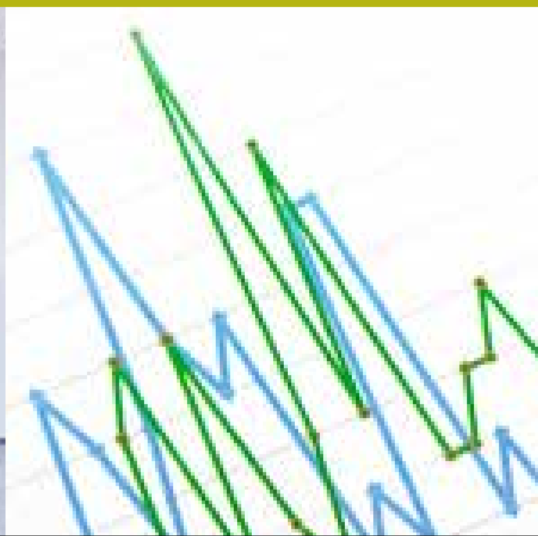
Barclay Simpson
corporate governance recruitment

Corporate Governance Recruitment
Compensation and Market Trends Report 2013
Risk Management

BARCLAY SIMPSON COMPENSATION AND MARKET TRENDS REPORT

2013

RISK MANAGEMENT

CONTENTS

WELCOME TO BARCLAY SIMPSON'S 2013 RISK MANAGEMENT COMPENSATION AND MARKET TRENDS REPORT

Barclay Simpson has been producing corporate governance market reports since 1990. This year we are breaking with tradition and using our Mid Year 2013 report as an opportunity to focus primarily on compensation. This report seeks to provide insight and guidance into compensation within risk management. This is supported by a comprehensive survey carried out in June 2013 of risk management professionals registered with Barclay Simpson. Comparable reports exist for all other areas of corporate governance. They can be accessed in section 7 of this report ("About Barclay Simpson") or at www.barclaysimpson.com

We place great value on the professional reaction to our reports and would appreciate your comments and any requests for further clarification or information.

Offices	Disciplines
London	Internal Audit
Edinburgh	Risk
New York	Compliance
Dubai	Security
Hong Kong	Business Continuity
Singapore	Legal
	Treasury

01

EXECUTIVE SUMMARY

CONFIDENCE AND DEMAND RETURNING

Although it is almost certainly too early to celebrate, the risk management recruitment market is now in better shape than at any time since July 2011 when the Eurozone crisis first emerged. This is being driven by a return in confidence and regulatory demands. It is evidenced by an increasing number of vacancies and the propensity of companies to recruit.

Business volumes rising

2013 began with many commentators talking up a triple dip recession and another washout for the UK economy. However, such forecasts were at odds with developments in the recruitment market. For us, a nascent recovery had begun in the early months of 2013. Whilst the external risks to the UK economy remain high and a further financial crisis cannot be ruled out, forecasts for economic growth in 2013 are now coming in at over 1%.

Within financial services confidence is returning with business volumes rising and costs, including salaries, contained. This containment is evidenced by the 40% of risk managers who responded to our survey who reported they received no salary increase in the last year. In fact, a further 3% reported a lower salary. Companies are keeping their costs under tight control, even for those with marketable skills. Clearly the last five years have not come without a cost to those in work, with real average earnings in the wider economy falling by an estimated 6%.

There was more disappointing news with 9% of respondents reportedly not working. This is the highest rate for any of the areas of corporate governance that Barclay Simpson covers. Clearly the banks have not entirely completed their restructuring. However, more positively, only 22% of those who reported not to be working had been out of work for over six months.

Reasons to be optimistic

Whilst there has been latent demand for risk managers over the course of the last two years, this has often failed to manifest itself in external recruitment. In the last six months, companies have come to the recruitment market more decisively and followed through with realistic offers. This is evidenced by the 19% average salary increase that risk managers were able to achieve by changing employer.

There has also been a marked increase in demand for corporate and commercial credit risk analysts and sanctioners. This is always encouraging, not only for the industry but the wider economy. It indicates both a renewed appetite for companies to borrow to fund expansion and the banks willingness to lend.

Demand set to continue

External recruitment is a statement of confidence. Whilst there are any number of risks to the financial system, these are less apparent than a year ago. We are currently optimistic that renewed confidence and regulatory demands such as Basel III will continue to drive the market through the remainder of 2013.

“In the last six months, companies have come to the recruitment market more decisively and followed through with realistic offers

02 THE ECONOMIC & CORPORATE GOVERNANCE ENVIRONMENT

ECONOMY APPEARS ON THE MEND

The Treasury's objective, to move an economy dependent on consumption to one led by exports and business investment, has been put on hold. A happy coincidence of converging factors, supported by government policies around income tax and the housing market, is leading to a revival in consumer spending. As a result, the OECD is predicting that the UK economy is finally moving towards its trend rate of economic growth. Whilst the UK, at least in European terms, remains a significant beneficiary of inward foreign investment, what is missing is any significant upswing in domestic corporate investment. Perhaps the lack of investment helps explain why so far, unlike previous upturns, this is a recovery that lacks productivity growth. Productivity has fallen back to 2009 levels with the threat that the UK is turning into a low productivity economy, where low wages are fully justified.

Regulation stifling productivity

We have previously described how productivity has been undermined by bank forbearance that has kept companies alive that do not have sustainable business models. However, whilst sensible regulation certainly has a role to play, excessive regulation has also stifled productivity. **There is a proliferation of regulation in many sectors of the economy. This regulation can be expensive to comply with and frequently undermines productivity leading to what has been described as regulatory austerity.**

The financial services industry remains highly significant to the UK economy. Whatever folly has taken place within banking, financial services is an industry in which the UK excels. Unfortunately, it is also one of the industries that is weighed down by an avalanche of regulation.

Excessive cost of regulation

In many areas of regulation the costs are disproportionate to the potential benefit. Governance has become one of the preoccupations of management. It is estimated that the cost so far to the UK insurance industry of Solvency II, a project that has become chronically delayed and is unlikely to be implemented before 2016, is at least £3billion. Andrew Bailey, the Chief Executive Officer of the PRA has described it as indefensible. **Regulators appear to use rules that are needlessly complicated such as risk weighting which can be complex and distorting.**

A far cheaper and more effective form of regulation would be to look at management and strategy. It would use simple leverage ratios of equity capital to liabilities, together with market knowledge and old fashioned judgement. Management could then get on with using the models of their choice and provide services as efficiently as possible rather than spending money on regulatory black holes.

Barring another financial crisis, the political momentum to over regulate the financial services industry will pass. Certainly our preference would be to deal with a profitable and growing financial services industry, where sensible and proportionate levels of regulation and governance are employed.

> "Barring another financial crisis, the political momentum to over regulate the financial services industry will pass

The threat from cyber security

Both the public and private sectors are becoming increasingly alert to cyber security. Cyber attacks are now happening on an industrial scale. It is not surprising that earlier this year the then FSA announced plans to review 30 major financial institutions.

According to the National Audit office, web-based crime cost the UK as much as £27 billion this year and the cost has tripled within a year. It is estimated that 90% of British companies have suffered an attack in the last 12 months. These risks are becoming broader with technological developments such as cloud computing and the increasing use of tablets and smart phones. Security vulnerability is now ranked as one of the top concerns of business and a major threat to the financial services industry. **Unlike Solvency II, given the threat posed, it is an expense that the industry should have no quibble about paying.**

03 MARKET ANALYSIS

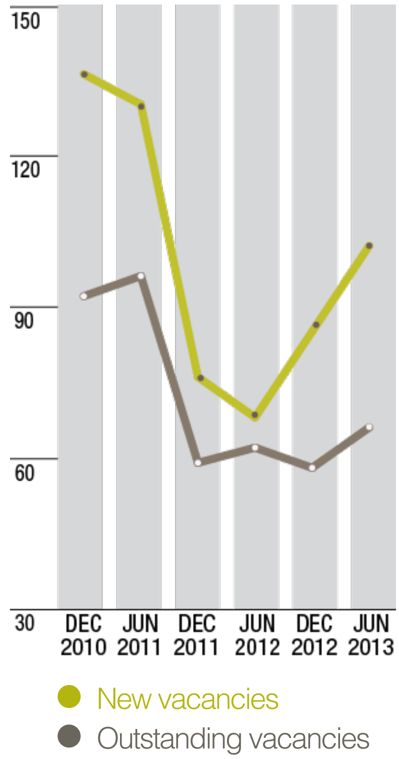
VACANCIES

Companies filling increased vacancies

The number of risk management vacancies rose during the last six months of 2013 and were significantly higher than the comparable period in 2012. **The number of outstanding vacancies also rose, but by a proportionally lower amount, indicating that companies are actively filling vacancies.**

Risk managers who leave their employer are now more likely to be replaced externally. Whereas companies would previously have replaced staff internally, as they have grown leaner and readjusted their business models, the opportunity to make internal transfers or to redeploy otherwise displaced staff has diminished. It is also easier to commit to recruiting risk managers externally when employees are not being laid off in other areas. However, cost containment remains a priority. **Companies will often look to recruit less experienced and therefore cheaper replacements.** However, this can be problematic. Graduate recruitment dropped off as a result of the financial crisis, resulting in candidate shortages in junior areas of the market.

Demand is strong across investment and retail banking. It is being driven by a small number of major British banks, although international banks are also contributing. The asset, wealth management and private banking sectors are also supporting demand with requirements in operational risk, governance and risk control teams.



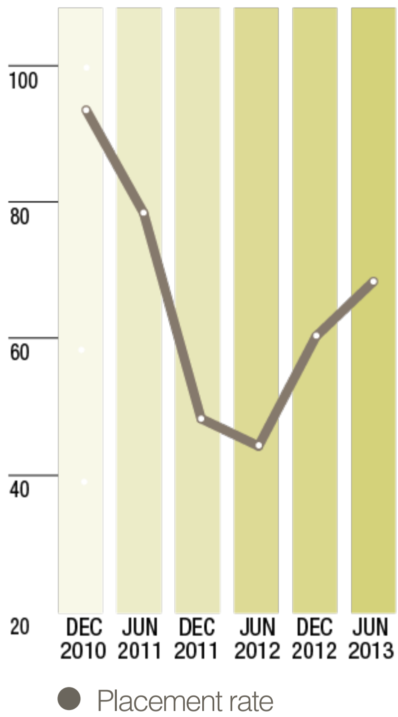
RATE OF PLACEMENTS

Expectations can still be unrealistic

To provide a better insight into the dynamics of the recruitment market, this graph plots the rate at which placements have been made across the last four years. In order to create a scale, we have taken the results from the first six months of 2010 as our 100% benchmark. The graph demonstrates the willingness of companies to recruit during the period rather than simply registering vacancies and arranging interviews. It reflects the rate at which candidates are being offered and accepting jobs.

The increase in the rate of placements that began last year has continued into 2013. It is now up to 69% against 61% in the last six months of 2012. The number of interviews is up sharply. However, whilst companies are becoming more determined to recruit, there are still examples of those who are not. Some companies appear to be going through the motions. They may wish the regulator to see they are attempting to recruit or may be gathering market intelligence to complete benchmarking exercises.

There has been little relaxation in the standards companies require. **Recruitment processes are frequently not helped by unrealistic expectations from both companies and candidates.** Risk managers with marketable skills and especially those with strong communication skills are in demand. Not surprisingly these candidates are likely to receive a counter-offer from their existing employer.



04 MARKET COMMENTARY

COMPANIES MORE FOCUSED ON REASONS TO RECRUIT

The improvement that became evident in the risk management recruitment market in the second half of 2012 has continued. **As sentiment improves, companies who were focussing on reasons not to recruit have become more focussed on reasons they should.**

Notwithstanding the additional 2000 employed by the banks to deal with the Interest Rate Swaps mis-selling, the total number of risk managers employed in financial services is now growing.

Regulation driving demand

Regulation continues to drive demand. Many banks are continuing to work towards the implementation of Basel III. **The move by the Bank of England towards quarterly risk reporting for the top seven "Systematically Important Financial Institutions" has driven demand for risk managers with data quality, risk systems, risk reporting and project management skills.** Further regulatory demand is coming from the US Treasury's Foreign Account Tax Compliance Act (FATCA) and the Living Wills / Recovery and Resolution Plans (RRPs).

Technology Risk

Business and operational risk functions are currently driving demand for technology risk managers. They are looking to establish independent IT risk oversight of the technology they are using and improve quality control. Roles typically require risk managers to deal with both internal and external stakeholders, such as peer groups, technical and business executives. Risk managers need to be able to offer forward thinking, strategic view points and communicate with and influence regulators. The technical backgrounds required span software, applications, infrastructure and external vendor groups. Technology risk managers are required to understand how policy, standards, technology and compliance are all inter-related.

Candidate shortages emerging

There is a perception from some companies that there are an abundance of candidates. This may be born out by the 9% of respondents to our survey who reported they are not currently working. However, there are now skills shortages across many areas of risk management. **Companies are finding it difficult to recruit high demand skill sets such as: Counterparty Risk Exposure Management; Risk Reporting; Market Risk Capital; and Regulatory change, such as FATCA/RRP.** In many instances companies are looking outside of risk for candidates with transferable skills.

In the financial risk recruitment market risk managers with good market risk or counterparty risk combined with regulatory knowledge have more opportunities than pure risk analysts who are focused on a particular sector or product. There are also many opportunities for retail credit risk analysts in both portfolio management and decision sciences.

There is demand in business risk for risk managers with industry relevant technical qualifications, such as: the Chartered Financial Analyst qualification; the Chartered Institute for Securities and Investment's Advanced Certificate in Operational Risk; and the Investment Management Certificate. Broader professional qualifications such as professional accountancy qualifications also remain popular.

Standards rise

Meanwhile risk management has become more multifaceted. Risk managers need to be persuasive and able to influence how business processes are shaped and developed. **Whilst companies are bringing in specialists from other functions and are training them, external recruitment remains vital. In some cases candidates with pure technical expertise can be readily available.** However, as standards rise it is harder to find well rounded risk managers with the corporate savvy, communication and influencing skills that are now common requirements. Risk managers with these skills may receive multiple offers; those who do not may struggle.

Impact of social media

The rise of social media such as Linked-In is having a significant influence on the recruitment market. Many companies have established in-house teams to target recruits directly. **Risk managers are now far more likely to be in the recruitment market, either as a result of an approach from a recruitment consultancy or from an in-house recruitment team.**

Whilst this may give the illusion of a pool of interested candidates, these individuals are less likely to have made a definitive decision to leave their current employer. Consequently, when they are made what might otherwise appear to be a good offer, there is a greater chance this will be rejected.

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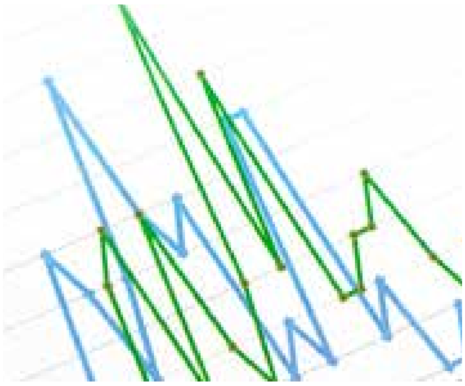
SECTOR ANALYSIS



Here is a brief review of key market sectors.

BUSINESS RISK

Demand from the **banking** sector has dominated business risk. It has been led by UK 'universal banks' with multiple vacancies across multiple business lines. This demand has been supported by international banks, with demand from Japanese banks of particular note. Vacancies have included second and third line of defence roles in operational risk, operations risk and control, risk reporting, governance and control, as well as regulatory driven change such as FATCA. There have also been first line of defence positions in business risk management.

The **funds and wealth management** sectors have provided a stream of business risk vacancies. The key requirements for these positions have been technical ability, regulatory knowledge and the skills to communicate effectively with executive management and regulators.

By contrast demand from the insurance sector has been limited. Further delays in the implementation of Solvency II has freed up resources.

Demand in business risk has ranged from analyst through to Director/Head of level positions. **Candidate availability is heavily skewed towards senior positions with many companies struggling to fill more junior positions. Recruitment activity appears focussed on up-skilling departments.** Companies have particularly sought professionally qualified, technically strong risk managers with expert regulatory knowledge who can engage with stakeholders and articulate the need for effective risk management. Risk managers with these attributes are in demand.

FINANCIAL RISK

There has been strong demand from various sectors of the **investment banking** industry, including market risk, counterparty risk, risk reporting and quantitative analytics. Risk managers with regulatory experience are in high demand, as investment banks build out their regulatory liaison teams.

Within **Corporate banking**, demand for credit risk managers with corporate credit analysis experience has increased across the sector.

Demand from the **retail banks** is substantial. Most have multiple vacancies across portfolio management and decision sciences. There is a general shortage of risk managers with the necessary skills and many of these vacancies remain open. There has also been strong demand from more recently established banks with the soon to be de-merged TSB, accounting for significant demand.

THE CONTRACT MARKET

In spite of positive results from our survey, the contract market for risk managers has been less busy in the year to date than we had anticipated. **The budget to recruit contractors is not always forthcoming and decision making can be protracted. On the grounds of cost rather than effectiveness, internal candidates are frequently the preferred option.** However, for particularly high profile projects, Big 4 consultants are frequently used to provide high levels of assurance. Conduct risk has come to the fore and contractors with both risk management and regulatory experience are in demand.

The skills and experience in demand include:

- Operational risk managers with projects experience, as a result of change management programmes related to regulatory change. FATCA and Dodd Frank are examples of regulatory change projects currently affecting the banking industry.
- Retail credit analysis and modelling contractors. There have been high profile examples of retail lenders entering and exiting markets, which has helped drive demand for contractors.
- Risk managers with skills in updating/overhauling frameworks and then embedding/business partnering them have been popular. Ensuring that risk frameworks are fit for purpose and fully embedded has been a priority for many companies.

In the insurance sector, Solvency II has fallen off the immediate agenda and there has been a negative effect for contractors working in this area. More generally there has been a lack of contract roles in the insurance industry. Those companies that did have 'BAU' interim requirements have absorbed risk managers from their SII teams.

We anticipate that the risk management contract market will be buoyant going forward. Contractors are likely to benefit from this as demand picks up and skill shortages emerge.

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SALARY GUIDE AND COMPENSATION SURVEY **2013**

Risk Management

This Mid-Year Report includes a significantly expanded section on salaries and compensation, designed to give a much fuller picture of overall remuneration packages.

Most risk managers are keen to know their market worth. This is not always easy to address. Two otherwise similar risk managers may enter the recruitment market and accept materially different salaries. We provide this caveat because we are aware that the risk recruitment market is sufficiently diverse that it defies simple categorisation. However, risk managers and their employers want guidance and this is what we attempt to provide.

As recruitment consultants, we are involved in the negotiations that take place between employers and prospective employees. **We are aware that whilst salary is usually the most important consideration, a number of other factors make up total remuneration.** In addition to the data we gather from the placements we make and the recruitment work we do, including contact with risk and human resources departments about salary and other benefits, we have also conducted a Compensation Survey to provide specific detail on all different types of remuneration within risk.

This is a Survey of risk professionals registered with Barclay Simpson.

Covers both permanent and contract markets

We also conducted an Interim Compensation Survey focusing on the contract market. We have incorporated the key findings into this report to make it as easy as possible to understand the full picture for risk.

We hope that you find the results interesting. This report provides the key highlights of the Survey. If you would like more detail about your specific sector or role, please call Adrian Simpson on 020 7936 2601 (as@barclaysimpson.com).

This section is broken down into 4 parts:

1. **Key conclusions** – Key conclusions from Risk Compensation Survey
2. **Overview** – Provides a commentary on the major trends in the salaries and other benefits paid to risk managers
3. **Compensation Survey** – Results of Compensation Survey completed by risk managers
4. **Salary Guide** – Guide to salaries for specific risk roles and positions

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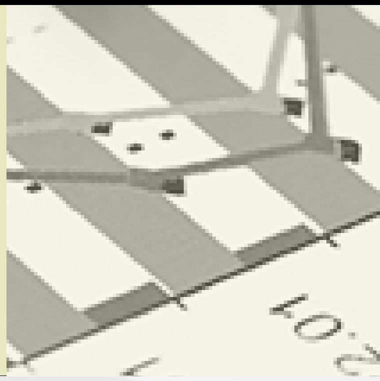
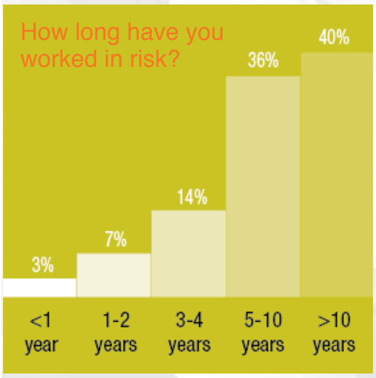
Key Conclusions

The results from Barclay Simpson Risk Management Compensation Survey were broadly encouraging and provide further evidence of a strengthening risk management recruitment market.



Mature and stable employment market

- **76%** have worked in risk management for over 5 years
- **40%** have worked in risk management for over 10 years



Recruitment activity up

- **21%** of risk managers surveyed have changed job in the last 12 months

Salaries on the increase

- Average increase of **19%** for Risk Managers who moved, versus **6%** for those who stayed with their existing employer

Average benefits package around 33% of salary

Bonuses

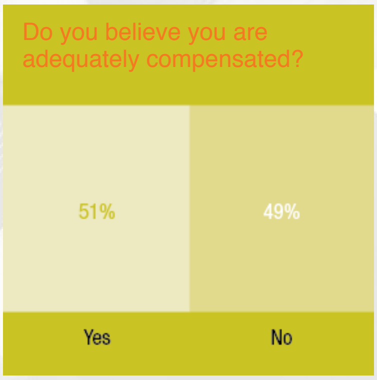
- **89%** of companies pay bonuses
- Average bonus equivalent to **26%** of basic salary

Pensions

- **89%** receive pension contributions
- Average employer contribution **equivalent to 9%** of basic salary

Other allowances

- **48%** benefit from other allowances
- Average value of additional benefits **£7,700**



General satisfaction with remuneration and conditions

- **51%** content with current remuneration
- **52%** benefit from flexible working
- Average holiday entitlement **26 days**

Contractors remain positive

- **91%** content with current contract
- **82%** believe they are adequately compensated

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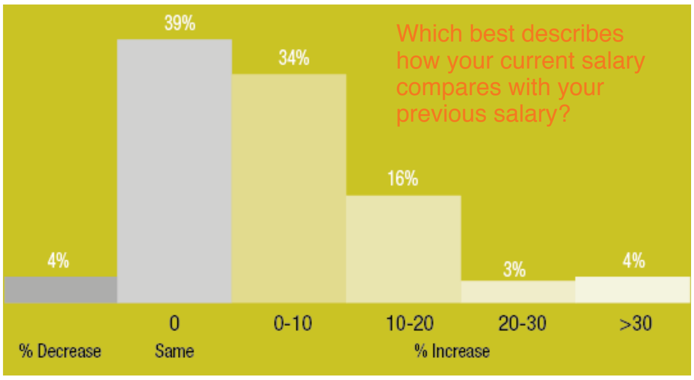
Overview

The UK economy is recovering and the number of people working in risk management is increasing. However, companies have been looking to ruthlessly control costs. This has been evidenced by their reluctance to recruit externally and the salary increases that risk managers have received by staying with their employer.

Salary increases achieved by risk managers who stayed with their employer

According to our Survey, the average increase for risk managers staying with their existing employer is just over 6%. Whilst the headline rate is perhaps unsurprising, averages can be misleading as for example many of the risk managers staying with their employer will have benefited from promotions.

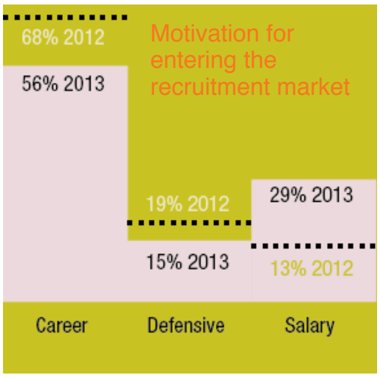
Breaking down the increases tells a different story and provides evidence of the way costs are being controlled. **During the last year, 4% of risk managers reported that they were being paid a lower salary, and a further 39% benefited from no increase in their base salary.** Given an inflation rate of 2.9% this represents a significant fall in real earnings. It is broadly consistent with other areas of corporate governance and trends in the wider economy. Whatever might be written about a booming risk management recruitment market, many working in risk management appear to accept they are not immune to wider economic influences.



Motivation for entering the recruitment market

The analysis here is broken down between those who are primarily motivated to increase their salary, those who feel they have no choice because of real or apparent threat to their job security and the majority who are simply seeking career progression.

At 15%, defensive registrations are lower than last year but remain relatively high when compared to other areas of corporate governance. In 2007, before the financial crisis and in what was a buoyant recruitment market, it was 12%. In 2009, the immediate aftermath, it was approaching 30%.



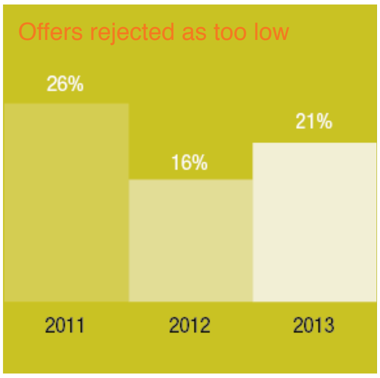
At 9% the number of risk managers who reported that they were not working was higher than in other areas of corporate governance, although only 22% of them had been looking for a new position for over 6 months. 9% appears counterintuitive when set against the seemingly high demand for risk managers. However, the drive to offshore or nearshore a number of risk functions has led to a reduction in the number of credit risk managers employed in the UK. Restructuring amongst some major UK investment banks has resulted in credit analysis and risk reporting roles disappearing from the UK.

At 29% there is a clear rise in the number of candidates looking to increase their salary. This is not surprising given the 43% of respondents to our Survey who reported they were either on the same or a lower salary than last year.

Although the majority of candidates are still entering the recruitment market for career development reasons, most risk managers will expect a salary increase when changing employer.

Offers rejected as deemed too low

An insightful statistic is the number of offers that are rejected as being two low. That is the percentage of risk managers who have rejected an offer they would have otherwise accepted simply on the basis of salary. It represents the propensity of prospective employers to make realistic rather than simply opportunistic offers. It also provides some insight into how risk managers view their bargaining power.



Having fallen significantly between 2011 and 2012, the number of offers rejected rose from 16% to 21% in 2013. We concluded last year that companies were making more realistic offers in response to their need to recruit.

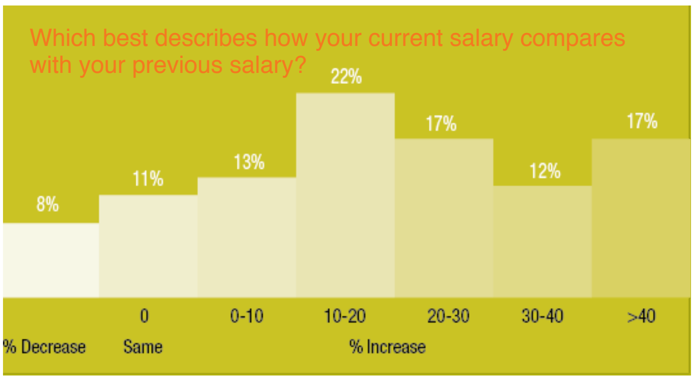
> For many, a job move has allowed them to get into a sector or gain experience with a company that they believe will be career enhancing.

We see this trend continuing. **However, we also see candidates becoming more secure and assertive in respect of their market worth. If they are going to move, they expect it to be financially beneficial.** This is consistent with the salary increases being achieved in the recruitment market and the fall in the number of defensive registrations.

Salary increases achieved by changing employer

As a result of the Eurozone crisis, last year, the average salary increase achieved by risk managers changing job fell back to 15%. This year, with confidence returning, the average has pushed higher and the results from our survey indicate that at 19% it has returned closer to its longer term average.

There is clearly a significant difference between the 19% increase in salary achieved by changing job and the 6% average achieved by staying with an existing employer. However, averages can be misleading and it is worth looking at the breakdown.



At first, it might seem curious that 8% of risk managers would move for less and a further 11% for the same. For some, a move away from London to a less expensive part of the UK is the reason and for others who may have been made redundant it is the opportunity to get back into work. For many, and given that most people enter the recruitment market for career development reasons, it is because a job move has allowed them to get into a sector or gain experience with a company that they believe will be career enhancing.

Equally, 46% of risk managers benefited from increases in excess of 20% and out of those, 17% benefited from increases in excess of 40%. **Whilst some of these increases are the result of people relocating to London or coming to the UK from overseas, clearly companies are willing to pay significant increases to those risk managers with the skills and experience that match their expectations.** Companies recognise these candidates are in short supply. Risk managers are prepared to turn offers down and remain with their existing employer when offers are too low.

In terms of the salary increases risk managers can command by changing employer, the risk recruitment market is a diverse place. There is a huge difference in what companies are prepared to pay for risk managers with in demand skill sets and particularly those who combine them with commercial savvy and effective communication skills.

Salary v Remuneration

Whilst base salaries always catch the headlines, offers of employment invariably include other benefits. On average these other benefits make up to 33% of total remuneration in risk management. Here is an overview of the other benefits that risk managers might expect to receive.

Bonuses

According to our survey 89% of risk managers benefit from a bonus. Bonuses whilst potentially a good way of retaining and motivating staff, are almost invariably an inefficient way of attracting them.

Bonuses are usually non contractual, often discretionary, and may be paid on the basis of corporate or personal performance or a combination of the two. There is often a qualifying period.

One issue with bonuses is that whilst a risk manager entering the recruitment market may have benefited from a bonus, many will add this figure to their base salary to give them a total cash salary figure. However, when discussing expected salary they are more inclined to discount the bonus element from a potential offer. This may go some way to explaining some relatively high increases in the base salaries achieved by risk managers moving between employers.

> Flexible working is an effective means of retaining staff particularly as few employers initially formally offer it.

Bonuses vary considerably and, as it stands a typical offer made to a risk manager will contain a non contractual offer of a bonus. **The average bonus paid to risk managers who responded to our survey was 26%. Whilst 11% of risk managers received no bonus and 55% of all respondents were below 20%, almost 8% received a bonus in excess of 60% of their salary.** Bonuses in risk management make up a more significant portion of remuneration than any other area of corporate governance that Barclay Simpson operates in.

Pensions

For new recruits final salary pensions no longer exist in the private sector. For those who still benefit from them they have become increasingly valuable and the cost of giving them up to join a new employer can be prohibitively expensive.

Almost 90% of risk managers benefit from employer pension contributions and the average employee pension contribution is 9%. Pension schemes in the private sector are invariably money purchase where the company commits to making a contribution based on a percentage of salary. Whilst there is often a short qualifying period before contributions commence, a period in excess of six months would be considered unusual.

The employee may or may not be required to match it. Frequently, employers will be prepared to match additional contributions made by the employee up to a fixed percentage. The percentage may increase with the age of the employee, their years of service and most often their level of seniority.

Other benefits

Cars or car allowances have become rare. They can still be expected where a role requires significant travel and at a senior level. In terms of overall remuneration, a car allowance may be offered in lieu of a car and is often considered as non pensionable salary when evaluating overall remuneration. A far more common benefit for those working in London is a location allowance. This is a supplement to cover the increased costs of living in London. The most valuable other benefit is Critical Illness Cover which is expensive to provide and is usually restricted to senior roles. However, Private Health Insurance is common and may be extended to all immediate family members.

Life assurance, usually linked to a pension scheme is usual as is payment of at least one professional subscription. Other benefits may include season ticket loans in London, gym membership, subsidised dental care, personal and accident insurance and staff discounts. These are generally low value benefits.

Flexible benefits

This refers to schemes where employees are offered limited core benefits in addition to their base salary. They can then choose to buy from a menu of additional benefits. These schemes became popular 10 years ago, particularly in the accounting profession, and are becoming more popular with many employers.

Holiday entitlement

The average in risk management is 26 days, but there can be wide variations between sectors. The holiday entitlement is frequently related to the level of seniority and can also be linked to the number of years service. In the latter case, the initial holiday entitlement is likely to be lower than it might otherwise be. As a strategy, it represents a good way of rewarding loyalty and retaining staff, but a poor way of attracting staff.

An increasingly popular benefit is to provide employees with the opportunity to buy additional holidays. This is usually up to 5 days and these are purchased through salary sacrifice.

Flexible working

Flexible working is the opportunity to vary hours of work or work from home. Most offers of employment in the private sector will list core hours and an employment base which is usually not formally negotiable. However, many companies are now prepared to be more flexible on say start and finish times once an employee has established themselves. They are ultimately more concerned with output rather than pure attendance. Flexible working is an effective means of retaining staff, particularly as few employers initially formally offer it.

According to our survey 53% of risk managers benefit from flexible working.

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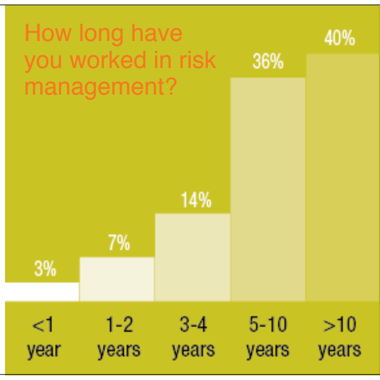
Compensation Survey

General results

Mature and established employment market

- 76% of risk managers surveyed have worked in risk for over 5 years
- 40% have worked in risk management for over 10 years.



Differences by sector

- No particular trends for duration of employment across different sectors.

Risk managers moving jobs again

- 21% of risk managers surveyed changed employers in the past 12 months. Whilst this cannot be considered representative of the entire risk community, the percentage is an increase on the previous year.

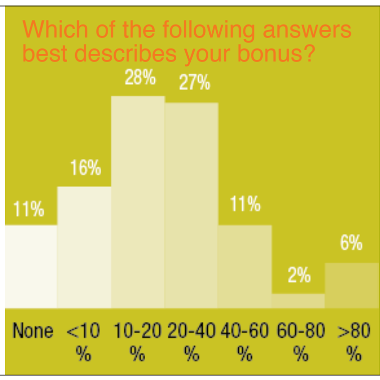
Differences by sector

- Risk managers within retail banking are most likely to have moved with 32% reportedly changing jobs in the past 12 months.
- Only 18% of risk managers in Asset Management moved.
- Risk managers in Corporate, Commercial and Investment Banks closely followed the industry average.

Bonuses

Bonuses remain significant although rates vary significantly

- 89% of companies pay bonuses
- Average bonus equivalent to 26% of base salary
- 27% of risk managers received a bonus lower than 10%

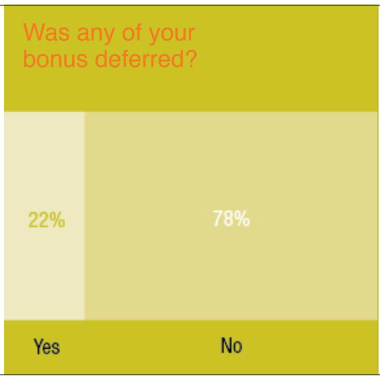


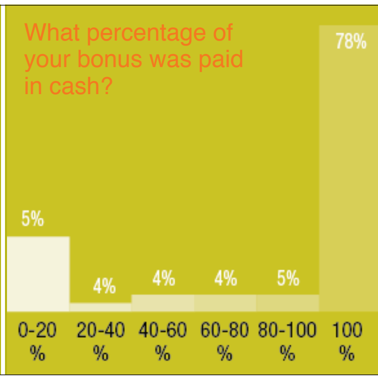
Differences by sector

- The weighted average bonus for risk managers in Investment Banking is 28%, slightly higher than Insurance 26%
- Corporate and Commercial Banking paid an average of 23%
- Funds & Asset Managers paid the highest bonuses with an average of 42%

Bonuses paid primarily in cash with few conditions

- 22% of bonuses deferred
- 78% of bonuses not deferred





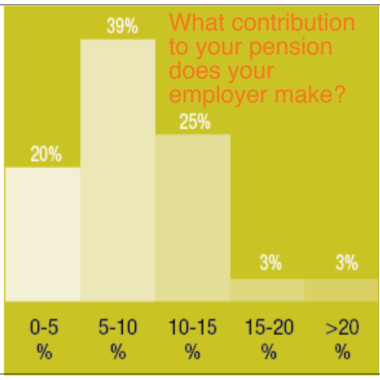
Differences by sector

- Hedge Funds pay their bonuses in cash with no deferrals
- Bonuses are most likely to be deferred when paid to Directors and Managing Directors in banking

Pensions

Pensions also a key part of remuneration

- 89% of risk managers surveyed benefit from pension contributions
- The average pension contribution equivalent to 9% of basic salary



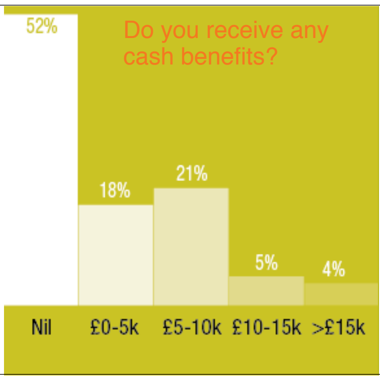
Differences by sector

- No particular trends between sectors.

Other benefits

For some, other benefits form material parts of remuneration

- 48% of risk managers surveyed receive cash benefits
- Average cash benefits equivalent to £7,600 per annum



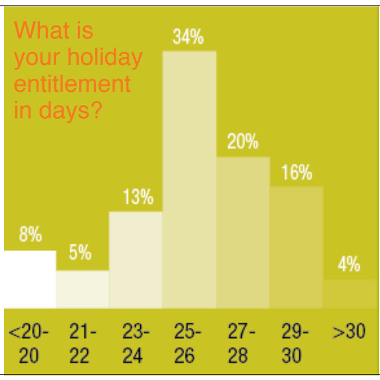
Differences

- The majority of risk managers receiving cash benefits of £5,000 or less are graded AVP or below
- Managers receive above average cash benefits
- More risk managers working in the banking sector receive cash benefits that in other sectors

Holiday entitlement

25 days the norm

- Although 25 days is most common, the actual average holiday entitlement is 26 days



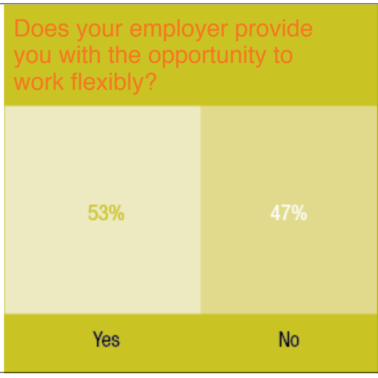
Differences by sector

- 59% of risk managers employed by Retail Banks get 30 days holiday or more
- 84% of risk managers in Investment Banking get 25 days or less
- The number of days holiday is consistent across corporate grades

Flexible working

Over half of risk managers benefit from flexible working

- **Over half of risk managers benefit from the option to work flexibly**



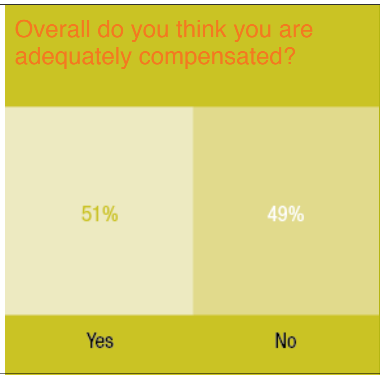
Differences by sector

- 58% of risk managers in management roles benefit from flexible working versus 44% of non-managers
- 98% of risk managers in Insurance and 64% in Retail Banking benefit from flexible working
- Only 22% of risk managers in Investment Banking benefit from flexible working arrangements

Content with compensation?

Just over half content

- **51% of risk managers believe they are adequately compensated**
- **Limited difference in satisfaction by specialism**



Differences by sector

- Significant variation across financial services by sectors
- Most content risk managers work in Commercial Banking (74%)
- Within retail banking 59% content.
- Least content are Corporate Bankers (32%) Hedge Funds (36%) and Investment Bankers (41%)

Best paid specialism

Differences by sector

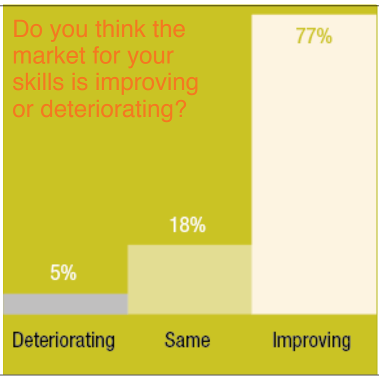
- Market, Quant & Liquidity Risk salaries highest, with a VP or AD earning an average of £89,500. Not far behind are Credit and Counterparty Risk with an average of £88,000 and Operational Risk with an average of £88,100.
- When changing jobs Market and Quant Risk specialists were able to achieve an average increase of 22% followed by Credit Risk (20%) and Operational Risk (16%)

Interim Compensation Survey

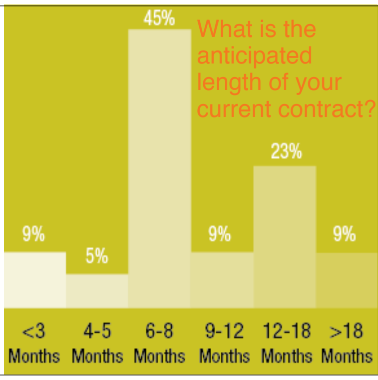
Contractors in work

Positive sentiment evident

- 77% believe the market for their skills is improving and only 5% think it is deteriorating
- 91% are content with their current contract



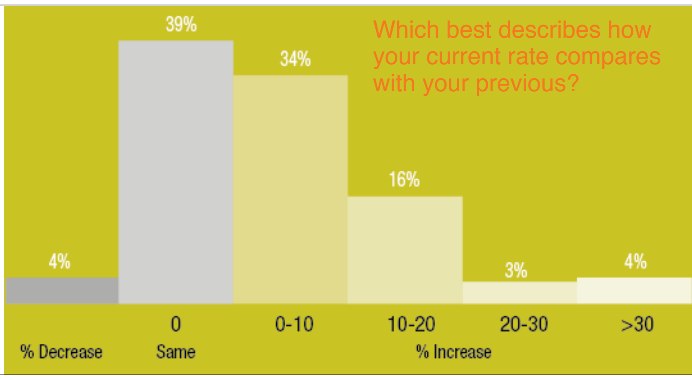
Healthy range of contract lengths



- 32% of current contracts are for 12 months or longer
- 54% are for 6-12 months

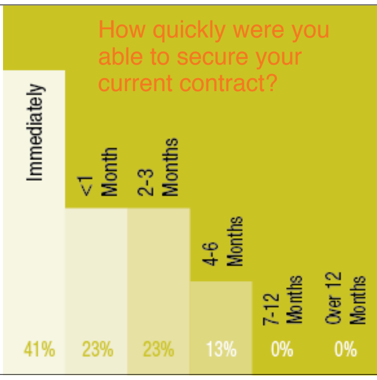
Salary rates up

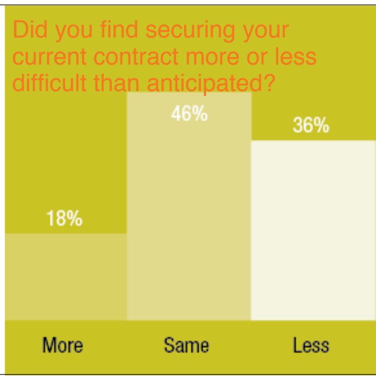
- Salary rates up in 57% of cases
- Salary rates the same in 39% of cases
- Down in only 4% of cases



Contracts secured relatively quickly and without too much difficulty

- 87% were able to secure their current contract in 3 months or less





- 82% found it less difficult than anticipated or the same as anticipated

SALARY GUIDANCE

Barclay Simpson analyses the salary data that accumulates from the placements we make in the UK. This provides a guide to the salaries available. In each sector of the financial services industry we are providing guidance on what we believe to be the range and the likely average salary available to risk managers.

The salary ranges quoted are for good rather than exceptional individuals and take no account of other benefits in addition to the salary that usually accrues to risk managers, such as bonuses, profit sharing arrangements and pension benefits.

CORPORATE INVESTMENT BANKING - CREDIT RISK	RANGE	AVERAGE
Graduate / Junior Analyst (0-12 mths)	£25 – £40,000	£32,500
Analyst (2-3 years)	£35 – £50,000	£42,500
Associate Vice President (3-6 years)	£45 – £70,000	£57,500
Vice President (6-9 years)	£65 – £95,000	£80,000
Director (9-12 years)	£75 – £115,000	£95,000
Executive Director / Senior Vice President (12+ years)	£100 – £130,000	£115,000
Managing Director	£150 – £250,000	£200,000
Head of Credit	£100 – £150,000	£125,000
Chief Credit Officer	£140 – £250,000	£195,000

CORPORATE INVESTMENT BANKING - OPERATIONAL RISK	RANGE	AVERAGE
Graduate / Junior Analyst (0-12 mths)	£25 – £35,000	£30,000
Analyst (2-3 years)	£30 – £50,000	£40,000
Associate Vice President (3-6 years)	£45 – £70,000	£57,500
Vice President (6-9 years)	£65 – £100,000	£82,500
Director (9-12 years)	£90 – £110,000	£100,000
Executive Director / Senior Vice President (12+ years)	£100 – £170,000	£135,000
MD / Head of Operational Risk	£110 – £300,000	£205,000
Managing Director	£200 – £300,000	£250,000

CORPORATE INVESTMENT BANKING - MARKET RISK	RANGE	AVERAGE
Graduate / Junior Analyst (0-12 mths)	£40 – £60,000	£50,000
Analyst (2-3 years)	£50 – £75,000	£62,500
Associate Vice President (3-6 years)	£50 – £90,000	£70,000
Vice President (6-9 years)	£80 – £110,000	£95,000
Director (9-12 years)	£90 – £125,000	£107,500
Executive Director / Senior Vice President (12+ years)	£100 – £200,000	£150,000
Head of Market Risk	£100 – £200,000	£150,000
Managing Director	£150 – £300,000	£225,000

RETAIL BANKING - CREDIT RISK	RANGE	AVERAGE
Junior Analyst (0-12 mths)	£22 – £28,000	£25,000
Analyst (2-3 years)	£25 – £35,000	£30,000

RETAIL BANKING - CREDIT RISK	RANGE	AVERAGE
Senior Analist (3-6 years)	£30 – £40,000	£35,000
Manager (6-9 years)	£35 – £55,000	£45,000
Senior Manager (9-12 years)	£50 – £75,000	£62,500
Director (12+ years)	£75 – 90,000	£82,500
Head of Credit Risk	£90 – £120,000	£105,000

RETAIL BANKING - OPERATIONAL RISK	RANGE	AVERAGE
Analyst (0-12 mths)	£20 – £30,000	£25,000
Analyst (2-6 years)	£25 – £50,000	£37,500
Manager	£45 – £70,000	£57,500
Senior Manager	£55 – £90,000	£72,500
Director	£75 – £130,000	£102,500
Head of Operational Risk	£100 – £200,000	£150,000

PRIVATE BANKING - CREDIT RISK	RANGE	AVERAGE
Graduate / Junior Analyst (0-12 mths)	£25 – £40,000	£32,500
Analyst (2-3 years)	£35 – £50,000	£42,500
Associate Vice President (3-6 years)	£45 – £65,000	£55,000
Vice President (6-9 years)	£65 – £85,000	£75,000
Director (9-12 years)	£75 – £100,000	£87,500
Head of Credit Risk	£100 – £120,000	£110,000
Chief Credit Officer	£130 – £175,000	£152,500

PRIVATE BANKING - OPERATIONAL RISK	RANGE	AVERAGE
Junior Analyst (0-12 mths)	£20 – £40,000	£30,000
Analyst (2-3 years)	£30 – £45,000	£37,500
Associate Vice President (3-6 years)	£50 – £70,000	£60,000
Vice President (6-9 years)	£65 – £90,000	£77,500
Director (9-12 years)	£80 – £110,000	£95,000
Head of Operational Risk	£100 – £150,000	£125,000

ASSET MANAGEMENT - OPERATIONAL RISK	RANGE	AVERAGE
Junior Associate (2-3 years)	£30 – £50,000	£40,000
Associate Vice President (3-6 years)	£40 – £60,000	£50,000
Vice President (6-9 years)	£65 – £100,000	£82,500
Director (9-12 years)	£80 – £120,000	£100,000
Head of Operational Risk	£100 – £150,000	£125,000

ASSET MANAGEMENT - MARKET / INVESTMENT RISK	RANGE	AVERAGE
Associate	£40 – £70,000	£55,000
Vice President	£70 – £150,000	£110,000
Director	£90 – £175,000	£132,500
Head of Investment Risk	£100 – £200,000	£150,000
Chief Risk Officer	£200 – £250,000	£225,000

HEDGE FUND - OPERATIONAL RISK	RANGE	AVERAGE
Junior Analyst (2-5 years)	£50 – £65,000	£57,500
Manager	£50 – £65,000	£60,000
Director	£55 – £120,000	£100,000
Head of Operational Risk	£80 – £150,000	£115,000

HEDGE FUND - INVESTMENT RISK	RANGE	AVERAGE
Associate	£40 – £70,000	£55,000
Vice President	£70 – £150,000	£110,000
Director	£90 – £175,000	£132,500
Head of Investment Risk	£100 – £200,000	£150,000
Chief Risk Officer	£200 – £300,000	£250,000

INSURANCE - RISK	RANGE	AVERAGE
Analyst	£30 – £50,000	£40,000
Manager	£40 – £75,000	£57,500
Senior Manager	£70 – £110,000	£90,000
Director	£100 – £150,000	£125,00
Head of Operational Risk	£100 – £175,000	£137,500
Chief Risk Officer	£150 – £250,000	£200,000

07 ABOUT BARCLAY SIMPSON

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Barclay Simpson is an international corporate governance recruitment consultancy specialising in internal audit, risk, compliance, security, business continuity, legal and treasury appointments. Established in 1989, Barclay Simpson works with clients in all sectors throughout the UK, Europe, Middle East, North America and Asia-Pacific from our offices in London, Edinburgh, New York, Dubai, Hong Kong and Singapore.

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