INDEPENDENT PUBLICATION BY

Raconteur

RACONTEUR.NET | #0935 | 28/05/2025

FUTURE OF FINANCE

02 UK AIMS TO OVERHAUL FINANCIAL FRAMEWORK

09 CAN PISCES BRIDGE THE UK'S FUNDING GAP?

10 INSIDE THE MIND OF AN ACTIVIST INVESTOR

FUTURE OF FINANCE

Distributed in
THE TIMES

Published in association with
MONEY 20/20

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POLICY

How to boost the UK's financial services industry

For decades the UK has been a global leader in financial services. But reforms are needed to ensure the sector remains competitive

Ben Edwards

In her Mansion House speech last year, Rachel Reeves, the UK chancellor, laid out her vision for the future of the UK's financial services industry.

Reeves described the industry as the UK's "crown jewel" and acknowledged its role in driving economic growth. But crisis-era regulation has held the industry back, she said. And, while the UK has historically been viewed as a global leader in financial services, Reeves acknowledged that other countries are competing for business.

The government intends to publish its financial services growth and competitiveness strategy in July. According to Reeves, the initiative will shape the future of the UK's financial services industry and help firms to innovate and drive economic growth.

"As the government looks to the regulatory architecture and the ease of doing business, this is not just about maintaining the UK's leading position in financial services, but cementing our position in financial services for the next decade," says Lisa Quest, head of UK and Ireland at Oliver Wyman, a consultancy.

The UK financial services industry is facing several challenges. First, small and medium-sized businesses are struggling to secure enough funding to grow their operations. The industry therefore must provide growth companies with more support, enabling them to thrive and drive economic growth.

"The strategy is not just about growth in financial services for the sake of it. It's about how the financial services sector will enable outsized growth in other parts of the UK economy," says Quest. "That missing middle for capital will be really important."

Financial inclusion is another persistent challenge. Few UK adults (about 1 million) are 'unbanked', but 10% of the UK population is 'underbanked', meaning they have no access to suitable financial advice and cannot obtain a loan.

"Some people can pay for financial advice, but most don't or can't, so part of the strategy should be about making sure everyone benefits from what the UK can offer," says Martin Cook, head of financial services at Burges Salmon, a law firm.

Finance experts have suggested several reforms to help boost growth and competitiveness in the industry. Reducing firms' administrative burden by cutting regulatory red tape is high on their wish list.


Rowan Freeman via Getty Images

"The strain that bureaucracy and over-administration creates is one of the big reasons that the UK has become a bit of a laggard," says Koo Aseeley, a partner at DSW Capital, a financial advisory firm.

Financial firms often perceive the UK regulatory framework as a barrier to innovation and a deterrent to assuming even a healthy amount of risk. One way to relax the rules sensibly is to move from rules-based to principles-based regulation, as was done with the Financial Conduct Authority's consumer duty rules introduced in 2023.

Cook says that doing so could achieve the same regulatory goals while reducing the overall administrative burden for firms. "Businesses want a permissive environment for innovation and a proportionate regulatory regime."

While regulation can be trimmed in some areas, sharper rules and safeguards are required in others, such as crypto and AI, to provide certainty for market participants.

"Switzerland was an early adopter of crypto regulation and now there's a really big industry there because there's a framework that people can work in," Cook says. "It would be nice to see some movement on AI so that there's no risk of moving the goal posts later down the line."

Some market participants also want to see more equitable investment across the country.

"London gets a lot of attention because it's a global financial centre, but there's a huge amount of growth potential outside the capital," says Aseeley.

He believes the UK should take note of how other countries approach state-backed investment to drive economic growth.

"The Nordics and parts of the Middle East, such as the UAE, have done a fantastic job creating institutional funds or entities that invest similarly to private equity or large-scale investment houses, which supports the growth of their countries and regions," he says.

Yet another challenge is ensuring that the UK remains open to international talent – no guarantee in a post-Brexit UK, where immigration rules are facing scrutiny across the political spectrum.

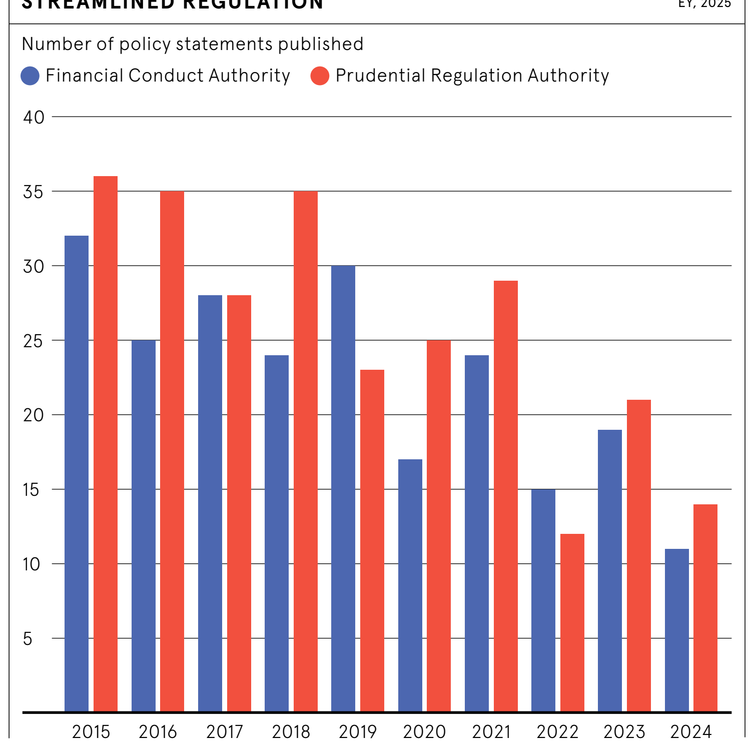
"Since Brexit, it has become truly difficult to attract talent, especially for the tech sector," says Pierre-Antoine Dusoulier, founder and CEO of iBanFirst, a cross-border transactions platform. "These are profiles that generate wealth in the UK and help drive both the country and its SMEs towards the innovation, AI and tech opportunities that will shape the economy."

The government is also seeking to attract international investment, so the strategy will seek to convince global investors that the UK is open for business, Cook adds. "The UK is still a good launching pad either from the rest of the world to the US or into Europe."

Ultimately, market participants hope that the strategy will provide enough clarity for financial services firms to plan more effectively. "This should give companies that are operating in the financial services space the ability to make longer-term investment decisions and enable growth," Quest explains.

Strategic planning in the public and private sectors is key if the UK is to remain a leading global financial centre. And, if financial firms are confident in the operating environment, they will be better placed to take a long-term view on growth.

STREAMLINED REGULATION EY, 2025



INSIGHT

'Finance chiefs have found themselves under the microscope'

Facing immense scrutiny and myriad macroeconomic challenges, many finance leaders are questioning whether the CFO role is still worth it

The social reformer John Ruskin said at the beginning of the Industrial Revolution: "In order that people may be happy in their work, these three things are needed: they must be fit for it, they must not do too much of it and they must have a sense of success in it."

Finance leaders, it appears, are failing to meet any of these criteria: they are stressed out, overworked and fed up.

That's according to a recent poll of more than 1,000 UK finance decision-makers by Iplicit, a software firm. The research found that almost every respondent (93%) works more hours than their contract specifies. Worse still, 40% report feeling stressed at work "most of the time".

Insufficient staff resources to meet the organisations' needs was cited as a top reason for stress, followed by budget constraints and the amount of time required to create reports, such as audits or year-end accounts. Other sources of daily stress include team management, fraud and security threats, and board-reporting obligations.

Another study suggests that finance chiefs are beginning to question whether the job is still worth it. The latest Global CFO Turnover Index by Russell Reynolds Associates, a management consultancy, shows that finance chiefs are jumping ship at record rates. In 2024, 25 FTSE 100 companies appointed new CFOs. And more than half of FTSE 100 finance leaders have transitioned away from the role in the past two years.

Globally, the average tenure of a finance chief is 5.8 years – down from 6.2 years in 2023. Over half (54%) of outgoing CFOs this year either retired or moved to board positions – the highest level in six years.

But the role of the CFO has always been demanding. So why are so many finance leaders suddenly deciding to throw in the towel?

Part of the problem is that several stressors are all rising at once. Not only are the daily demands of the CFO role growing, but so is the number of external threats finance leaders must respond to.

The job is no longer neatly defined. It has expanded far beyond balancing the books and managing spreadsheets. CFOs are expected to make informed decisions on everything from a company's climate strategy and cyber defences to supply chain resilience and AI integration. The broader remit means CFOs have inherited responsibility for many new regulatory obligations.

It also means increased scrutiny from stakeholders. Boards are quick to pounce on poor performance, dispensing with leadership they believe are incapable of managing the challenges. Finance chiefs have found themselves under the microscope, with stock performance now closely tied to their actions and reputation.

A dip in valuations over the past 12 months has increased the pressure on CFOs to resuscitate share prices. This in turn has fuelled activity from activist investors, who are generally more demanding of their executive team. More UK companies were targeted by activism in 2024 than in any other European country, according to data by Alvarez & Marsal, a management consultant.

Macroeconomic pressures are also causing headaches for CFOs. In the UK, the Labour government's employment reforms have led to higher staffing costs and although the US and UK recently struck a trade deal limiting the worst of Donald Trump's tariffs, uncertainty surrounding US trade policy remains.

In his annual letter to shareholders, Larry Fink, the chief executive of Blackrock, a fund manager, said that "nearly every client, nearly every leader" he had spoken to was "more anxious about the economy than at any time in recent memory".

It is little wonder then that CFOs aren't sticking to the job for long, choosing instead to take on more comfortable board roles or head for early retirement. At a time when a capable CFO matters more than ever before, festering frustration in the finance profession is a problem for organisations.

Sam Birchall
Finance writer, Raconteur

Commercial feature

A blueprint for secure infrastructure in digital marketplaces

In the dynamic digital-marketplace sector, secure payment infrastructure is quickly becoming a competitive advantage

The way consumers engage with content has transformed over the past decade. PC games, in-game items, subscription services and micro-transactions are now key components of a vast digital-entertainment industry – and digital marketplaces are the trusted means of accessing them.

As these marketplaces have flourished, consumer expectations around payment experiences have also evolved.

"In the early days of ecommerce, people were willing to accept a longer process if it meant their data was secure," says Bartosz Skwarczek, founder of G2A, the world's largest marketplace for digital entertainment. "Today, users expect instant, seamless transactions without compromising trust and time."

Users of such services now expect security measures comparable to those in consumer banking. But any protections must not introduce unnecessary friction into the user journey.

Striking the right balance can be challenging for leaders in the digital-marketplace sector.

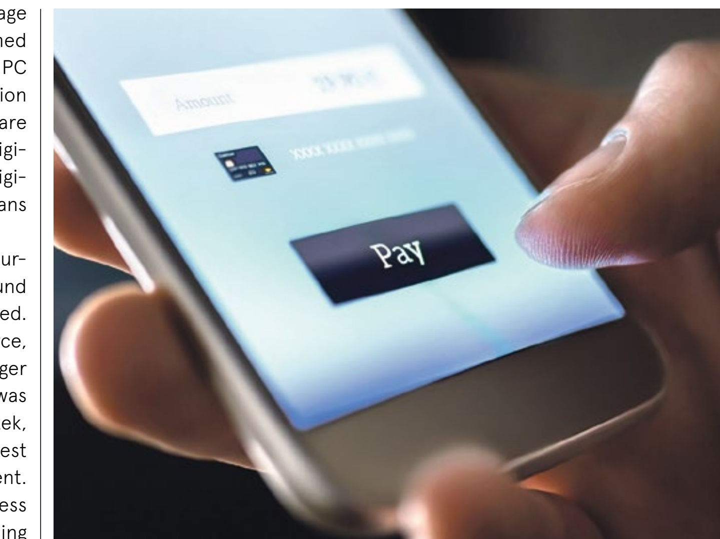
"If the payment process is too clunky, customers abandon their carts," says Skwarczek. "But if it's not designed with security in mind, you risk exposing users – and the platform – to fraud. The goal is to make it both seamless and secure."

G2A solves the issue with intelligent, adaptive security tools that work silently in the background to detect threats in real time.

"We've implemented AI-driven fraud analytics and manageable verification protocols," Skwarczek explains. "These systems learn from patterns and adjust risk profiles instantly, so we can stop suspicious activity without blocking genuine users."

When additional verification is needed, communication helps to prevent frustration and instead builds trust between the user and the marketplace.

"When a buyer is asked for extra verification, we explain why," says Skwarczek. "We show them that this is about protecting their purchase, not slowing them down."



In fact, managing customer perception is just as critical as implementing security measures, adds Skwarczek.

> Users expect instant, seamless transactions without compromising trust and time

Supporting growth and innovation

When users feel secure, they're more likely to become repeat customers, increase their spending and recommend the platform to others.

"We've seen this play out at G2A time and again," says Skwarczek. "Our commitment to top-tier security and fraud prevention, validated by awards and recertifications, directly impacts our bottom line through improved buyer retention and seller confidence."

When buyers trust the platform, sellers also feel more confident listing premium digital goods, as they know that fraud is minimised and payments are protected.

"This deepens our catalogue, which now includes over 90,000 offerings, from games to subscriptions, gift cards, software and e-learning," says Skwarczek.

This richer inventory also brings in more buyers, who in turn fuel seller growth. "It's a cycle we've cultivated carefully, and security is the core that keeps the wheel turning smoothly," Skwarczek explains.

Users who trust a platform also become advocates for it – yet another example of the far-reaching value of proactive, intelligent security measures. "We've found that secure payments translate into long-term engagement," says Skwarczek.

"Customers are more likely to subscribe to newsletters, participate in loyalty programmes and share recommendations when they know their transactions, data and identity are safe."

Robust security infrastructure drives seller advocacy, too. "When vendors know we've invested in compliance standards and intelligent fraud detection, they trust us with their inventory and may tell others about us," says Skwarczek. "In a digital economy built on reputation, this kind of integrity creates exponential value."

All of this means that while payment-security measures are often seen as a mundane necessity, in reality, they are the foundation for innovation and growth.

"Our adaptive security infrastructure enables us to confidently expand into new regions, new payment methods and new product categories," says Skwarczek.

G2A's resilient and compliant architecture has also enabled it to introduce non-gaming items, gift cards and educational courses to its marketplace.

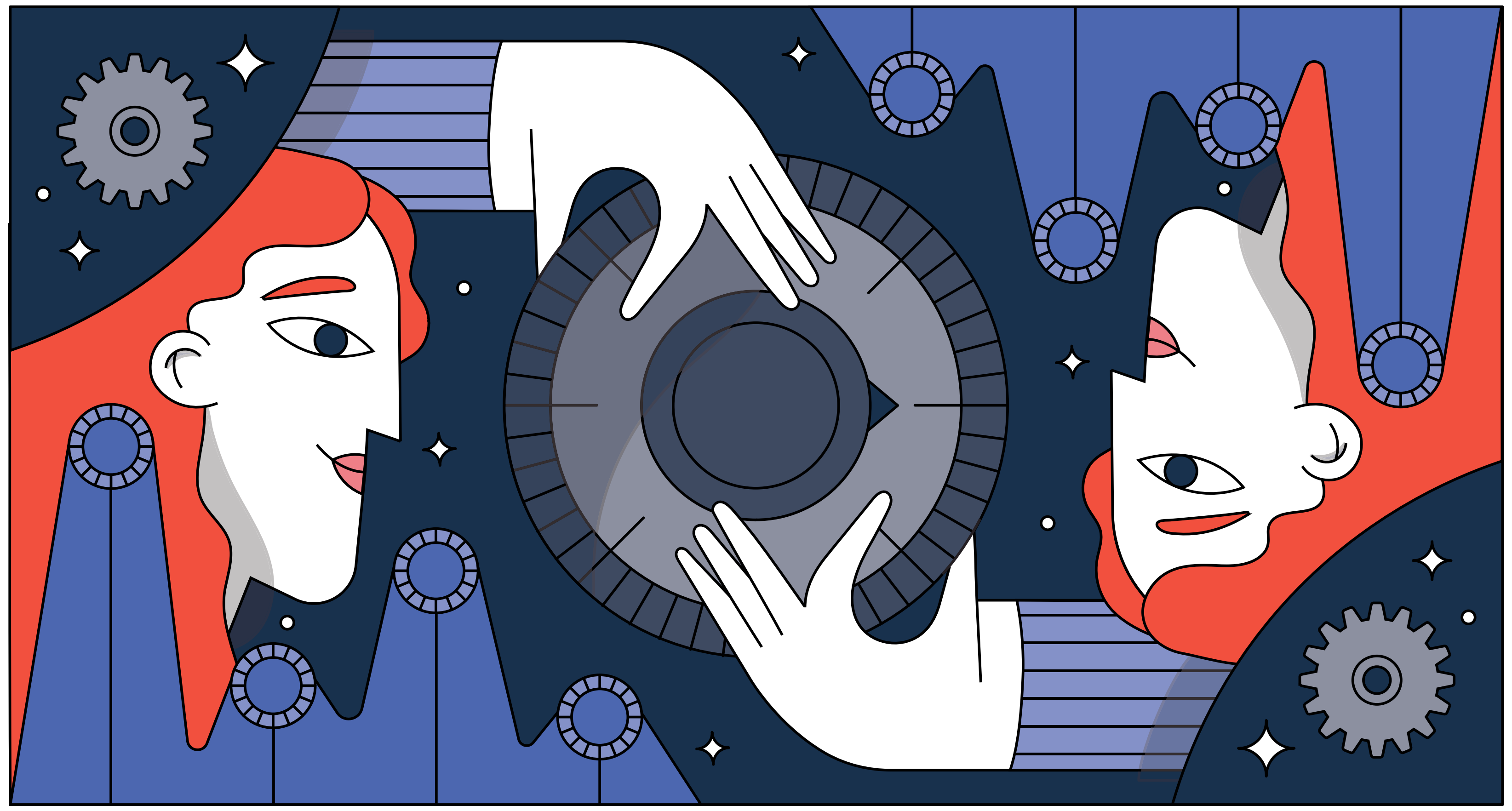
"Resilience and security is evenly applied across all our payment methods integration – including alternative payment methods and crypto-related products," Skwarczek explains.

In short, secure and reliable infrastructure is about much more than reactive protection against fraudulent transactions.

By supporting innovation, leaders can drive both revenue and resilience, enabling digital marketplaces to thrive in today's complex, fast-moving landscape.

For more information please visit g2a.com

G2A.COM



> Groupthink is rampant in the world of business. If everyone in the room is thinking the same thing, that's usually not a good sign

LEADERSHIP

Why finance needs more unconventional leaders

What do a professional gamer, a civil engineer and a wannabe-journalist have in common? They all work in finance

Sam Birchall

Historically, those seeking a career in finance had only a few routes into the industry. Most finance professionals are qualified accountants or auditors, for instance. But now may be the time for finance teams to branch out, as industry talent is in high demand and short supply – especially for senior roles.

More than 15% of chief finance officers at the world's largest listed companies left their posts in 2024, according to the latest *Global CFO Turnover Index* by Russell Reynolds Associates, a management consultancy. And 25% of firms surveyed in Deloitte's *Q2 2024 CFO Signals* report have no CFO succession plan.

Plus, leaders with diverse backgrounds can benefit organisations by offering alternative perspectives and challenging groupthink.

But how can outsiders break into an industry such as finance, which takes certain technical qualifications as a pre-requisite?

In 1996, as a freshman at the University of Kansas, Stevie Case began playing a new computer game that had been released that summer: *Quake*. In this multi-player shooter game, players race through a dark, labyrinthian hellscape and blast each other into chunks. After beating the developer of *Quake*, John Romero, at his own game, Case shot to gamer fame. Her conquest scored her a sponsorship as the industry's first-ever professional female gamer.

After leaving the pro gaming world, Case trained in 3D design and began making mobile video games for Warner Bros and Alacre. But her competitive drive soon led her to work in sales and revenue.

In 2022, after almost a decade working at companies including Visa and Twilio, Case took a job as chief revenue officer (CRO) at Vanta, a security and compliance firm. She still laughs when asked how she ended up in the role. "It was completely unanticipated. I didn't even know this job existed 10 years ago."

Case no longer plays video games, but the skills she developed during that time in her life have shaped her approach to leadership. The male-dominated field of pro-gaming taught Case to be assertive and performatively powerful. It also taught her the importance of strategy, creativity and perseverance. "The obstacles I face only make me swing harder," she says.

Case draws some surprising parallels between being a revenue chief and a pro-gamer. "Both need to create strategies from scratch," she explains. "You have to be creative and think beyond what other people have done or what's right in front of you. Then there's the teamwork, the gamesmanship and, honestly, the competitiveness."

MORE THAN JUST ACCOUNTANCY EXPERTISE Deloitte, 2024

Traits, skills or experiences CFOs wish to see in their successor, top three

Operational experience	37%
Familiarity with new technologies	30%
Network leadership	30%
Accounting skills	28%
Broader knowledge of the enterprise	28%
Experience raising capital	28%
Communication skills	25%
FP&A skills	24%
Respect from others in the organisation	24%
Familiarity with the industry	24%
Strategic acumen	24%

Michael Sloan became CFO at Whyte & Mackay, a Scottish whisky firm, in 2015, having served in several finance roles, including finance director at Tennent's and head of commercial finance at AG Baar.

But finance was not his first career choice. "I was never interested in economics or finance at school. But I was good with numbers and loved physics – I wanted to know how things worked."

After completing a master's degree in civil engineering, Sloan took a job at ARP, an engineering consultancy. A few years into the role, however, he experienced a moment of clarity: "Every lunch break I sat in my car and read the business section of the newspaper. Those 30 minutes were the best part of my day and that made me re-think what I wanted from my career."

Sloan researched graduate programmes and opted for the Scottish & Newcastle development scheme, which enabled him to qualify as a chartered accountant.

He credits his success in finance in part to his experience in engineering. "An engineer's job is to solve problems. You get a plan from an architect and have to figure out how to bring it to life. You don't just spot problems, you find solutions."

That mindset, he says, is what separates the good CFOs from the exceptional ones.

In the drinks industry, there is a huge amount of human interaction, Sloan explains, especially as the finance function often partners with sales and operations teams. As an engineer, Sloan spent every day on a construction site, interacting with different people, explaining complicated concepts and orchestrating large-scale projects. This experience was key for him to develop effective communication skills.

"The best finance departments are involved in the business and shape commercial decisions and strategies," Sloan says. "The ability to communicate with all levels, and maximise relationships with partners, customers and international stakeholders, is vital for CFOs."

Finance needs people with different ideas and mindsets, he continues. "Groupthink is rampant in the world of business and it's so dangerous. If everyone in the room is thinking the same thing, that's usually not a good sign."

Virpy Richter, CFO at Awin, a marketing firm, has always had a wide range of interests. Growing up in Berlin, Richter aspired to be a journalist, but decided instead to study business administration. Still, during her studies, she tried her hand at activities ranging from coding to market research. Her thesis on intercultural management, focusing on Herlitz's Polish and French subsidiaries, reflected an early interest in international business.

"I always had a knack for business." Richter says. "I used to sell porcelain dolls at the Christmas market in Ku'damm in Berlin."

Her career in finance didn't begin until her late-20s. After gaining experience in various internships across logistics and customer care, Richter moved to the Netherlands at age 27 and worked as a portfolio manager, leading a team of 20 people. The fast-paced, unstructured environment instilled in Richer the need to build strong relationships and question everything – qualities she credits to this day as being fundamental in her finance career.

After returning to Berlin, Richter joined a startup, MyToys, where she served as financial director and then managing director.

Richer does not have an accountancy qualification. At times she considered this a shortcoming, especially when struggling through audit meetings or when faced with a very technical problem. But she maintains that her unconventional background provides her with some advantages. "You're able to grasp the big-picture view of the business and understand the broader challenges other departments are facing," Richter says.

She continues: "The right attitude is far more important than skills or qualifications. A desire to take on challenges, grasp new ideas, seek out and be curious about the world is critical to how the CFO role will evolve over the next several years."

Commercial feature

Why it's time to change the pension narrative

Pension schemes have long caused headaches for CFOs, but leaders should reframe them as a strategic opportunity

Pensions have often been viewed as a burden for companies in the UK, particularly defined benefit (DB) schemes. For many years, these schemes were gripped by funding shortfalls in the wake of the financial crisis, due to low interest rates and declining asset returns.

But times have changed. The UK's final-salary DB schemes are in much better health, with The Pensions Regulator estimating that 54% are fully funded on an insurance-buyout basis. Another 22% are fully funded on a so-called low-dependency basis – where schemes don't expect to rely on their sponsor for any further contributions to meet their liabilities. Only 15% of DB funds have a funding deficit.

"These schemes are now very well-funded," says Stewart Hastie, partner and head of corporate at Isio. "Many don't require any further cash funding and actually have surplus assets."

While most DB schemes are now closed to new members, around 5,000 legacy schemes are still being actively managed in the UK, accounting for about £1.2tn of pension assets. Estimates from The Pensions Regulator suggest that there are some £160bn of surplus assets in these schemes on a low-dependency basis, which could be redeployed to help drive growth and productivity, says Hastie.

"There's an argument that the surplus is there for security and as a safety net. In reality, these would be on top of the prudent reserves already incorporated. For strong enough sponsors, a lot of that money could be replaced by contingent agreements and then better utilised, with some released in a way that comes back to the company to fund the business or improve benefits for current and future workers," he adds.

This means shifting the corporate narrative away from viewing pensions as a liability towards seeing them as providing opportunities that can help deliver better business outcomes. How far that narrative shift goes will likely be shaped by the forthcoming pensions bill and associated regulatory changes. The UK government intends to loosen rules around surplus assets in DB schemes, which are currently restricted and largely hinge on an individual scheme's historical rules – something the legislation is expected to address.

If schemes can start to release surplus assets on an ongoing basis, some of them could potentially 'run on' for a longer period. This would allow trustees and sponsors to take a longer-term view on investment strategy, potentially boosting returns without taking on significant levels of additional risk, Hastie says.

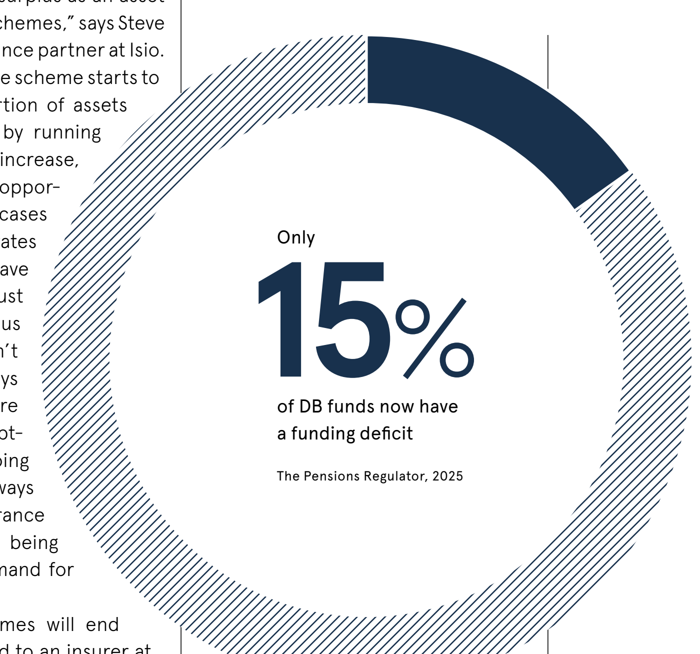
"We're already seeing some of that mindset shift," he adds. "A lot will come down to how the legislation comes through and is implemented, but organisations are already thinking this way – the legislation is about making that flexibility more widespread."

For example, in the right circumstances, a scheme that is fully funded on a low-dependency basis, trustees and sponsors could generate and release as much as 15% to 20% of assets as surplus over a 10-year period, says Hastie. "If you're a billion-pound scheme, that's £150m to £200m worth of surplus generated and released over 10 years, much of which could go to support a company's growth plans."

This could impact the pension risk transfer insurance market if trustees and sponsors delay moving to an insurance buyout, but there will still be significant demand for insurance, particularly for the many trustees and sponsors with a lower-risk tolerance and for most smaller DB schemes. Full insurance of DB schemes has never been more affordable.

"Considering the surplus as an asset is easier for larger schemes," says Steve Robinson, an insurance partner at Isio. "When the size of the scheme starts to fall and the proportion of assets that are taken up by running expenses starts to increase, there is less of an opportunity for those cases to run on. Corporates and trustees also have long memories; just because a surplus exists now doesn't mean that will always be the case so there has to be an acceptance of the ongoing risk. There will always be a case for insurance and we see there being continued high demand for years to come."

> Money could be better utilised to fund the business and improve benefits for current and future workers



While most schemes will end up being transferred to an insurer at some stage in their lifecycle, the timing will vary. For larger funds, it could be 20 years or more; but for many others the ideal timescale is as soon as possible, Robinson notes.

While the DB pensions market is in better shape, the defined contribution (DC) market is now experiencing strains, with fears that default contributions under auto-enrolment won't be enough to provide savers with adequate retirement income. Contribution rates for DC pensions need to increase, but that is a challenge for cash-strapped employers and employees, and so could be funded from release of DB surplus in some circumstances. These challenges are also prompting more innovation in the DC pensions market.

"We're seeing more interest in collective DC arrangements," says Hastie. "These are based on delivering an income while also pooling investment and longevity risks enabling a long-term higher return strategy to be pursued. This doesn't mean that the sponsor or the employer is underwriting it, but it does mean that you can create outcomes that are potentially 30% to 50% better."

For example, if an individual and their employer contribute 8% to a scheme but the outcome is 30% to 50% better, that's equivalent to putting around 11% or 12% into the scheme without having to increase contributions, says Hastie. "It's all about delivering better outcomes without it costing more upfront."

Some organisations are also using the surplus in their DB schemes to fund their DC arrangements to improve benefits for current and future workers, Hastie adds.

This greater flexibility should reinforce the shift in mindset among CFOs that DB pension schemes should be viewed as opportunities to benefit from rather than just a headache to manage.

"Pensions have probably been the least favourite part of the CFO agenda historically," says Hastie. "But we're now at a stage where they could become a source of finance for the business and can be used to support better outcomes for employees without it costing more."

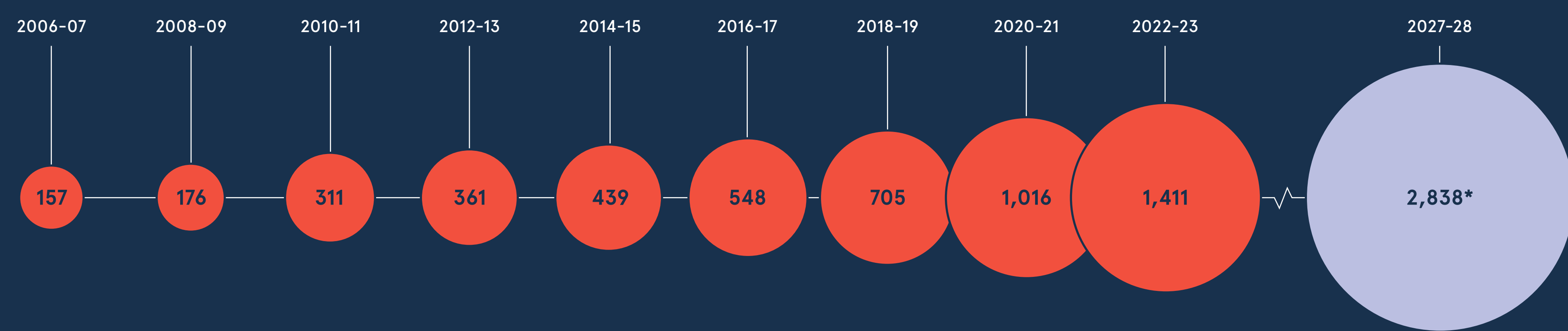
By viewing DB pension surpluses as a strategic opportunity, organisations can unlock the value trapped in those schemes and reinvest that capital into the business to drive growth and improve economic outcomes.

FUTURE OF PAYMENTS

The payments market is undergoing a digital transformation, as consumers and business buyers ditch traditional payment methods such as cash, cheques and plastic cards in favour of instant payments and digital wallets. Although the adoption of new methods has been uneven across the globe, emerging markets in Asia and Latin America are expected to fuel significant growth in digital payments this decade. Here's a look at the future of payments.

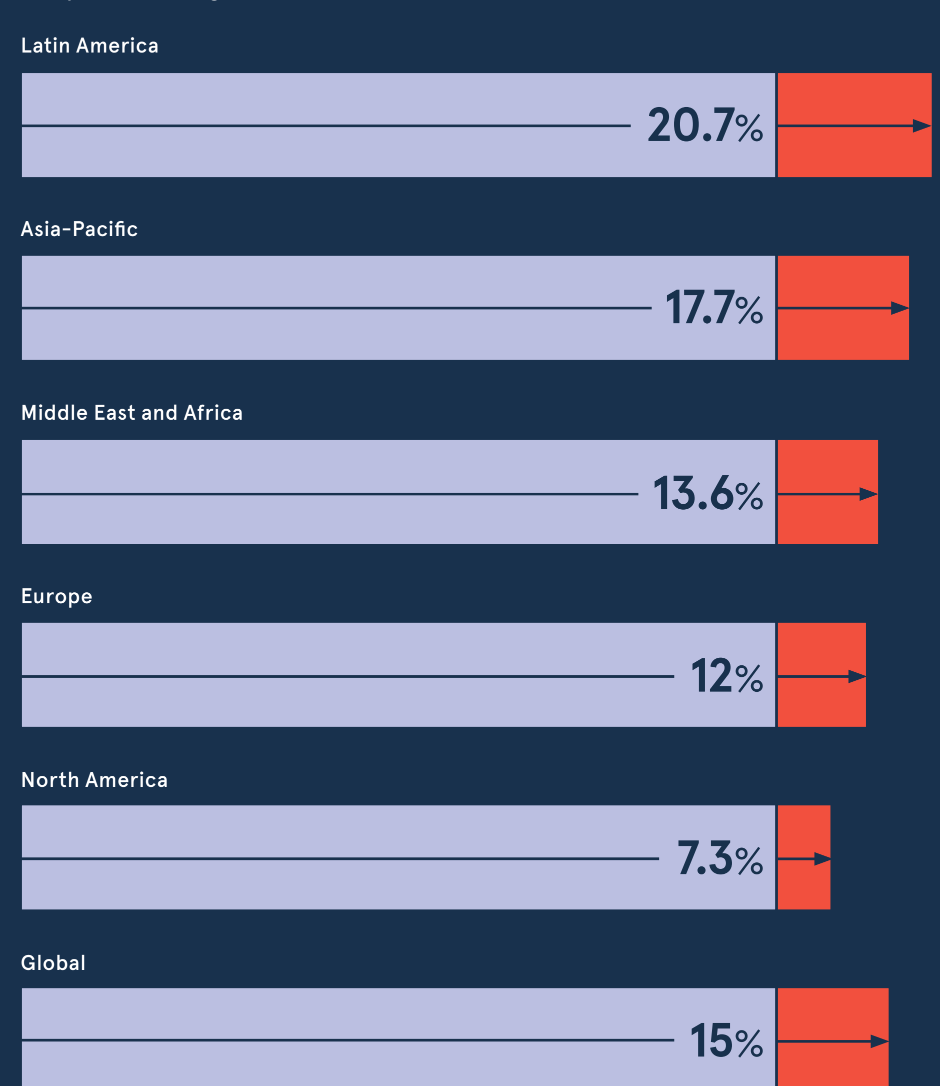
NON-CASH TRANSACTIONS HAVE BECOME STANDARD

Global non-cash transaction volume, in billions USD



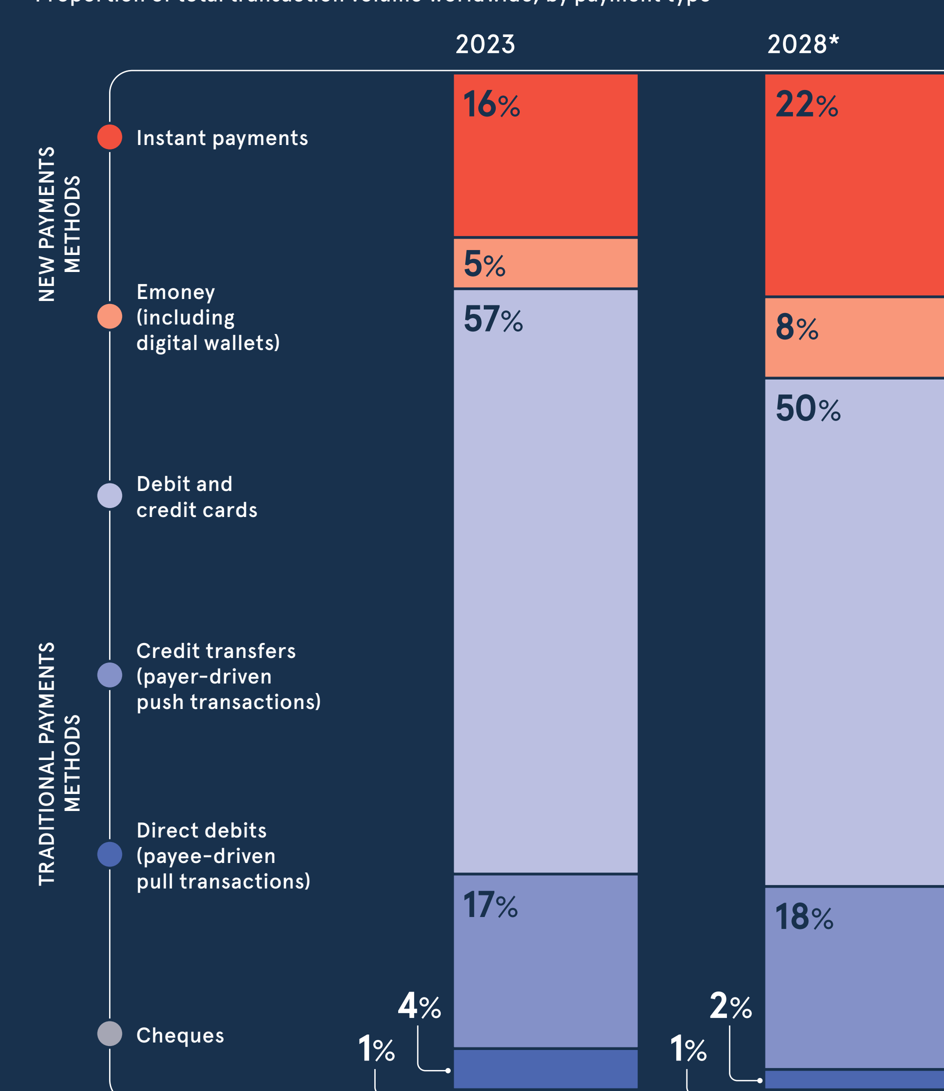
LATIN AMERICA AND ASIA ARE EXPECTED TO LEAD THE GROWTH TREND

Compound annual growth rate in non-cash transactions, 2023 to 2028 forecast



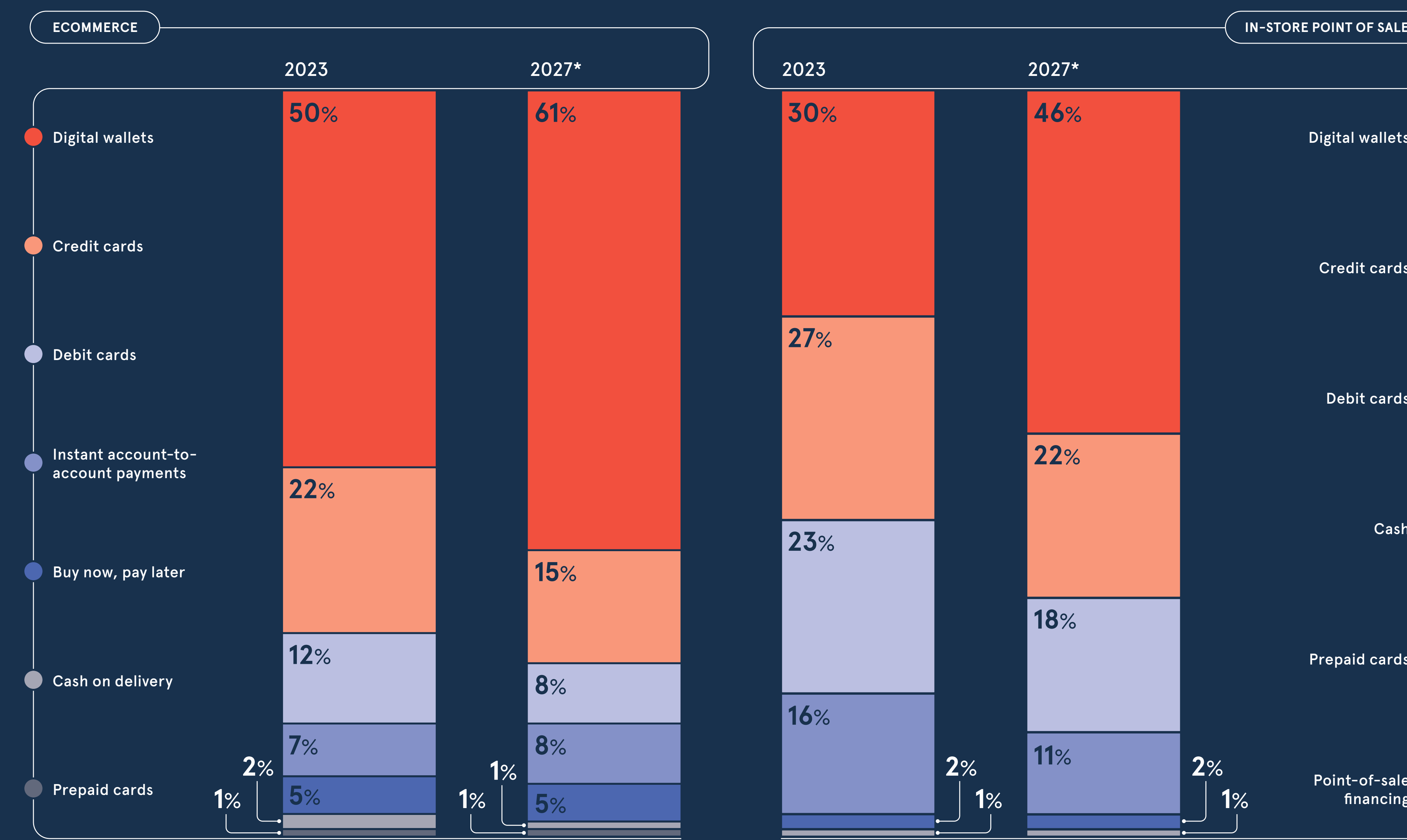
NEW PAYMENTS METHODS WILL ACCOUNT FOR NEARLY A THIRD OF TRANSACTION VOLUME BY 2028

Proportion of total transaction volume worldwide, by payment type



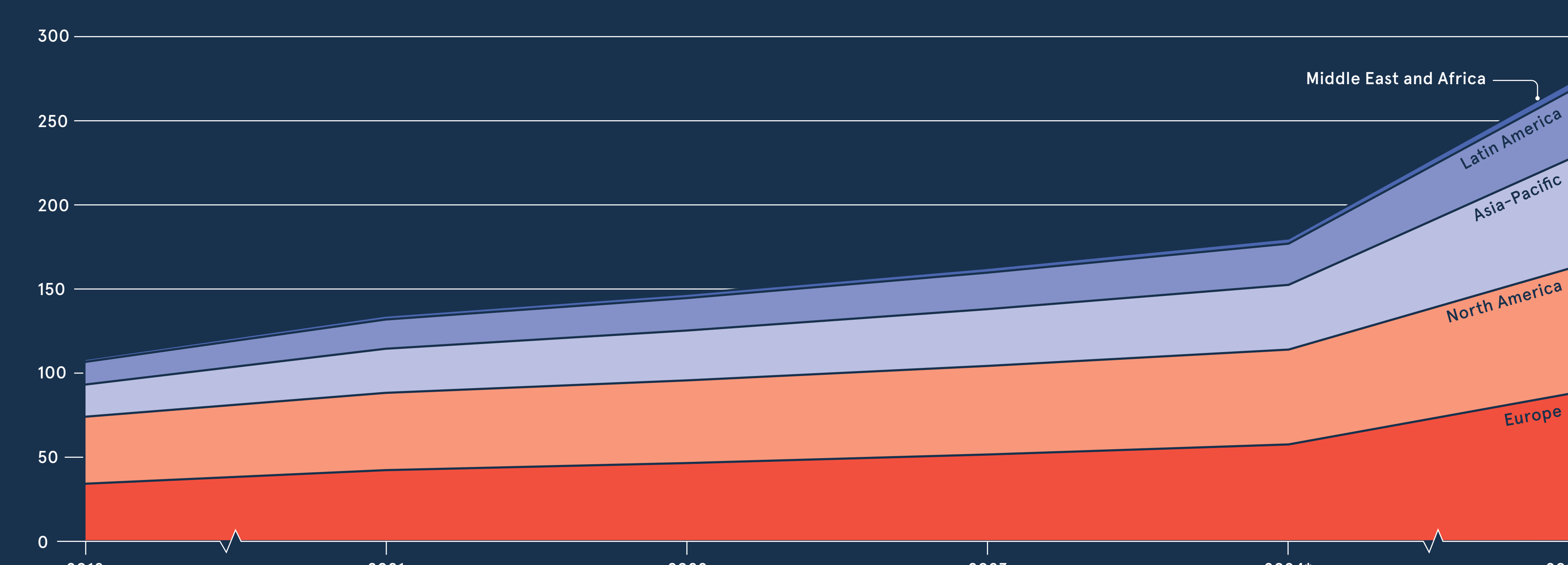
CONSUMERS TURN TO DIGITAL WALLETS

Proportion of transaction value worldwide, by payment method



COMMERCIAL PAYMENTS ARE ALSO GOING DIGITAL

Global B2B non-cash transaction volume, in billions USD



* = forecasted Capgemini, 2025

Commercial feature

Why finance job offers are falling flat

Finance professionals are walking away from high-paying offers that look great on paper but fail to deliver flexibility, bonuses and career progression

A job offer in finance is no longer the culmination of a successful hiring process. Instead, it's the beginning of a strategic negotiation. Bonuses don't land, salary rises don't keep pace with expectations and flexibility is no longer guaranteed. The result? Promising hires stalling at the final hurdle, and top performers quietly walking out the door.

The problem isn't a lack of effort. Employers are spending more, offering more and promising more. But in a fast-moving industry built on precision and performance, even a small misalignment between what firms think matters and what professionals value can be costly.

That disconnect is laid bare in the latest Selby Jennings *Financial Services Talent Report*, which draws on insights from nearly 700 senior finance professionals across Europe. The findings paint a clear picture: while firms are under pressure to compete for talent, too many are failing to understand what today's finance professionals want - and what it takes to make them stay.

Bonus season: exit trigger or retention tool?

In theory, bonuses should motivate and reward high-performing staff. But in practice, they're prompting exits and becoming one of the leading causes of attrition.

"This year, 42% of finance professionals across Europe say their bonus missed the mark, despite businesses performing better than in 2023", explains Matt Nicholson, head of Selby Jennings Europe, a leading financial services talent partner.

"Even more striking, 86% would leave for better bonus potential. This isn't just a retention issue, it's a risk to business continuity. When top performers feel unrewarded, they don't just disengage, they disappear," he says.

42%

of finance professionals across Europe say their bonus missed the mark

86%

of finance professionals across Europe would leave for better bonus potential

Selby Jennings, 2025

It may seem paradoxical – a bank performs well, profits rise, yet key bankers depart. But too often individuals' bonuses fail to reflect the success of the organisation. And in a world where pay mirrors prestige, high performers rarely stay where they feel undervalued.

"We've actually seen bonuses trend higher this year as firms rebound from 2023's uncertainty," says Nicholson. "But that doesn't mean expectations are any lower. If anything, they've risen."

In the UK, the removal of the banker bonus cap is already shifting the market. Regulated banks are moving toward more globally competitive pay structures, helping them go head-to-head with US and international institutions in the battle for senior talent.

UK finance professionals received the highest bonuses globally this year, averaging $148,961 (£110,391), a 26% jump on the previous year and well ahead of peers in North America, Asia and the rest of Europe according to reporting by *The Times*.

Pay rises: modest gains, growing expectations

After several years of sharp salary inflation, pay increases in financial services have begun to stabilise.

"Salaries have stayed relatively flat over the past 12 to 18 months," says James Warnaby, head of Selby Jennings London. "Salary increases of 20% or more, which were more common in previous years, have become rare, whereas bonuses are now a stronger indicator of positive market sentiment."

Survey data from the report reflects this, with half of finance professionals who received a pay rise over the past year seeing increases between 1% and 5%, and a further 23% receiving a 6% to 10% increase.

Yet candidate expectations remain firm. Nearly three-quarters (73%) say they would seek a rise of 11% or more in a new role.

For hiring managers, this widening gap presents a clear obstacle. Offers that align with internal pay bands may fall short of market demands, particularly among sought-after talent. Negotiations must therefore extend beyond base salary to encompass long-term progression and broader reward packages.

In a market where candidates weigh total value as much as headline pay, understanding and addressing these expectations is vital. Those who fail to do so risk drawing out recruitment processes, or losing top performers to firms that offer a clearer pathway to growth and reward.

What really motivates finance professionals to move?

While pay and bonuses make the headlines, they rarely tell the full story. For many finance professionals, the decision to change roles isn't driven by compensation alone. It's the combination of stalled progression, a lack of new challenges and diminished work/life balance that quietly builds pressure over time.

> While pay and bonuses make the headlines, they rarely tell the full story

When the pace slows or the purpose fades, no salary can compensate for feeling underutilised. And, while few leave a role for higher compensation alone, the promise of stronger pay or bonus potential often tips the balance once someone is already open to change.

That makes things harder for employers. Dissatisfaction at the top end of the talent pool rarely comes with advance warning. High performers don't always signal their intent, they simply move on. By the time a resignation lands, it's often too late to re-engage.

The takeaway for company leaders? Stay competitive on pay, but don't overlook the everyday experience. Retention depends just as much on career development, meaningful work and work/life balance as it does on salary.

Flexibility is still on the table

Remote-first might be receding, but flexibility isn't off the agenda. If anything, its definition is evolving.

In 2025, financial services professionals still value hybrid work. But, more than casual freedom, what they now want is clarity. Structure, consistency and honesty about what's expected are becoming more important than blanket promises of flexibility.

Across Europe, structured return-to-office policies are becoming the norm. Yet only 63% of professionals surveyed by Selby Jennings have flexible working hours, a marginal dip from 65% last year. The ability to work remotely has seen a similar decline: 80% now have remote access, down from 85%, and just 20% of respondents work from home three days a week, a clear shift away from the remote-first setups that once dominated hybrid models.

Despite this trend, for finance workers, flexibility still matters. More than 80% of professionals rated it as important when considering a new role. Many, however, are willing to compromise. A growing number - 64% up from 57% last year - would accept a full-time, office-based position if the right opportunity emerged.

Expectations also vary by role. What's non-negotiable in one function may be feasible in another. For hiring teams, the solution isn't offering unlimited freedom but setting fair expectations. While complete flexibility may no longer be essential, total rigidity may be costly.

One size doesn't fit all

If flexibility expectations vary, so too does almost everything else.

Across Europe's financial services industry, employers are refining their value propositions, adjusting pay bands, revisiting hybrid policies and rethinking career pathways.

But many are still applying broad-brush strategies to a workforce that demands nuance. What motivates one high performer might not matter to another, and what secures one candidate might lose you five more.

For employers, the way forward is strategic customisation. Understand the motivators, tailor the message and meet each individual's expectations, needs and working styles. In 2025, success is about getting the offer right in practice, not just on paper.

FUNDING

New share-trading market looks to plug the UK's funding gap

Growth companies often struggle to secure capital between early-stage funding rounds and public listing. A new trading framework aims to bridge the gap

Ben Edwards

Investors in private companies are typically betting that one day the company will grow large enough to float on a public stock exchange, providing early backers with a bumper payday.

But companies now are remaining private for longer, thus delaying opportunities for investors to cash in. This is partly because more money is being allocated to the private market. But also because going public comes with additional expense and regulatory scrutiny, which act as a disincentive for growth-stage companies.

According to Victor Basta, managing partner at Artis Partners, IPOs are not a viable exit route for growth companies.

While the UK supports early-stage funding through schemes such as the Enterprise Management Incentive, there is a potential missing link that follows seed funding, venture capital and private equity before companies decide to go public. This funding gap means investors' cash may be tied up for much longer than they had anticipated, which could impact the availability of capital for new businesses.

To address this, the UK government has introduced the Private Intermittent Securities and Capital Exchange System (PISCES) framework, which will enable investors to trade shares in private firms – albeit with some restrictions.

Shares will only be tradable during set auction windows, for example, giving companies more control over when their shares can be traded and who can trade them. Individual market operators that run a PISCES venue can also set eligibility criteria for companies to use their trading venues.

The London Stock Exchange (LSE) hopes to become a PISCES market operator with the launch of its private securities market later this year, pending approval by the UK's financial regulator.

Although there are other markets around the world that allow private shares to be traded, Tom Simmons, director of private markets development at the LSE, says PISCES is being billed as a world-first because of its bespoke regulatory framework for private-market trading and its use of public-market infrastructure for the auction process – something no other markets offer.

Therefore, PISCES could serve as a stepping stone for growth companies that may wish to go public in the future.

"It's a quasi-public trading platform that's regulated with a common set of standards, rules and disclosures. It enables companies to diversify their shareholder base to prepare for life as a public company and provides alternative means for liquidity creation in a slightly more organised, regulated fashion," explains Dan Hirschovits, a partner in securities and capital markets at Paul Hastings, a law firm.

By creating periodic liquidity windows for private investors to exit their positions, PISCES can help recycle capital back into new businesses, says Jon Prescott, a partner at Praetura Investments, a venture capital firm.

While the PISCES framework provides a certain degree of regulatory certainty, the compliance process is significantly less intensive than for public-market trading.

"A very large company listing on either the alternative investment market or the main market would typically pay a minimum of £500,000 a year just in additional compliance and reporting costs," says Myles Milston, CEO and founder at Globacap, a tech platform facilitating private-market investing. "That's notwithstanding the additional pressures that come with being public and the ongoing communication with shareholders. The overhead associated with going public is turning many companies away from the public markets."

> The overhead associated with going public is turning many companies away from the public markets

Supporting growth-stage companies is beneficial for the UK economy, considering that small and mid-size companies account for 60% of employment, according to UK parliamentary research.

"Making more capital available for private enterprises will help to fuel employment and innovation," says Milston. "This is really a driver of economic growth and can help the UK become more competitive."

Creating more selling opportunities for investors also reduces the risk profile of private-market investments, and could encourage more investors to acquire stake in growth-stage companies.

"There's a big risk premium associated with the private markets because it's very difficult to exit those positions," says Miston. "For an individual or even for a family office, holding something for 12 years is not always realistic, even if it seems like a good idea at the time. Access to secondary liquidity changes the risk profile for these types of investments."

Market commentators expect plenty of supply from small investors seeking to exit positions that are no longer suitable for them. But whether institutional investors will provide demand for those shares won't be clear until the PISCES trading venues are operational.

"If I can only sell £1m to £3m of shares, it doesn't really help me, but if I can sell £20m or £30m and actually get a secondary sale of some significance, that makes more sense," says Basta. "There's no point in these companies doing this whole exercise if significant shareholders are raising a relative pittance. It may achieve a certain amount of liquidity for employees, but will investors be willing to take bigger slugs? That's up for debate."

Such opportunities may appeal to cross-over investors who are reluctant to back an early-stage company but want better access to growth-stage companies before they go public, says Hirschovits.

"They've also designed the market so there's no UK stamp duty applied on trading as there is in public markets, which is another incentive," he says.

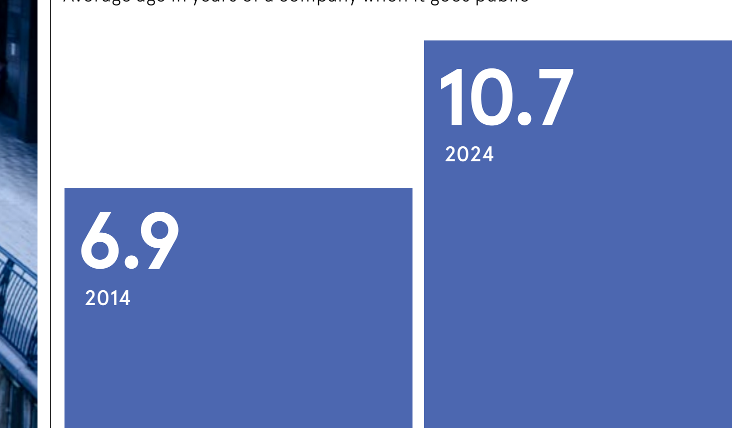
The level of investor interest will ultimately hinge on how many high-quality businesses decide to list on a PISCES exchange.

"We know there is a lot of dry powder out there, so if investors see PISCES as a way of deploying that capital, then there could be significant demand," Prescott says. "It might take time, but it could become an important part of the capital markets ecosystem."

COMPANIES ARE STAYING PRIVATE FOR LONGER

Morningstar, 2025

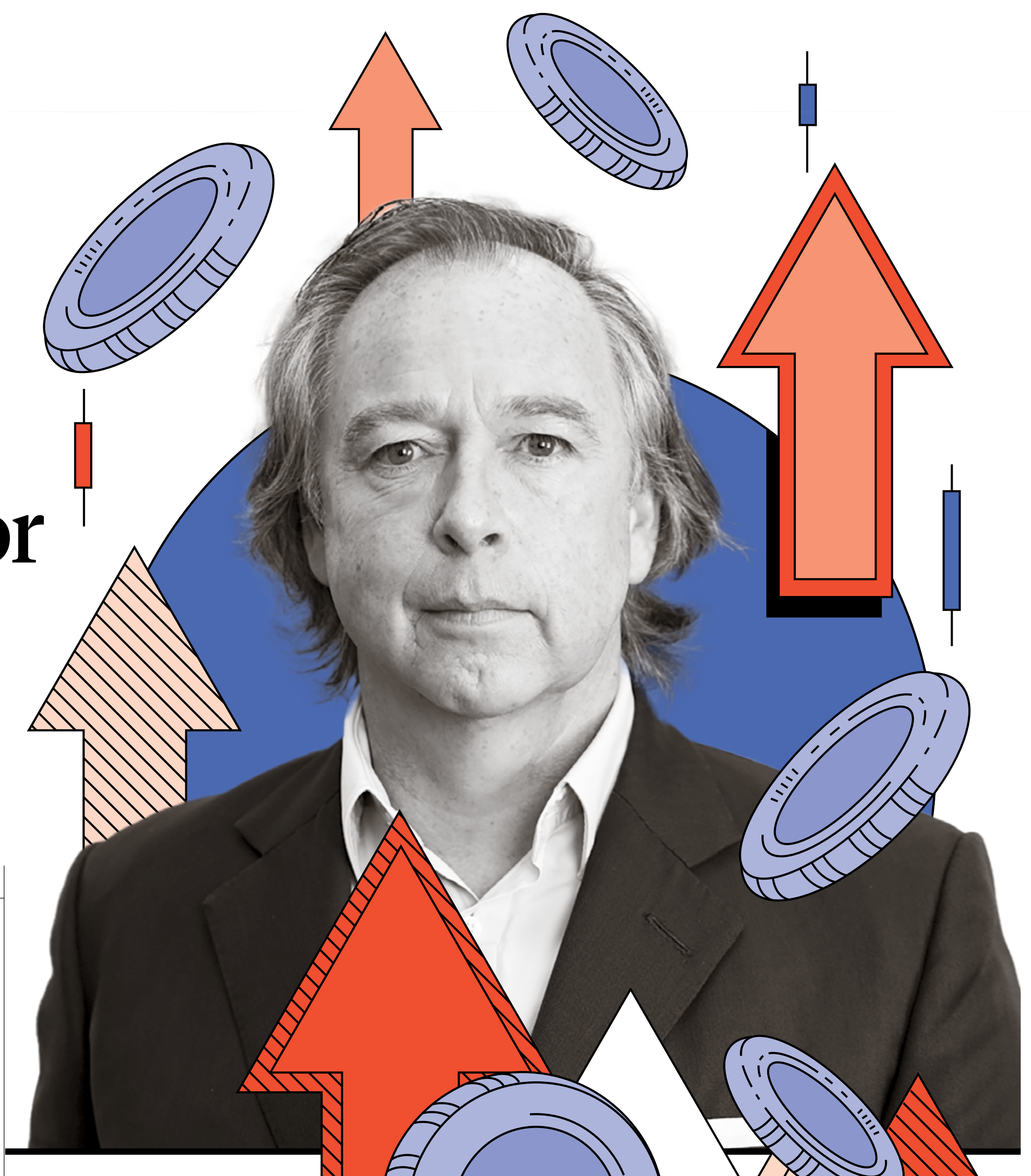
Average age in years of a company when it goes public

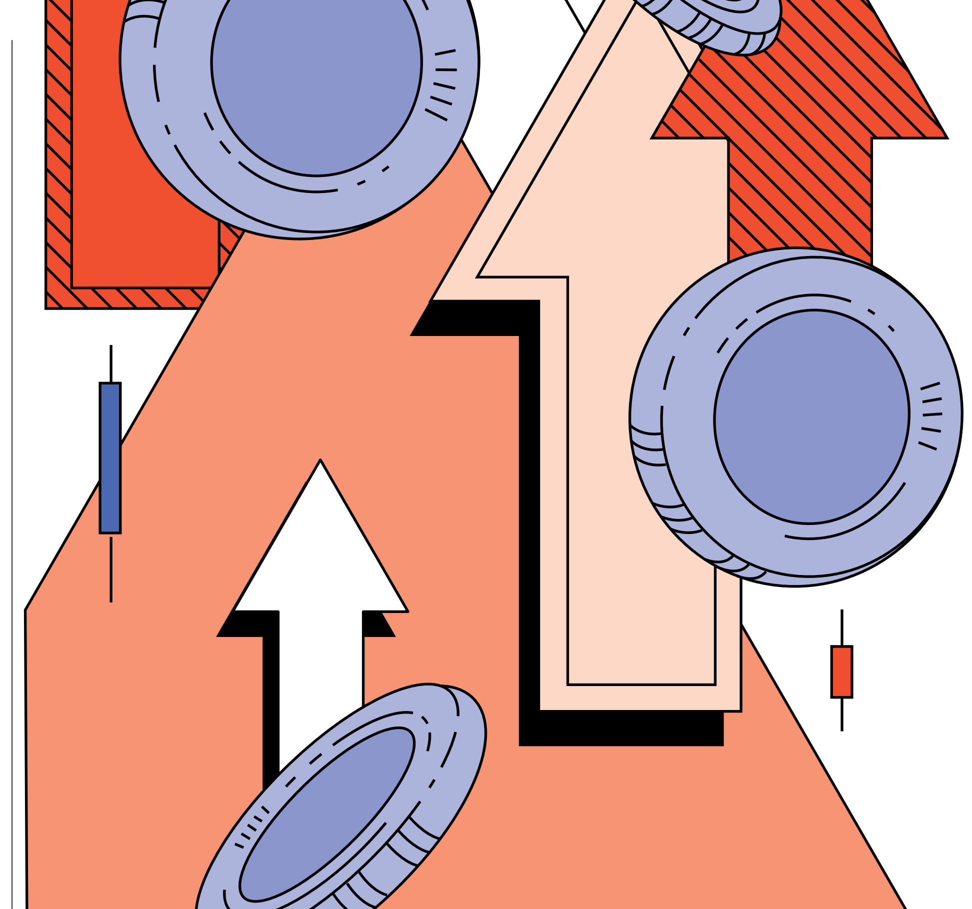


INTERVIEW

Inside the mind of an activist investor

The co-founder of Blackmoor Investment Partners says boards and management teams should listen, not just fold, when an activist shows up





Sam Birchall

Activist investors can be a thorn in the side of management teams and boards. While activist campaigns can help to boost company performance and shareholder value, dealing with activist investors can be stressful and demoralising. Ineffective engagement can derail a firm's long-term strategy, divert leadership from their priorities and compromise value. Management and board members therefore must understand how to respond to such campaigns to limit disruption and increase the chance of a positive outcome.

Doug Smith is co-founder and managing partner at Blackmoor Investment Partners, a UK-based activist investor. The firm holds stake in several listed companies, including Domino's Pizza Group, Devro PLC and The Gym Group. Here, Smith explains the strategies his firm uses to enforce change and shares advice on how management teams and boards should deal with pressure from activist investors.

> Boards are not just there to check boxes – they're there to add strategic value. Sadly, this isn't always the case at public companies

Q Could you describe Blackmoor's investment strategy?

A Blackmoor's activist approach is very different to the classic US-style capital-grab tactics of Elliot Management or Saba Capital, which is very boisterous and confrontational. Instead, we focus on long-term investing, sharing valuable information and having thoughtful discussions with our boards and executive teams.

We like to invest in a small number of companies at any one time, between 10 and 20. We aim to own 3% to 6% of the equity, which puts us in the top 10 shareholders.

Q Which factors do you consider when identifying target companies?

A We never look at companies that are underperforming or in a weak market. Our focus is on interesting businesses that have a good market position but might not be firing on all cylinders. Maybe the cost of goods sold has risen and margins are becoming a little compressed, or perhaps the team delivering the service or product has become a little less efficient.

We do not see ourselves as short-term disruptors there to make a quick buck. We aim to work alongside the company management to help drive long-term change.

Q What's your typical playbook once you've taken a stake in a company?

A We do extensive research before we invest in a company. We always meet with the chairperson, CEO and chief finance officer, and we talk to our fellow shareholders as we enter into a new position. We look at all aspects of what drives valuation, from brand reputation and financial performance to the ability to attract top talent. That means paying executives well and in a way that aligns with shareholder interests and value creation.

We're very focused on the construction of boards at public companies. We like to make sure that board members and non-executive directors (NED) are there to provide value and support by dedicating more time to each role. They are not just there to check boxes – they are there to add strategic value. Sadly, we've found this isn't always the case at public companies, where boards often fail to hold the company to account.

There are two reasons for this. First, the information they use to make decisions can be biased, as it always comes from the CEO and CFO. Second, in public companies, board members and NEDs typically don't spend enough time with the companies. At a private company, they might spend 35 to 40 days with management. Public companies are lucky to get 12 to 14 days.

Q What's your typical investment timeline and how do you measure success?

A We aim to double the company's profitability within three to five years, focusing on improving the fundamentals: operations, management and market position.

Success is measured by having a high-performing board of directors, attracting or retaining the best executive management and delivering on a value-creation plan. And, of course, seeing that improvement reflected in the share price.

Q How do you prefer to engage with a company – through private discussions or public activism?

A We prefer to have private discussions where we work constructively with companies behind closed doors.

Activist investors have a reputation for being very aggressive and confrontational, especially in the US. But these rapid, unpredictable and very public campaigns can catch companies off guard and often lead to unproductive, even pointless, conversations.

A respectful shareholder is far more likely to contribute to the company's long-term success. We've been in this market for 20 years and we've kept our noses clean by behaving sensibly. This is very important when it comes to winning the support of other shareholders too.

But avoiding public commentary isn't always possible. A few years ago, for instance, a private equity firm tried to steal one of our companies off the public market. We went public and said we wouldn't accept a share price below a certain amount, which got them to increase their price a little bit.

Q Can you walk us through a specific campaign where your involvement led to significant changes at the company?

A We invested in The Gym Group, a low-cost gym chain, in the wake of Covid-19. Like many businesses, it had faced severe challenges during this period.

Both the CEO and the chair were former CFOs, so they were very risk-management focused. While they had done a great job securing the business through the difficult years, it was clear that the management group was much better at managing risks than taking advantage of growth opportunities. The company shared a growth plan with the market that was pretty uninspiring and cash-flow generation wasn't looking particularly exciting. In this instance, we felt like there was too much of a CFO presence.

We bought a 4% stake in the company and shared our views on the market opportunity with fellow shareholders. From there, we proposed a refresh of the board and executive team. We ended up replacing the chair and hired a new CEO and CFO.

It has been a three-year engagement with this company so far. We have a weekly dialogue with the board and executive team and we think they're doing a cracking job.

> There's usually some form of pushback and that friction is healthy. We're not trying to tell anyone what to do and we're open to being told we're wrong. But ultimately we're sharing analysis that suggests things could be done better

Q How do you contend with resistance from the board or management team?

A There's usually some form of pushback and that friction is healthy. We approach any situation very openly, we share our research with the company and welcome any debate about the proposals we put forward.

We're not trying to tell anyone what to do and we're open to being told we're wrong. But ultimately we're sharing analysis that suggests things could be done better.

Q How should management or boards respond to pressure from activist investors?

A Number one, companies must understand who their shareholders are because they all have different desires and abilities to create value. Ask your advisers: who are these people and what's their reputation?

How much you listen and engage depends on the due diligence you do on the type of investors that are coming in the door. If they're known for being short-term and noisy, manage them as such. Listen to them and say, "Thanks very much, we'll think about it."

But if someone turns up with a well-considered analysis of the company's market positions and opportunities and does so with the support of other shareholders, it's worth paying attention to them. Take advantage of the resources and knowledge they have at their disposal, whether that's market research or competitive benchmarking. This kind of research is expensive so take everything you can get from them.

Q Where do you see activist investing heading next?

A A lot of activists are moving away from large portfolios. Historically, they would invest in around 60 to 100 companies – now it's more like 30 or 40. There's also a shift toward less combative, more diplomatic activism. Many investors now prefer behind-the-scenes negotiation with management.

Activists today are really getting into the weeds of operations. They're pushing for long-term value, not just quick financial engineering.

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