CHINA BANKING & FINANCIAL SERVICES MARKET INSIGHTS OF POST-COVID WORLD

With an expectation for heightened geopolitical tensity, it was inevitable that 2020 was to become a year of turbulence for China's banking & finance sectors. However, as the coronavirus pandemic swept the globe, bringing with it the spectre of economic recession, organisations were compelled to consolidate losses both at home and abroad.

Consequentially, a number of international banking firms in China – particularly from Australia, Europe and the Middle East – were forced to restructure and close branches, resulting in unforeseen redundancies and even greater uncertainty.

Fortunately for candidates in the sector, a number of Asian and European banks, of which many have thus far proven resilient to slowdowns thanks to governmental relief measures, have upgraded Beijing and Shanghai representative offices to branches. This prominent trend, expected to continue well throughout this year, will help to create replacement opportunities in the market as well as encouraging new hiring needs for client coverage bankers focusing on state-owned and privately-owned enterprises (RMs). Concurrently, the areas of risk, compliance, operations and advisory and finance will also see stimulation.

OVERSEAS INVESTMENT CRITICAL FOR A SHIFT TOWARDS WEALTH MANAGEMENT

Foreseeing a potential slowdown in the banking sector, China's government has set in motion a number of initiatives intended to stimulate domestic capital markets, and noting that in 2020 42.9 per cent of household financial assets were held in bank deposits – compared with just 13.4 per cent in wealth management projects – regulators called for more household savings to be redirected into capital markets.

Encouraging the ratio in wealth management's favour are asset management regulations introduced by the China Banking and Insurance Regulatory Commission. As a result, to date some 20 domestic commercial banks of varying sizes have set up wealth management legal entities, and as commercial banks transition from reliance on interest income towards fee-based financial services, a surge of wealth management RM, Product Manager talent acquisitions is expected in 2021.

However, domestic institutions are not alone in taking advantage of the fast-growing advisory and wealth management markets, and China has encouraged overseas investment by scrapping many foreign ownership limits. Credit Suisse, Goldman Sachs, JP Morgan, Morgan Stanley, Nomura and DBS have already established wholly owned or holding JV securities where, meanwhile some Global Asset Management group or Hedge funds such as Russell Investment, Bridgewater, Baring investment and Power Pacific etc all set up its WOFE PFM (Wholly owned foreign enterprise, private fund manager) in China last year. With more such moves on the horizon, significant job demands for all functions are expected in 2021.

Also encouraging for overseas players is the continued drive towards a greater internationalisation of the Chinese yuan. As the People's Bank of China noted: "In the future, we will continue to steadily promote the yuan internationalisation to serve the real economy, based on market principles." Key to implementation is allowing overseas institutions wider access to domestic bond market investment, lifting quota restrictions and creating more investment approaches, a trend expected to continue in the year to come.

THE CONTINUED RISE AND RISE OF THE GREATER BAY AREA

Also prominent in 2021 will be the government's upscaling of the Greater Bay Area (GBA) into a globally influential innovation and technology hub. The banking & financial services sectors are living up to their reputation as early adopters in the region, with both domestic and international firms conspicuous by their involvement.

Since the GBA is on the national agenda, the government will be pouring the country's resources into the region, including banking services to support the economic growth of the region, As the technology companies in this region continue to grow, domestic investors won't be enough to fulfill their overseas expansion needs -Here is where international commercial banks come in.

As a result, 2021 should see increased headcounts in GBA for corporate banking RM, trading finances, supply chain finance, risk, operations and IT talents.

DIGITAL BANKING AT THE FOREFRONT OF THE DIGITALISATION SURGE

The implementation of digitalisation across all sectors was one of the primary trends in the last twelve months. As the banking sector tends to be on the forefront of such technologies, it comes as no surprise that digitalisation will have an even greater impact on business models, how organisations target clients and how they develop products, systems and operational processes in 2021.

With platforms able to both slash costs and stimulate growth, digital banking is where digitalisation will have the most marked effect. Leading global banks have increased investment in system upgrades and financial product innovation with the aim of joining the likes of Tencent Holdings and the Alibaba Group as leaders of low-cost financial services.

These domestic giants are at the vanguard of an increasing number of non-bank financial institutions stepping into the arena. MYbank, a digital banking operation under Ant Financial Services group, served 20.87 million small and micro businesses in China as of the end of 2019, a year-on-year increase of 70 per cent. Likewise, Tencent's WeBank's market share grew from supplying 100 million individuals and 340,000 businesses to 200 million and 900,000 respectively over the same period, highlighting the phenomenal scope for growth in the industry, leading to a requirement for candidates with experience in both traditional and digital banking practices.

A GREEN FUTURE WITH ENVIRONMENTAL FINANCE

Already commonplace in other developed marketplaces, the concept of environmental, social and corporate governance (ESG) is likely to become a dominant trend in China in the coming year. As the country is already a market leader in the production of electrical vehicles and renewable energy, a movement into 'green finance' is being encouraged by the government and regulators as a logical next step.

A key turning point has been China discontinuing its recognition of 'clean coal' as qualifying for green bonds. In the four years up to 2020, China grew to become the world's second-largest issuer of green bonds, and this narrowing of the gap between acceptable standards and the more stringent specifications of international institutions improves corporate branding, proving enticing for foreign investors.

According to Tamami Ota, senior researcher at Daiwa Institute of Research, this is "a message that China will become more environmentally-conscious and investors are taking this in a positive manner". As an increasing number of banks, such as China Development Bank, Bank of Industrial, HSBC and Citibank launch their own green bonds, and global ESG professional players also invest in the China market, candidates with relevant experience will be highly sought after for both front and middle office functions.

BY OVERTHROWING CAUTION CANDIDATES CAN UNCOVER OPPORTUNITIES

With the banking industry meeting external pressures head on and the government providing regulatory assistance, the sector is discovering ways to adapt and thrive. In the face of new technologies and changing corporate mindsets, candidates are proving to be uncharacteristically cautious when it comes to new grasping opportunities. Rather than taking risks in order to pursue salary augmentation, concerns over economic turbulence are driving candidates to seek out roles with a stable platform, even demonstrating passivity in the jobs market.

This is also reflected in anxieties surrounding the flexible working arrangements that are expected to become the future working model norm. While front office employees have already exhibited expectation and acceptance of these arrangements, middle and back office employees are proving apprehensive, regarding it as a career threat.

However, in spite of these concerns, recruitment opportunities will be positive in 2021, particularly for senior RMs and team heads in corporate banking. And with the changes afoot even more so this year, areas such as project finance, export finance and global market sales should see recruitment surges, whilst candidates in the evergreen compliance and anti-money laundering sectors should continue their prevalence.

Should candidates revert to more proactive mindsets, they will note that opportunities are out there. Though systemic and geopolitical changes prevail, China's banking industry is dynamic enough to develop and exceed, poised as it is to cement its standing as a global industry leader.

If you would like to discuss this report in more depth or you wish to discuss your job search or recruitment needs in Banking & Financial services, please email:

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