

Banks set to cut 10-15% of staff as markets take toll on revenues

By Lina Saigol, European M&A Correspondent

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Investment banks are set to cut 10-15 per cent of their staff across the board as turmoil in the markets takes its toll on revenues.

The bulk of cuts are expected in structured credit and leveraged finance, though recruitment experts said other investment banking areas could be affected.

Russ Gerson, chief executive of the Gerson Group, a Wall Street executive search firm, said: "Unlike previous cycles, all the financial institutions are inter-related because of the credit market, so there will be a major fall in activity across all areas, with the inevitable job cuts."

Earlier this week, Royal Bank of Scotland said it was scaling back its collateralised debtobligations team in response to the credit crisis, while Barclays Capital and HSBC have lost their heads of structured finance.

The job cuts come after an aggressive period of hiring across capital markets divisions last year to meet demand from hedge funds, financial institutions and asset managers.

The Centre for Economic and Business Research, an economics consultancy, said there was a record number of jobs in the City of London at the end of 2006.

Jonathan Said, senior economist at the CEBR, said that of the 10,000 jobs added last year, at least half would now have to go. However, with liquidity still coming in from China and other emerging markets, banks will try and cut bonuses before people.

Standard & Poor's this week said the combined profit of the five biggest investment banks fall as much as 70 per cent in the second half from the first half.

Last year, top-performing credit traders earned year-end bonuses of \$2m-\$3m (£1m-£1.5m), while global heads of credit derivatives took home more than \$4.5m, according to Armstrong International, a European executive search firm.

Recruitment experts are now forecasting bonuses will fall 10-15 per cent this year. Structured credit bankers are likely to suffer the most, with expectations of a reduction of as much as 25 per cent in compensation packages.