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Marlin Hawk Function Pulse

Banking on Talent:

Is Your Risk Talent Strategy Ready for 2025?

Introduction

The global banking sector stands at a critical inflection point, where risk management isn't just evolving—it's undergoing a transformation at speed. As financial institutions grapple with an increasingly complex landscape, risk departments are rapidly expanding and adapting, creating unprecedented shifts in human capital dynamics across both Global Systemically Important Banks (GSIBs), and International and Regional banks alike.

Chief Risk Officers face a perfect storm: the relentless drive for efficiency collides with an explosion of hyper-specialized risk areas, while regulatory demands intensify in both type, and breadth. All this whilst the largest potential technological disruption — Generative AI—could reshape the entire risk function overnight. We say this isn't an evolution; it's a revolution in how banks must approach their risk talent strategy.

As risk professionals become increasingly mobile globally, and new risk territories emerge almost quarterly, banks may be struggling to reimagine their human capital strategies. But in this era of constant change, where regulatory compliance, operational efficiency, and talent management collide, a crucial question emerges: how can banks build, retain, and evolve their risk teams fast enough to stay ahead of tomorrow's challenges, while ensuring they don't sacrifice the quality and expertise that regulatory bodies demand?

Risk Office Then

Since the 2008 global financial crisis, the foundations of risk management in banking has been going through a profound transformation, overhauling the expectations of better controls in banks that has since persisted. What began as a regulatory response—driven by Matters Requiring Attention (MRAs) and stringent Consent Orders—prompted an expansion of risk departments across GSIBs. The numbers tell a compelling story: from 2008-2018, the 2nd line risk department grew from 0.5% to 1.1% of all employees, doubling in size over 10 years. Since 2018, it has now tripled to 2.6-3.5% of all employees due to a larger focus on emerging areas of risk and more robust risk departments.

Traditional risk oversight expanded into new, critical territories: dedicated technology and cyber risk units emerged; conduct risk frameworks were established; and, specialized teams focusing on business resiliency, regulatory compliance, and financial crime prevention became essential components of the risk architecture.

As larger banks invested heavily in these sophisticated frameworks and specialized talent, regional banks found themselves at a crossroads, struggling to match the depth and breadth of their larger counterparts' risk capabilities.

Risk Office Now

In the wake of recent inflation rises, and shareholders demand for greater cost efficiencies in Financial Services, we are seeing a dramatic shift away from expansion, to cost reduction.

CROs are being tasked with reducing cost and heacount, without increasing the risk profile. This abrupt change in direction has led CROs to resort to simple cost-cutting measures. The impact of this has been bank's risk FTE falling back down to 2.5%-3% of total heacount.

Despite mouting pressure to optimize cost, the risk lanscape continues to grow more complex. Risk functions are now being tasked with sitting in the middle of several evolving spaces: a growing reliance on a myriad of cybersecurity tools, AI being used in every day work and operations, a growing need for more advanced clime risk assessments, stronger thirdy party and vendor management due dilligence, and a stronger framework on partnership risk. All this as Merger & Acquisition (M&A) activity is set to start rising again in 2025.

Each of these areas demands a high level of expertise and specialization to ensure that banks stay ahead of emerging risks. However, the hyper-specialization trap is real: as risk functions become more siloed and specialized, the ability to consolidate departments or share resources diminishes, often leading to inefficiencies and increased costs elsewhere.

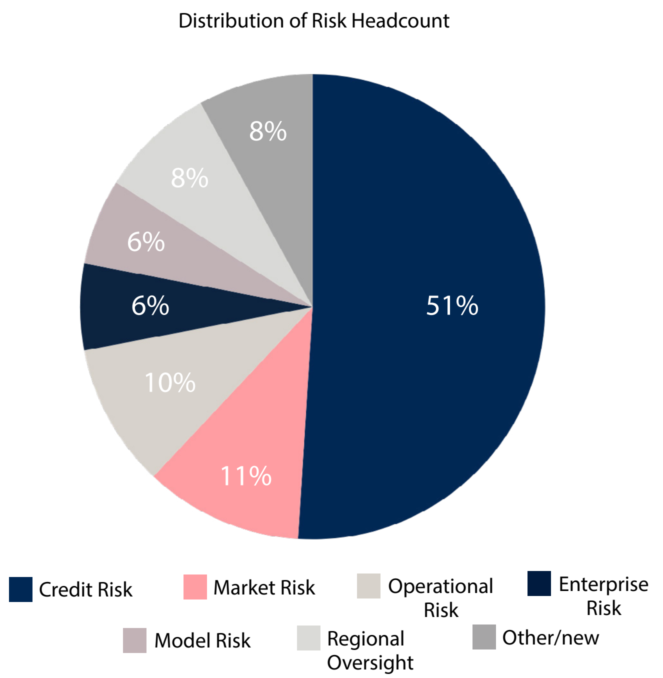
If the risk function is to keep pace with other corporate functions, such as operations and finance, it must adopt more strategic approaches—improving organizational structures, developing location strategies, and leveraging cutting-edge technologies.

Regarding location strategies, evidence suggests that two thirds of all global banks have 90% or more of their headcount operating in high-cost locations, like the company or regional headquarters, with only a third having truly utlized shared service centers at scale.

Most of the talent remains concentrated in expensive financial hubs like London, New York, and Singapore. The bulk of this shared services work has been driven by moving Operational Risk (OR) and Enterprise Risk Management (ERM) to these lower cost locations, each with around 40% or so in lower cost locations.

Market Risk, Credit Risk, and other CoEs typically have 80% of their headcount in the company or regional headquarters.

Addressing these location strategies is the first step to better cost efficiencies. The next step is to enhance the department's use of technology and modern tools, and to scale automation across processes. This raises the critical question: can banks navigate this efficiency puzzle without compromising their risk management capabilities? And what does this mean for the future of risk talent strategies?



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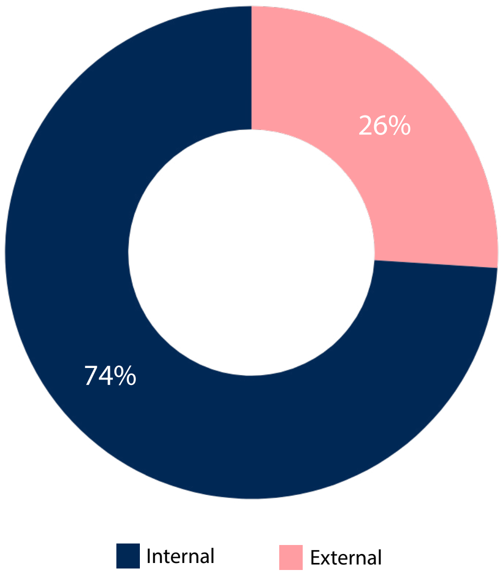
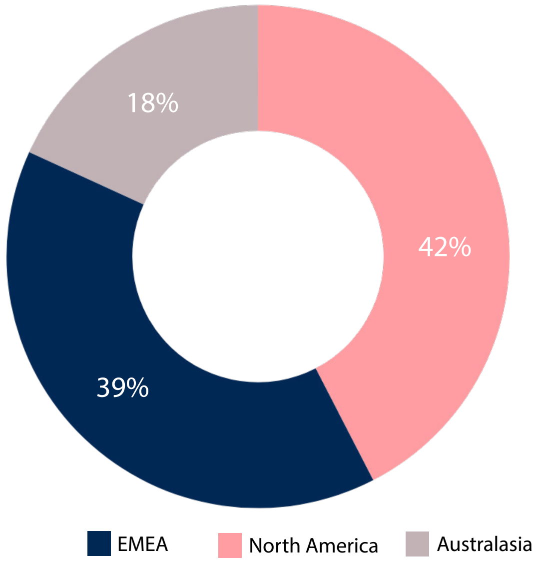
What does the Risk Office Data tell us?

Marlin Hawk analyzed CROs across the 50 largest global banks to uncover the profile of the Chief Risk Officer now and trends in the function for the future.

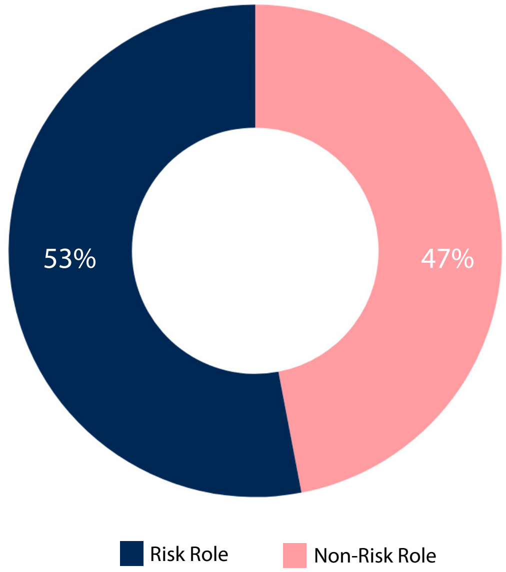
Internal vs External Hiring



Regions Where CROs are Based



CROs Role Prior to Appointment



Gender Diversity

16%

of CRO positions in the 50 largest global banks are held by women

Ethnic Diversity

17%

of CRO positions are held by BIPOC individuals

Tenure

3.8

years of average tenure

Where is Risk Talent Going?

Amist all of this internal transformation at Global Banks, CROs are also having to fend off more external competition than ever before. Many CROs are discovering a bleak reality - mutliple industries are interested in their talent, but they are not able to recruit their talent in return, typically due to lack of scale or breadth. This is causing a significant supply-size squeeze on global banking risk talent, driving up the cost of the CROs leadership rank. the downstream effects, are also severe - as if a competitor poaches an anchor leader, often the team can follow 12 months later

To address the loss of risk talent, the industry must adopt new approaches to hiring practices. While banks traditionally promote from within, this one-dimensional approach might be a weakness. Institutes are now leaning into a new appetite for change in hiring trends, seeking skills-based hiring, consulting experience, and untapped talent markets in lower cost locations.

Current Risk Areas in Global Banking

Industries where CRO's Top Teams are moving to	Regional Risk	Credit Risk	Enterprise Risk	Operational & Technology Risk	Market Risk	Fraud, AML & KYC	Regulatory Risk	LOB CROs
Smaller Banks	✓	✗	✓	✓	✗	✓	✓	✗
Private Credit	✗	✓	✗	✗	✗	✗	✓	✗
Asset Managers	✗	✗	✗	✓	✓	✓	✗	✓
Insurance	✗	✗	✗	✓	✓	✓	✗	✗
FinTechs & NeoBanks	✓	✗	✓	✓	✓	✓	✓	✗
Hedge Funds & Buy Side	✗	✗	✗	✓	✓	✓	✓	✗
Consulting	✗	✗	✗	✗	✓	✗	✓	✗
Internal Movement to 1st Line Chief Control Officer	✓	✗	✗	✗	✗	✗	✓	✓

Challenges that are Catalysing Regulatory Focus Areas for Global Banks

Global banks face significant regulatory challenges driven by political, environmental, and technological pressures. Efforts to achieve international regulatory coordination remain a focus, but alignment remains elusive. Political headwinds, including heightened scrutiny from regulators and investors, have resulted in stricter disclosure standards on climate change, data protection, and cybersecurity. In the U.S., resistance to diversity, equity, and inclusion (DE&I) and environmental, social, and governance (ESG) initiatives has grown, with banks increasingly challenging regulatory actions post-Loper Bright. Recent elections will further reshape the regulatory environment, adding to the uncertainty global banks must navigate.

Cybersecurity & AI

- Increased reliance on cybersecurity and AI technologies to address skills gaps and efficiencies
- Shift from preventative controls to recovery capabilities
- Regulators creating standards for best practices

Climate

- 87% of banks are proactively addressing climate risk through internal stress tests and scenario analysis
- 60% of banks lack fully integrated climate risk framework

Third Party Risk Management

- Increased scrutiny of Banking & FinTech Partnerships
- Focus on due diligence and risk management throughout life cycle
- TPRM and supply chain management identified as area of weakness across banking platforms

Scrutiny of M&A Deals

- 30% increase in M&A activity amongst regional/Tier III banks since 2023
- Reuters analysis: 2/3 of regional banks have 50% chance of being acquired

Emerging Areas Redefining the Scope of the Risk Function

Reputation & Conduct Risk

Regulatory bodies and investors are intensifying their focus on risk management weaknesses, particularly long-standing issues within financial institutions. This heightened scrutiny has led to a renewed emphasis on organizational and operational integrity, with a push for timely remediation of supervisory concerns. Institutions are now under pressure to ensure their risk management and governance processes are adequately resourced, reflecting the growing importance of robust risk frameworks in maintaining stakeholder confidence and regulatory compliance.

Climate & Geopolitical Risk

Climate change poses a severe threat, with projections suggesting a 19% reduction in global income over the next 25 years. Regulators worldwide are responding by mandating climate risk disclosures from banks. However, 60% of banks lack fully integrated climate risk mitigation strategies, with major central banks such as the Fed Reserve and ECB noting shortcomings in climate scenario analysis. Consequently, banks are reevaluating their operations and talent strategies through both climate and geopolitical lenses.

Cybersecurity Risk

The increasing risk of cyber attacks combined with an influx of digital transformation projects has driven a need for cybersecurity talent and potentially created a cyber skills gap in financial institutions. With only 14% of banking leaders having the cyber talent to meet demand, and 71% of organizations having vacant cybersecurity positions, banks anticipate a larger cybersecurity IT budget across all tiers.

Risk Talent Strategies: Adapt or Fall Behind

Balance Efficiency with Focus on Integrity and Security

Pressures to streamline resources and find new, efficient ways to maintain risk infrastructure creates tension in these talent management strategies, including plans to centralize offshore and nearshore resources.

Diverse Functional Experience is Crucial in Enhancing Risk Functions

As the risk landscape becomes increasingly complex, leaders with experience across the three lines of defense bring a valued perspective. This enhances the ability to both institute important guardrails on the business while fostering strong internal relationships that creates collaborative risk professionals capable of navigating multifaceted challenges, mitigating risk against hyper-specialization that siloed departments may create. Organizations are now implementing rotation programs that expose both internal and external potential leaders to various risk specialties across the three lines of defense.

Skill Gaps Exacerbate Risks Relating to Emerging Areas of Technology

In the face of rapidly evolving technological threats, financial institutions are grappling with a critical skills shortage that threatens to undermine their risk management capabilities. 49% of CEOs consider cyber risks the primary obstacle to growth in the coming year, prompting over 50% of executives to bolster their cybersecurity teams with full-time hires. Meanwhile, the rise of Generative AI has added another layer of complexity, with 69% of CEOs anticipating a need for workforce reskilling within the next three years. As the demand for tech-savvy leadership intensifies, forward-thinking institutions are turning to innovative strategies such as upskilling programs and skills-based recruitment to bridge the widening talent gap.

Focus on Efficiency across Risk Function

What's Expected of Tomorrow's Risk Leaders?

As the banking industry faces unprecedented changes in risk management, tomorrow's risk leaders will be expected to navigate a rapidly evolving landscape marked by both new opportunities and heightened challenges. Chief Risk Officers (CROs) must strike a delicate balance—leading specialized teams in emerging risk areas like cybersecurity and climate change, while simultaneously driving operational efficiency and cost optimization. This requires a unique blend of skills:

Getting the Balance Right

Risk management in banking is undergoing a major transformation, with specialized teams emerging in areas like cybersecurity and climate risk, but the challenge now lies in balancing this growing complexity with the need for greater operational efficiency. Chief Risk Officers need to be capable of leading on both sides of these (sometimes) opposing forces.

Rethinking Hiring Strategies

Banks are facing a critical shortage of skilled risk professionals, compounded by fierce competition and an over-concentration of talent in high-cost financial hubs, pushing institutions to rethink their hiring strategies and tap into more cost-effective talent pools. Alongside HR & Talent, Chief Risk Officers need to lead discussions on what the future of risk talent looks like.

Being a Technology Evangelist

Rapid technological advances, including AI, alongside increasing regulatory scrutiny, are reshaping the risk landscape, demanding banks to reskill their workforce and adopt new technologies to stay ahead of emerging threats and compliance requirements. Chief Risk Officers need to have a deep understanding of both the potential, and the risks, of emerging technological shifts, and the implications for their institution and the industry, at large.

The demand for this talent far exceeds the supply, which is causing people to look to upskilling programs to fill the gap. In short, CROs must not only be adept risk managers but also visionary leaders, capable of guiding their institutions through the multifaceted demands of the future.

Our Approach

Through our Strategic Intelligence services, Marlin Hawk is accustomed to mapping the market, assessing how different organizations shape and structure their companies and functions to ensure maximum success. Through identifying critical gaps, delivering data-rich information about the market, and looking to adjacent market-leading organizations, businesses can remain competitive in terms of talent, business models and organizational structures.

Our Track Record

30+	2,225	83.3%	62%
Countries	Successful Searches	of Searches Completed	North American Placements in Financial Services Risk & Compliance

About Marlin Hawk

Marlin Hawk is a global leadership advisory firm specializing in executive search, strategic intelligence, and interim management. For over 20 years, we've empowered our clients with data and insights to make diverse, inclusive and impactful leadership decisions. One globally connected team, we are headquartered in London with offices in New York, Denver, Toronto, Chicago, Amsterdam, Dubai, Singapore and Hong Kong. Unconstrained by a one-size-fits-all approach to both clients and candidates, we build relationships with care and attention to detail, while delivering at pace.

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