

THE UK FINTECH REVOLUTION

Robert Walters – one of the leaders in recruitment for Financial Services and Technology – and Vacancy Soft – trusted provider of lead generation, client intelligence, and market analysis for the recruitment industry - have partnered together to conduct an extensive data analysis of job vacancies and hiring activity within the fintech landscape.

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KEY FINDINGS



61%

increase in job creation within London fintech in 2018



37%

increase in IT roles in fintech in 2018



25%

of people working in IT are not British



8%

increase in salaries in IT fintech roles

TOP 3 FUNCTIONS IN DEMAND IN FINTECH:



IT



Marketing

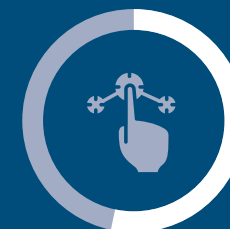


Human Resources



39%

of European VC funding goes to London



51%

increase in e-money firms between 2017-18

NO. 2

London has second largest concentration of fintech companies after San Francisco

OVERVIEW



Over the last five years, the rise of fintech has had a profound impact on the UK banking sector. So much so that traditional banks increasingly see their core revenue streams coming under attack.

Privately held startup companies valued at over \$1 billion - known as the 'fintech unicorns' - are spearheading innovation, successfully digitising payments, P2P finance and fund transfer processes. As a result, incumbents in the banking sector find they are having to adapt to this wave of innovation to compete with the likes of Funding Circle, Transferwise and Revolut.

The rise of smartphones and 4G means that increasingly, digital banking is an option, significantly reducing the barriers to entry for new entrants.

30%

of roles in FinTech are
dedicated to IT

HOW ARE FINTECHS REVOLUTIONISING THE BANKING INDUSTRY?



PAYMENTS



P2P FINANCE



FUND TRANSFERS



Technology has transformed the way we do pretty much everything, and the emergence of fintech startups and their clever use of technology has made it easier for people to invest, make payments and even get a loan.

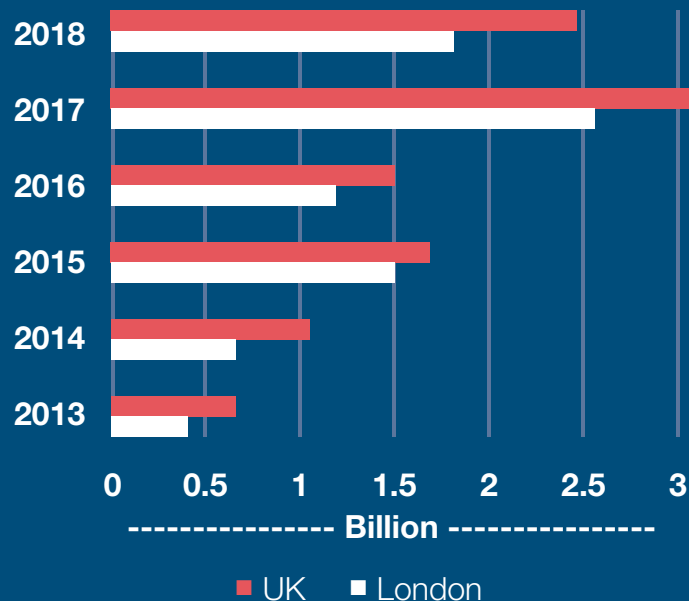
For millennials who grew up with mobile devices this is particularly appealing because they want to conduct financial transactions the same way they would share pictures or apply for a job. The pace of change has been so rapid over the past decade that the perception of digital banking has shifted from an 'option' to a 'requirement.'

JAMES MURRAY, DIRECTOR OF FINANCIAL SERVICES, ROBERT WALTERS

INFLUENCE OF VENTURE CAPITALISTS

This wave of disruption would not have been possible without the influence of Venture Capital (VC) firms' investment. The fintech unicorns have had to raise significant capital in order to get to a place where they can compete. It is now clear that they are here to stay and London remains at the forefront of the fintech

TOTAL VC FUNDING INTO LONDON AND UK TECH COMPANIES FROM 2013-2018



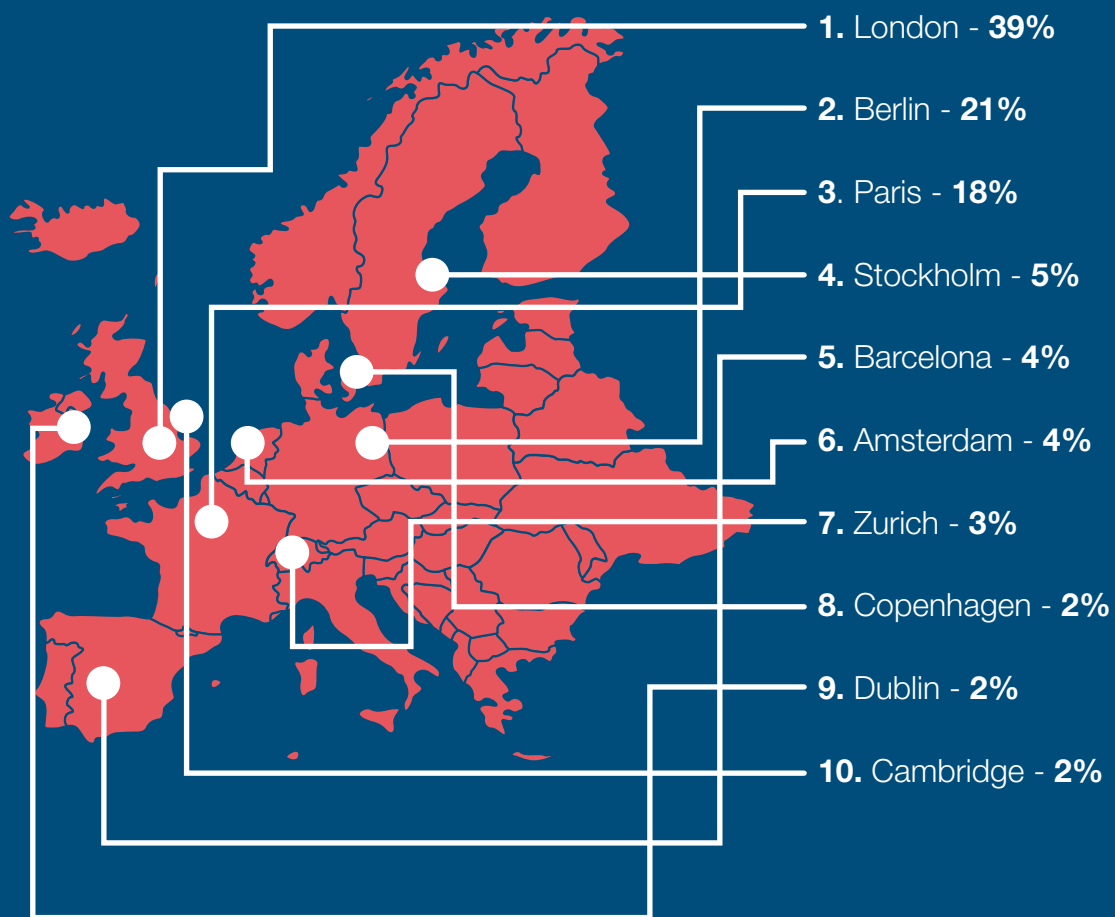
1/3

of European VC funding for fintechs goes to London





TOTAL VC FUNDING INTO FINTECH ACROSS MAJOR EU CITIES IN 2018





61%

the sector created 61% more
vacancies in 2018 compared
to 2017

RECRUITMENT IN FINTECH



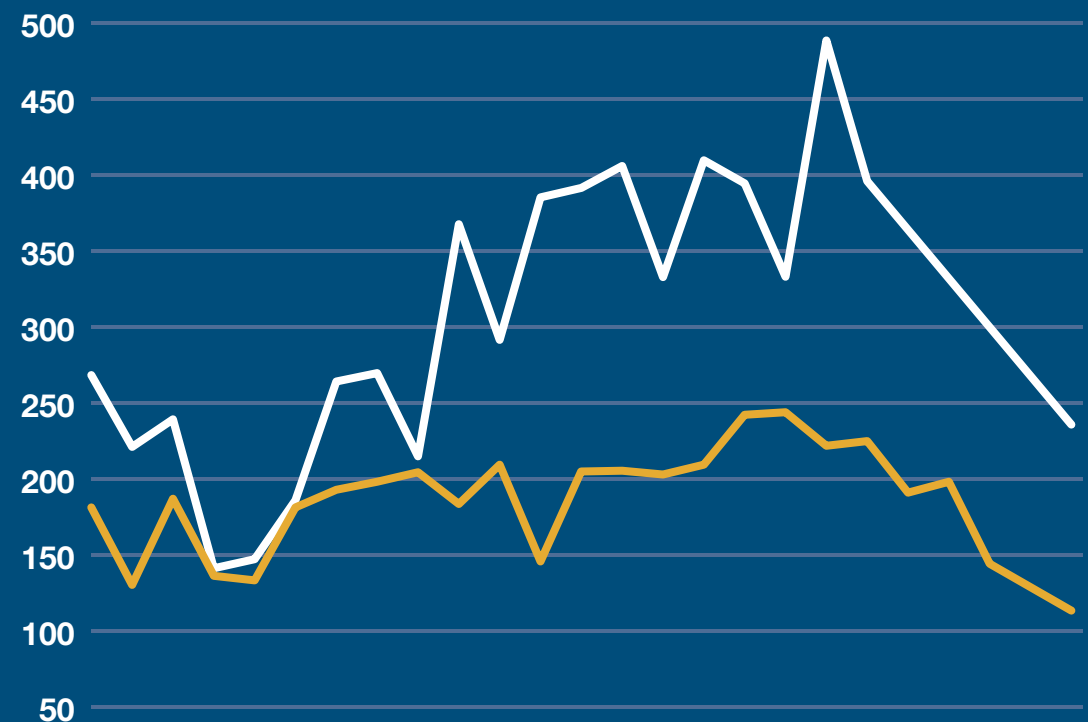
Recruitment into fintech, as a result, is soaring. Where the total amounts of jobs being created in the sector are still small compared to banking, the rate of growth is significant. For context, the sector created 61% more vacancies in 2018 compared to 2017, making it the fastest growing sector in the London economy. The growth is also felt at a regional level, where job creation increased by 18% last year.

VACANCY GROWTH IN FINTECH 2017-2018



Talent shortages towards the end of 2018 resulted in a slight slowdown in hiring activity, with only London-based fintech companies with significant VC funding continuing to pursue aggressive recruitment campaigns.

HIRING IN FINTECH LONDON VS UK 2017-2018



----- January 2017 - December 2018 -----

■ Jobs in London ■ Jobs in UK

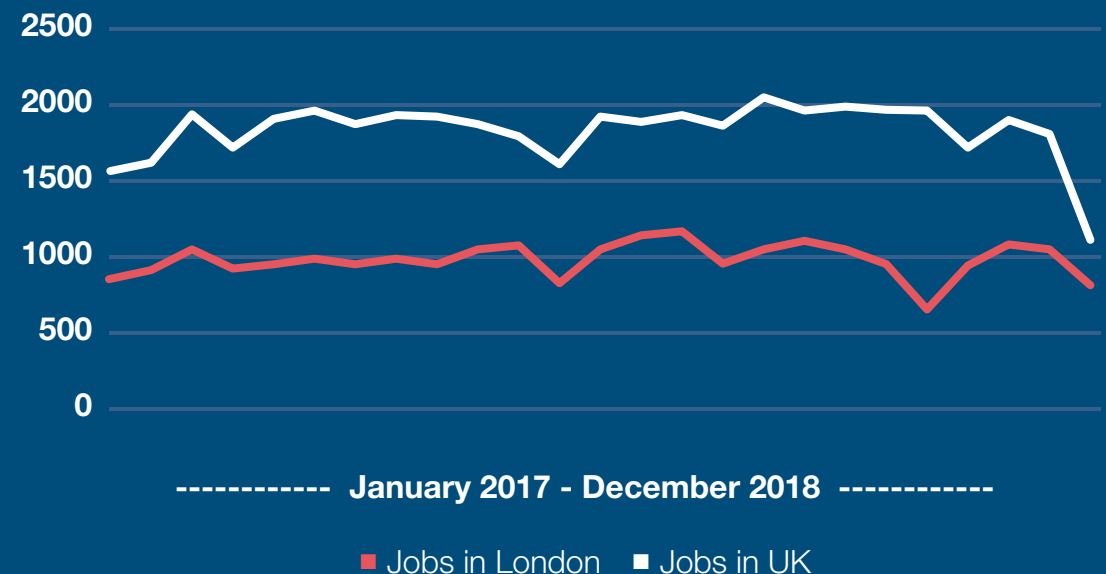
IMPACT OF FINTECH ON BANKING

When looking at fintech and its relationship to the traditional financial services institutions, it is worth remembering the impact of the Global Financial Crisis (GFC). As a result of the GFC, employment in the industry dropped by nearly 7% (100,00 people), leading to a period of stifled innovation, with banks understandably focussing on their balance sheets and profitability.

This contraction in the market created the vacuum to enable the people with the expertise to develop the fintech business models that had yet to be created within the banks themselves.

Arguably it is only now, with the rise of the fintech unicorns, that the banking sector has woken up and started to adapt to the new paradigm, where as a result there has been a wave of innovation, leading to a new surge in hiring for IT professionals. This trend can also be attributed to the pressures of Brexit, where increasing numbers of front and middle office roles are being relocated to other operational hubs in the EU, shifting hiring patterns within the UK banks. As a result, IT is now constituting over 30% of professional roles in the sector, up from 24% in 2017, with this projected to increase further.

NUMBER OF BANKING JOBS LONDON VS UK 2017-2018



30%

IT is now constituting over 30% of professional roles in the sector, up from 24% in 2017



With all of this, banks are now utilising the latest technologies to streamline, from closing banks to adopting mobile-based payments, defining a new wave of change for the sector. What this all means is now the line between fintech and traditional banking is becoming increasingly blurred, especially given the fact a fintech company is now able to get an EU banking license (allowing them to guarantee customer deposits).

Currently, fintech is still in the explosive phase. However, as well as embracing technology, it's possible that established banks could scope the fintech market for acquisition opportunities and increase segmentation of their core services to gain back competitive advantage.

IT RECRUITMENT IN FINTECH



100,000

The Global Financial Crisis caused fintech employment to drop by 100,000 people

HOTSPOTS BY ROLE



GROWTH OF IT VACANCIES



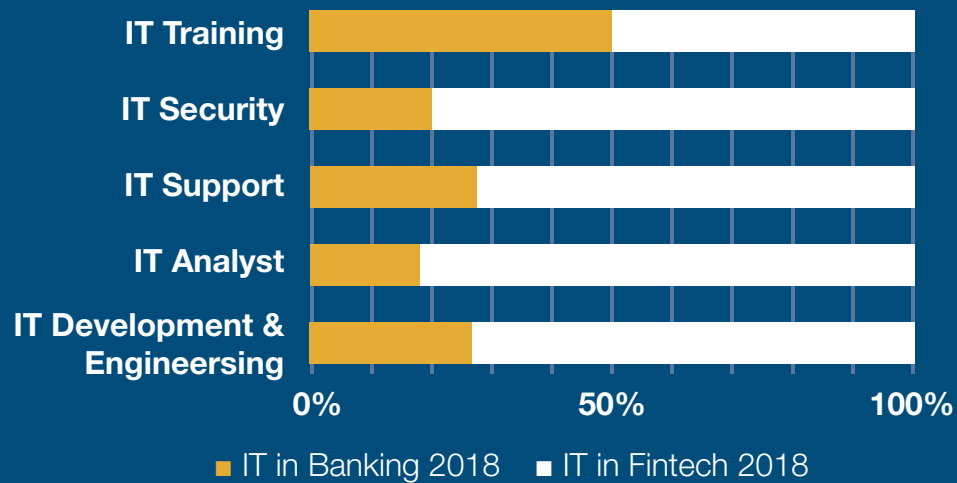
SOFTWARE DEVELOPMENT HIRING:



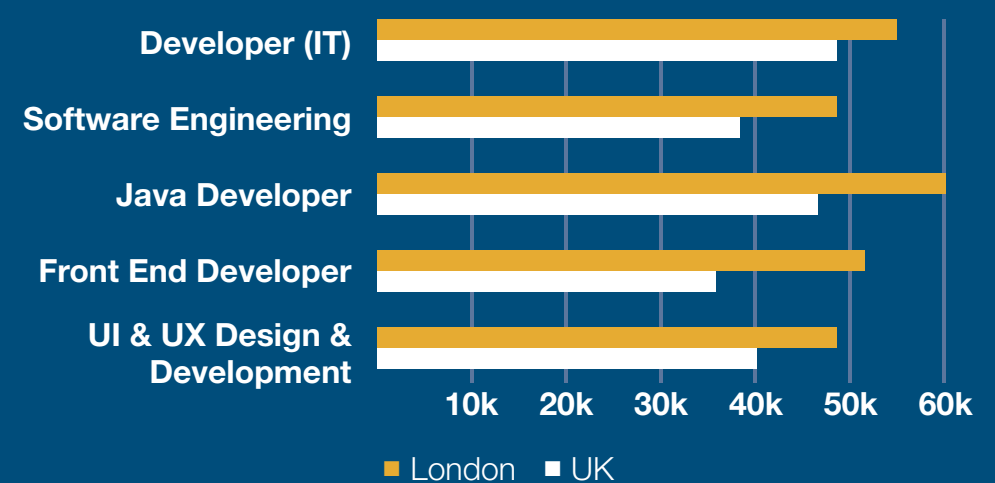
HIRING GROWTH RATE:



IT IN FINTECH VS IT IN BANKING SECTOR 2018



SALARIES IN TOP 5 FINTECH ROLES





“

London has what is probably the best pool of talent in the world in terms of tech and will continue to thrive and lead in this area. However, we are seeing a rebalancing in terms of regional tech hubs such as Manchester, Birmingham and Leeds.

In a candidate-driven market, competitive salaries, innovative projects and a good work-life balance will allow fintech firms to attract and retain the best talent.

AHSAN IQBAL, DIRECTOR OF TECHNOLOGY, ROBERT WALTERS



6-8%

Salaries have increased by
6-8% in key IT specialisms

IMPACT OF BREXIT ON SALARIES



With this increased hiring, the UK's pending departure from the EU could serve to stifle fintech candidate pools. Approximately 25% of professionals working in IT in the UK are from overseas, with the highest concentration of non-UK technology professionals residing in London. The capital has historically been able to attract skilled IT professionals from across the EU, yet with the current political climate, perhaps unsurprisingly, this is proving to become more of a challenge.

As a result, there has been a significant surge in salaries for IT professionals, where businesses are struggling to find the talent they need. It is already estimated that salaries have increased by between 6-8% in certain key specialisms, where just as noticeably, the issue of replacing people is becoming so challenging, that buy backs and counter offers are becoming more prevalent.

For businesses with operations across multiple countries, there are now questions being asked as to whether certain roles should be relocated to curb the impact of the talent shortage facing the UK. However, the long-term question remains, how can UK businesses bridge the expanding talent gap?



25%

of professionals working in IT
are from overseas

PROFILING THE FINTECH UNICORNS

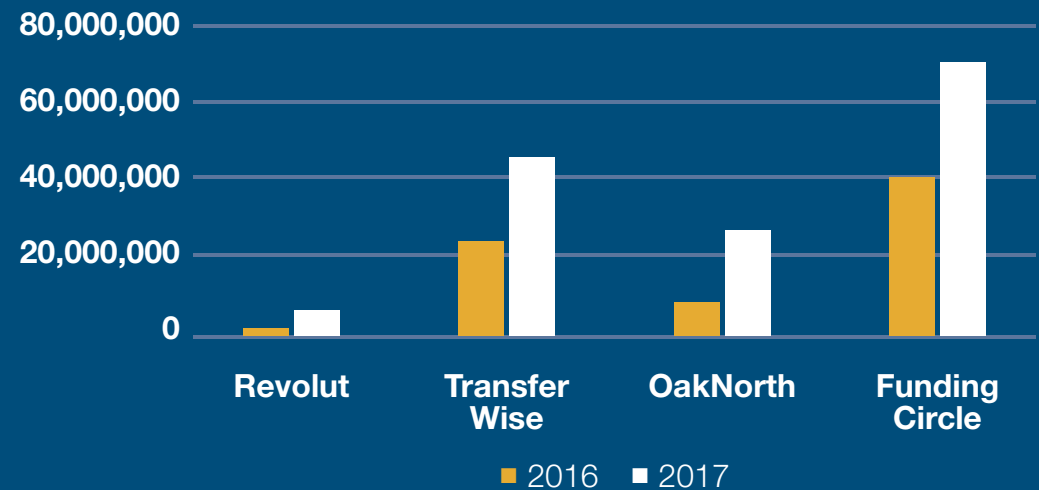
When spotlighting the five fintech unicorns, the income growth they have achieved over the past twelve months is phenomenal, increasing from a combined £77.1m to £177.6m revenue. Specifically, Oaknorth is one to watch, as an example of a challenger bank, with revenues up 268% year-on-year.

INTERNATIONAL EXPANSION

What is most interesting about the various fintech unicorns is their international expansion, with the majority now aggressively expanding either to North America or Europe or both. When looking at the composition of hiring within the fintech unicorns, unsurprisingly IT dominates.

With strong revenue growth driving and maintaining international expansion, this translates into bigger teams and more recruitment. In turn, their success is now encouraging the second wave of fintech investments, from Monese to Yordex to others.

REVENUE OF TOP 4 FINTECH UNICORNS IN LONDON



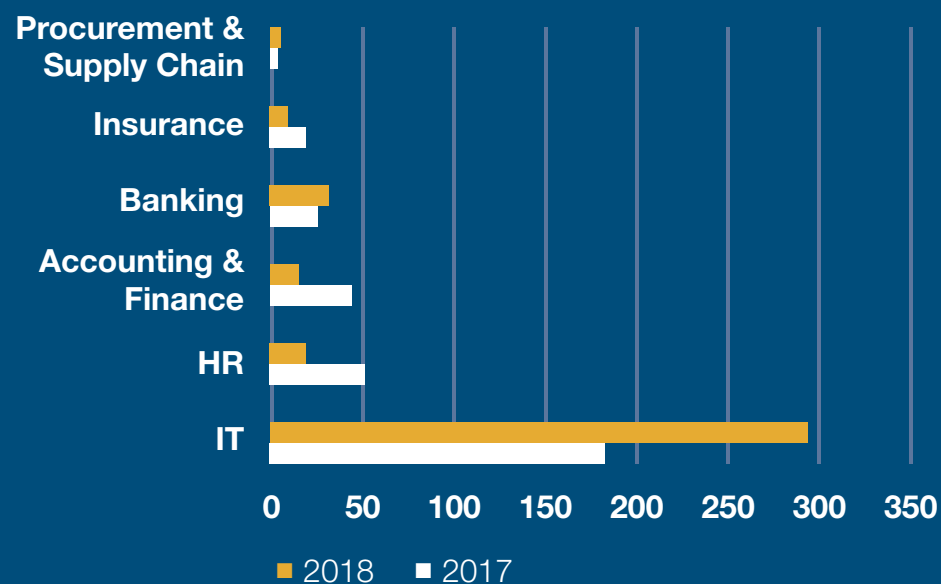
“Oaknorth is one to watch as an example of a challenger bank, with revenues up 268% year-on-year

 **268%** Revenue growth
One to watch:
Oaknorth

 **73%**
Annual growth of IT
vacancies



FINTECH UNICORN HIRING 2017 VS 2018



PROPORTION OF IT VACANCIES IN FINTECH



130%

Aggregate revenue growth
of fintech unicorns

KEY CONCLUSIONS



As fintechs such as Revolut begin to acquire EU banking licenses, providing them with the ability to launch fully fledged current accounts, there will be little to distinguish the offering of traditional banks and fintech businesses, so digital flair and customer-centric services will be paramount for both parties.



All the data points towards London continuing on its fast track trajectory to becoming a global hub for fintech, showing signs of potential to threaten San Francisco's historic dominance of the market. Of the 29 fintech unicorns worldwide, 9 are in San Francisco, while 7 are housed in the UK.



With the fast trajectory of UK fintech, of all the UK companies with Payment Services Directive (PSD) permissions (i.e. companies that provide payment services), it is predicted by 2025 that 50% of these will be e-money firms. This indicates a phasing out of traditional banking practice as digital becomes the cornerstone of the financial services sector.



As UK-based fintechs look to increase their headcount, they will need to factor in whether the talent pool will be able to keep pace with their current growth plans. With the growing concern that Brexit could blockade EU hiring, companies will be further compelled to overhaul their recruitment strategies to attract and retain top talent.



Hiring activity for the fintech unicorns is centred around IT professionals, which increased by 74% between 2017 and 2018. This is largely driven by international expansion as fintechs look to compete on the global stage.



While both banking and fintech businesses are pouring significant resource into developing their digital offerings, banks will need to further push their hiring efforts so the composition of their technology workforce matches that of leading fintech firms. The fintech industry has a hiring growth rate of 82% in comparison to just 17% for banks.



Software development continues to dominate hiring for both fintech and banking sectors. With such high demand for this area, Java developers can demand a starting salary of up to £60,000 in London, while software developers can demand up to £55,000.



Brexit and the uncertainties associated with it puts fintech hiring growth into doubt, particularly for the IT sector. Currently, a quarter of IT professionals come from overseas - a hard-border Brexit outcome could displace this talent and shrink the hiring pools of fintechs and banks significantly.

ABOUT THE PARTNERS

ROBERT WALTERS

Robert Walters is a global, specialist professional recruitment consultancy. Operating across 30 countries, with offices in fintech hubs London, San Francisco, Beijing and China, organisations rely on us to find high quality professionals for a range of specialist roles. Leaders in technology and financial services recruitment, we place candidates on a permanent, contract and interim basis in organisations ranging from the largest corporates world-wide, through to SMEs and start-ups.

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