboration with fintech firms can also help to expand digital capabilities and bring in new talent. By adopting a digital-first approach, banks can optimise their resources and reduce the need for manual work, thus mitigating the effects of talent shortage. Overall, a continued focus on digital transformation is crucial for the industry's long-term success in Hong Kong.

Retain Talent with Improved Measures

The banking and finance industry in Hong Kong has implemented various strategies to retain talent in the face of intense competition. These include offering flexible work arrangements for working mothers, promoting staff well-being through sports teams and gym facilities, and providing training on in-demand topics, e.g., compliance and anti-money laundering to enhance staff skills. The industry also emphasises job rotation between different departments and locations to broaden staff horizons. They offer training and subsidies for staff to obtain professional qualifications and career progression. Structured training programmes are also provided to encourage staff to stay. Retired staff are invited to rejoin the industry to fill talent gaps. These measures aim to retain talent and promote staff development within the industry.

Employees

Continual Learning Fuels Career Success

In the rapidly evolving banking and finance industry, lifelong learning is indispensable for professionals to stay relevant. The industry is experiencing a significant transformation driven by digitalisation, necessitating practitioners to equip themselves with digital proficiency. Additionally, staying updated on evolving product knowledge is crucial for thriving in the sector. A notable trend is the growing emphasis on ESG and green finance, making it increasingly important for professionals to understand and integrate these aspects into their work. Neglecting lifelong learning can result in professionals becoming outdated and losing their competitive edge.

The Focus Group encourages professionals in the banking and finance industry to utilise Government subsidies as valuable resources that can support their lifelong education, career growth, and professional development. The employees could take advantage of the Pilot Scheme on Training Subsidy for Fintech Practitioners which allows qualified individuals to recoup up to 80% of training costs, capped at \$25,000. Additionally, they can tap into the Continuing Education Fund (CEF) for ongoing education and training subsidies. The CEF offers diverse courses in finance, business, and information technology. The employees should embrace lifelong learning, enhance their skills, and stay

ahead in the industry. They should not miss out on these opportunities to invest in their professional growth.

Unleashing Opportunities: Cross-Border Knowledge for Greater Bay Area Success

To thrive in the interconnected financial ecosystem of the GBA, banking and finance practitioners in Hong Kong are advised to acquire cross-border knowledge. The GBA, encompassing Hong Kong, Macau, and nine cities in Guangdong Province, offers immense economic potential and integration. By understanding the GBA's regulatory frameworks, market dynamics, and cultural nuances, practitioners can navigate across borders, leverage synergies, and tap into the region's expanding consumer base. Acquiring this cross-border knowledge is vital for practitioners to capitalise on the remarkable growth prospects and flourish within the GBA's financial landscape.

Training Institutions

Empowering Students with Future-Proof Knowledge

The rapidly evolving banking and finance industry requires educational institutions to equip their students with future-proof knowledge and skills. As digital transformation continues to disrupt the industry, it is crucial for new practitioners to develop digital acumen to effectively carry out their responsibilities. To address this need, the Focus Group recommended educational institutions incorporate

FinTech-related subjects into their curriculum and equip their graduates with the requisite skills.

Additionally, product knowledge is constantly evolving, and staying up-to-date is vital for achieving success. Educational institutions are advised to enable their students to comprehend and integrate emerging trends such as ESG, green finance and virtual assets into their educational programs.

Moreover, the banking and finance industry recognises compliance and risk management as critical areas. It is suggested that students be equipped with knowledge in these areas as well. Understanding these principles not only prepares students for the challenges and opportunities within the sector but also provides them with the necessary tools and techniques to operate with ethics and integrity.