Over the past month, it's become clear that layoffs are underway at State Street, BNY Mellon, BlackRock and Julius Baer — the result of passive investment strategies, volatile markets and tighter margins, and major efforts to cut expenses.

As the new year got underway, some staff members at A-list financial services firms got pink slips instead of bonuses as more firms lay off staff — a result of rocky 2018 markets that have taken their toll on the bottom line.

In particular, on the buy side, firms are reeling from investors' preference for passive investment strategies, volatile markets yielding tighter margins, and major pushes to bring down expenses — an ongoing reality for many working in operations.

The latest firms that have begun to trim their staff rosters are as follows:

- Global custody-banking giant **State Street Corp**. is chopping its workforce by 1,500 positions at "high-cost" locations, including cuts in senior management staff in order to adjust expenses amid highly competitive market conditions.
- While officials at another major custodian, **BNY Mellon**, decline to specify actual numbers, a spokesperson confirms that staff reductions may happen throughout 2019. "We continue to optimize our global business structure to increase efficiency, enable faster decision-making and better serve our clients. As a result of these strategic actions, periodic staff reductions may occur," a spokesperson tells *FTF News*. The *Pittsburgh Post-Gazette* has reported that approximately 700 staff members may be cut in total from across the firm, and *The Times of India* has reported that 300 positions in India have been cut.
- The world's largest asset manager **BlackRock** will be laying off about 500 employees or three percent of its workforce, according to reports from the *Reuters* news service. In fact, BlackRock's recent report on the last quarter of 2018 stated that it would be having a "restructuring charge of $60 million from initiative to modify the size and shape of the workforce excluded from as adjusted results." BlackRock officials did not respond to requests from *FTF News* for further comment.
- In Europe, **Julius Baer** officials have acknowledged that the Swiss bank will shrink its workforce by two percent or 130 to140 jobs as part of a cost reduction program for 2019. "While continuing its strategic growth investments, Julius Baer has put in place a structural cost reduction program," according to an official statement. "The group will lower

> expenses by CHF 100 million [US$99.8 million] by further enhancing market focus and related prioritization of resource allocation; leveraging automation and digitalization; and applying stricter performance management. This will by the end of 2019 lead to a net reduction in the Group's headcount of 2% compared to the end of 2018."

Reflecting the concerns of many other firms, Julius Baer officials predict that "the results from these structural cost reductions are expected to fully materialize in the 2020 financial results, with the aim to reduce the cost/income ratio below 68 percent in line with Julius Baer's new medium-term target in that year, assuming no meaningful deterioration relative to the 2018 average market conditions."

At State Street, officials say the staffing cuts are a key part of "a new expense program to accelerate efforts to become a higher-performing organization and help navigate challenging market and industry conditions," according to the firm's fourth quarter 2018 results report. The firm has approximately 30,000 employees.

"Through increased resource discipline, process re-engineering and automation, State Street expects to realize $350 million in underlying expense savings in 2019," according to the firm's calculations. "As part of the expense program's initiation, 4Q18 expenses included a repositioning charge of $223 million, including $198 million of compensation and employee benefits and $25 million of occupancy costs."

Two major factors are causing firms to cut staff amid an economy that is showing several positive signs, says industry veteran and observer Debra Taylor, principal and founder of Taylor Financial Group, a financial advising and wealth management firm based in Franklin Lakes, N.J., and founded in 2000.

"I am not aware of all the internal issues, but generally speaking, there are two things at play," Taylor says. "Active management is out of favor and, therefore, firms are laying off, closing funds, and otherwise investing less in that area. In addition, certain sectors (such as international) are out of favor, and that can also affect the layoffs."

Are these layoffs seasonal or a sign of more to come in 2019?

"I believe that these layoffs will continue as firms become more cost sensitive, as investors continue with their love affair of all things passive, and it will really accelerate, if market turbulence continues or a bear market appears," Taylor says.