Barclay Simpson
corporate governance recruitment

Corporate Governance Recruitment
Compensation and Market Trends Report 2013
Compliance



BARCLAY SIMPSON COMPENSATION AND MARKET TRENDS REPORT

2013

COMPLIANCE

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WELCOME TO BARCLAY SIMPSON'S 2013 COMPLIANCE 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 compliance. This is supported by a comprehensive survey carried out in June 2013 of compliance professionals registered with Barclay Simpson. Comparable reports exist for all other areas of corporate governance. They can be accessed in section 8 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.

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01 EXECUTIVE SUMMARY

DISCERNIBLE RECOVERY TAKING HOLD

We have differed from other recruitment consultancies by not heralding a booming compliance recruitment market. Whilst compliance departments have suffered from regulatory overload, it has not followed that companies have been prepared to invest in external recruitment. We believe the last time the compliance recruitment market 'boomed' was in 2010 and before the Eurozone crisis when many universal banks had multiple vacancies and were aggressively recruiting.

Although it is almost certainly too early to celebrate, the compliance recruitment market is now in better shape than at any time since July 2011 when the Eurozone crisis first emerged. This is supported by the number of compliance vacancies, the propensity of companies to recruit and the positive results from our recent survey of compliance professionals.

Economy starting to turn up

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 is coming together with positive news on employment. **Only 2% of respondents to our compliance survey were not currently working and only 15% of those had been out of work for over six months. In fact, a record 30 million people are currently employed in the UK economy.**

Costs still under tight control

However, the last five years have not come without a cost to those in work. Real average earnings have fallen by an estimated 6% and compliance professionals have not been spared. 27% of compliance professionals surveyed received a lower salary or no salary increase, and a further 20% had salary increases of less than 2.5%, the minimum necessary to keep real earnings from falling. Clearly companies are keeping their costs under tight control, even for those with marketable skills. In spite of this, 54% of compliance professionals claim to be satisfied with their overall remuneration.

Companies acting more decisively

Whilst there has clearly been latent demand for compliance professionals 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. A discernible recovery in the compliance recruitment market has taken hold.**

"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%

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, 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 and 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 and it is not surprising that the then FSA earlier this year 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

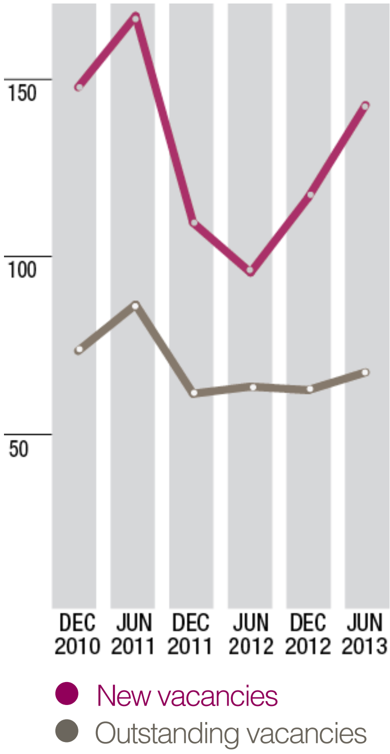
VACANCIES

Companies filling increased vacancies

The number of vacancies rose during the last six months continuing the trend established during 2012. **The number of outstanding vacancies has risen, but by a proportionally lower amount, indicating that companies are filling their vacancies.**

Compliance professionals are being replaced as they leave and new roles are being created. Whereas companies would previously have been more likely to replace staff internally, as they have grown leaner and readjusted their business models to prevailing market conditions, the opportunity to make internal transfers or to redeploy otherwise displaced staff has diminished. It is also easier to commit to recruiting compliance professionals externally when people are not being laid off in other areas of a business. **External recruitment is also a statement of confidence. Whilst there are still any number of risks, these are less apparent than a year ago.**

Given this and the chronic overstretch that is common in compliance departments, particularly when having to deal with a new regulatory regime, any opportunity to recruit externally is likely to be taken. There has been a significant upturn in the demand for financial crime specialists from the banks. Clearly the scale of the fines and the reputational damage inflicted, dwarf the cost of compliance.



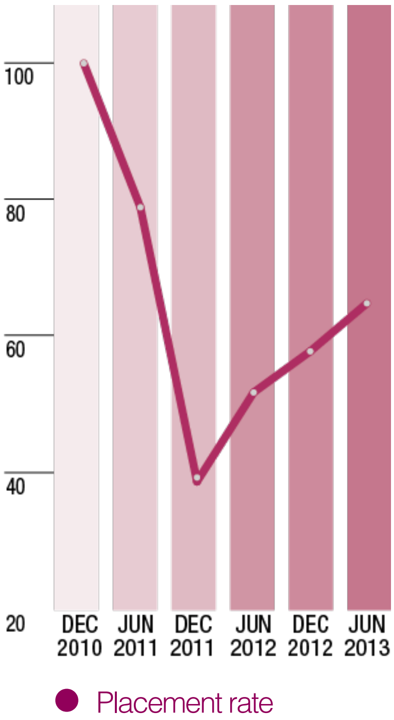
RATE OF PLACEMENTS

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 and is now up to 65% against 58% in the last six months of 2012. Whilst companies are becoming more determined to recruit, there are still many examples of those who are not. Some companies would still appear to be going through the motions. It is possible that some companies need to be seen to be attempting to recruit by the regulator or are simply gathering market intelligence to complete a benchmarking exercise.

There has been little relaxation in the standards companies require. **Recruitment processes are frequently not helped by unrealistic expectations from both companies and candidates.** Compliance professionals 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 compliance recruitment market in the second half of 2012 has continued. Companies who would focus on reasons not to recruit have become more focussed on reasons why they should. **Redundancies are now at their lowest level for over two years and there are few formal recruitment freezes in the financial services industry.**

This is reflected in compliance, where only 2% of respondents to our survey were out of work and where concerns over reputational risk and the imposition of fines has increased. Shortages of compliance candidates are sufficient for many companies to consider potentially recruiting from other areas of corporate governance.

The regulatory avalanche, or more importantly the state of flux that most compliance departments find themselves in, will ultimately pass. Roles that are currently dominated by implementation will move towards pure monitoring. This time is most likely still some way off, with some regulatory deadlines running to 2019. However, when it does come, compliance is more likely to be seen as a traditional expense rather than a vital cost and budgets will come under far greater scrutiny.

A more predictable environment will emerge

In the meantime, the role of compliance professionals has become more multifaceted and skilled. Compliance professionals are working out the impact of directives only to find they overlap or, due to the stop-go changes, their work has to be redone. Clearly the industry is looking to engage with regulators and there is a consequent increase in the number of “engagement” and “policy development” roles. Ultimately all parties - the industry, regulators and politicians understand the need for a competitive financial services industry. **Commonsense will ultimately prevail and a more stable and predictable regulatory environment will emerge.** As we have previously argued, a proposal recently made by the Commission on Banking Standards, that criminal sanctions should be levied against those who behave recklessly, may have a far more influential effect on management than the billions spent on regulation and compliance.

Financial crime roles increasing

The key drivers in this recruitment market, such as MiFID, AiFMD and RDR remain. Clearly the now formal split of the FSA into the PRA and FCA has required more compliance resource as many companies require dual registration. **However, perhaps the key development in the last six months has been the huge increase in the number of financial crime roles. This has been driven by both the financial penalties imposed, particularly in the United States, and the reputational damage inflicted.** Clearly in the short term, the cost of fines and the collateral damage to the banks concerned dwarfs the cost of compliance, notwithstanding it was more about management allowing these practices to occur than a simple lack of compliance resource.

Standards continue to rise

Meanwhile compliance has become more multifaceted. Compliance professionals need to be persuasive and able to influence how business processes are shaped and developed. Whilst companies are bringing in people from other functions, such as finance/legal and training them, external recruits remain vital. In some cases candidates with pure technical expertise can be readily available. However, as standards continue to rise it is much harder to find well rounded compliance professionals with all the necessary technical skills but also the corporate savvy, communication and influencing skills that are now common requirements. Compliance professionals 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. Linked-In and other sites have become a market place. Many companies have established in-house teams to target recruits directly. Compliance professionals 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 such a candidate is made what might otherwise appear to be a good offer, there is a greater chance this will be rejected, often as a result of a counter offer from their existing employer.

05 SECTOR ANALYSIS

Here is a brief review of key market sectors.

INVESTMENT BANKING – SIGNS OF RECOVERY

Investment banking has undergone a significant transition with decisions made as to whether to stay big and global or to become smaller and niche. Whilst rationalisations and reorganisations are still taking place, recent growth has resulted in desk based review / monitoring and front office advisory positions becoming available. **Candidates with strong product knowledge and perhaps more importantly strong communication skills are sought.**

Other areas of demand include AML, which is not surprising given recent scandals, as well as niche roles such as derivatives or product based compliance. In the absence of appropriately qualified candidates, particularly as banks hold out for the 'perfect candidate', many of these positions are remaining vacant for an extended period of time.

Investment banks particularly are struggling with the volume and source of regulation. Given the international scale of their operations, as a more integrated European and US approach is taken, there is strong demand for compliance professionals with knowledge of regulations in the UK and various other jurisdictions.

Investment banks are now more likely to recruit than at any time in the last two years.

RETAIL BANKING – STEADY FLOW OF VACANCIES

Notwithstanding the additional 20,000 people the retail banking sector has recruited to deal with the PPI mis-selling scandal, the retail sector has continued to generate a steady flow of compliance vacancies during the first half of 2013.

The establishment of the FCA is resulting in higher demand for conduct risk specialists. Many retail banks are increasing their resources in this area to focus on positive customer outcomes. There is strong demand from more recently established banks and particularly the soon to be demerged TSB.

Compliance monitoring functions are also growing as the banks anticipate close regulatory scrutiny from the FCA. They wish to ensure their monitoring programmes are robust and effective. There is also an upsurge in demand for financial crime specialists as banks respond to the failings that have resulted in substantial fines and reputational damage.

However, wherever possible, and particularly in monitoring teams, retail banks at more junior levels are recruiting and training people internally. They are also looking to use their internal resources by transferring and positively developing their compliance teams. In spite of this we expect demand for experienced, industry specific compliance professionals to continue.

> “Clearly some companies have identified weaknesses in their regulatory practices

ASSET MANAGEMENT – DEMAND REMAINS HIGH

Asset management remains the most significant source of demand for compliance specialists. Keeping pace with the volume and complexity of new regulation at a national, European and global level is a key challenge. Top priorities are AIFMD, Ucits IV/V and FATCA. At a senior level, cross jurisdictional knowledge is a key driver.

CASS, financial crime and a notable regulatory fine for non compliance has also driven demand particularly in the wealth management arms of major banking groups who are more susceptible to money laundering.

Whilst there is little doubt that the number of high quality compliance professionals operating in the asset management sector is growing, there is a real shortage of appropriately skilled candidates at senior manager level in the £80-100,000 salary range. Candidates at more junior levels are more readily available.

Whilst at some time in the future demand from the asset management sector will ease off, it is unlikely in the next year.

INSURANCE – CANDIDATE SHORTAGES

Compliance teams are growing strongly in spite of Solvency II implementation being further delayed. They have been seeking support from newly established senior management roles. There is significant focus on prudential risks rather than conduct which is shifting the balance of demand towards roles that are risk and policy driven. There is also significant demand for candidates with one to three years experience.

Companies, however, continue to be precise in their requirements and expect candidates to closely match the experience and skill sets required. This almost invariably includes relevant sector experience. The Lloyd's market has struggled with the particularly niche nature of the experience required. **Given that the total numbers of people employed in compliance is increasing, candidate shortages are inevitable. We expect steady demand to continue from the insurance sector in 2013.**

CONSULTANCY SECTOR – ACTIVELY RECRUITING

The consultancy sector is actively recruiting, with CASS, AIFMD, RDR, Conduct Risk and particularly US regulations driving demand. The Big 4 appear to be benefiting from larger more generic work with specialists from more boutique type consultancies often preferred for specific regulatory advice. Such preferences may well be cost driven.

BROKERAGES – ESTABLISHING DEDICATED TEAMS

Compliance within the brokerage sector continues to evolve as they adapt to future regulatory oversight. Demand in 2013 has so far focused on senior positions such as Head of Central Compliance and Head of Policy.

The sector appears to be structuring compliance in a similar way to the investment banking sector. They are establishing dedicated teams covering areas such as monitoring, AML, policy, central compliance and advisory, resulting in a number of junior / associate level roles in these areas.

THE CONTRACT MARKET – SLOW YEAR TO DATE

In spite of positive results from our survey, the contract market has been less busy than we anticipated at the start of the year. **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.**

Over the last six months, conduct risk / customer outcomes has been the main focus of regulatory roles, especially in retail markets. Although conduct risk as a concept is still being defined, contractors are being used to 'fully embed' CR throughout all levels of the business. Contractors need to be able to challenge senior management and weak compliance practices/cultures as they are held more accountable moving forward.

> "Companies expect candidates to closely match the experience and skill sets

A requirement within asset management has been AIFMD implementation and how compliance processes and policies need to adapt to the regulations.

More generally, there has been an increase in demand for regulatory consultants with project management skills. **This is a result of the amount of regulatory change/implementation of new initiatives and the need to ensure that knowledge and accountability is filtered through to all levels. There has also been an increase in demand for contractors with monitoring/oversight skills, as companies look to ensure that internal controls on regulatory practices are robust.**

Within investment banking, the majority of roles have been junior and focussed on KYC/AML positions. Trade surveillance skills have been sought after, in some cases for short-term contracts where a backlog of alerts have needed to be cleared.

Companies have identified weaknesses in their regulatory practices and controls and have employed contractors to conduct gap analysis and make recommendations for improvements, prior to any initial interest from the FCA. However others have chosen to hold off as the dual regulatory regime is still in the embedding phase. **We are anticipating a more decisive upturn in demand in the autumn.**

06

SALARY GUIDE AND COMPENSATION SURVEY **2013**

Compliance

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

This is a Survey of compliance 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 compliance.

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 Compliance Compensation Survey
2. **Overview** – Provides a commentary on the major trends in the salaries and other benefits paid to compliance professionals
3. **Compensation Survey** – Results of Compensation Survey completed by compliance professionals
4. **Salary Guide** – Guide to salaries for specific compliance roles and positions

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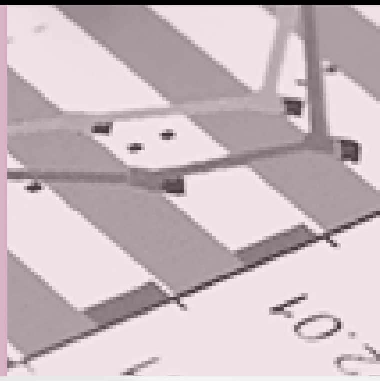
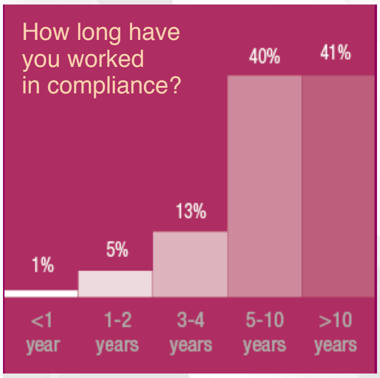
Key Conclusions

The results from the Barclay Simpson Compliance Compensation Survey were broadly encouraging and provide further evidence of a strengthening compliance recruitment market.



Mature and stable employment market

- **81%** of compliance professionals surveyed have worked in compliance for over 5 years
- **41%** have worked in compliance for over 10 years



Recruitment activity up

- **30%** of compliance professionals surveyed have changed job in the last 12 months

Salaries on the increase

- Average increase of **17%** for compliance professionals who moved, versus **5%** for those who stayed with their existing employer

Average benefits package around 30% of salary

Bonuses

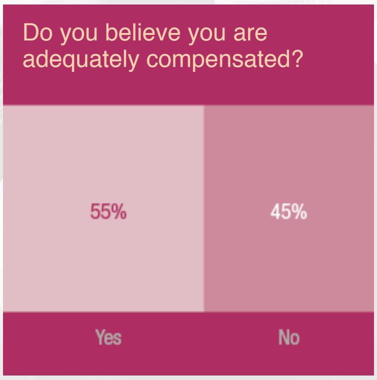
- **90%** of companies pay bonuses
- Average bonus equivalent to **16%** of basic salary

Pensions

- **85%** receive pension contributions
- Average employer contribution equivalent to **10%** of basic salary

Other allowances

- **62%** benefit from other allowances
- Average value of additional benefits **£3,500**



General satisfaction with remuneration and conditions

- **55%** content with current remuneration
- **52%** benefit from flexible working
- Average holiday entitlement **26 days**

Contractors remain positive

- **80%** content with current contract
- **79%** believe they are adequately compensated

2

Overview

The UK economy is recovering and the number of people working in compliance 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 received by those compliance professionals who have stayed with their employer.

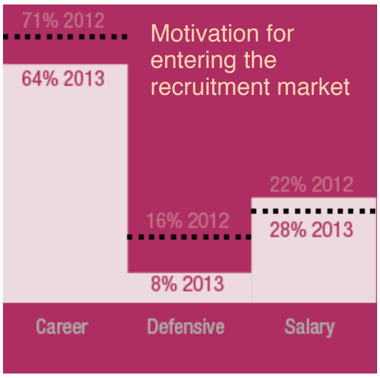
Salary increases achieved by compliance professionals who stayed with their employer

According to our Survey, the average increase for compliance professionals who stayed with their existing employer is just over 5%. Whilst the headline rate is perhaps unsurprising, averages can be misleading, as, for example, many of the people 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, 27% of compliance professionals were rewarded with either a pay cut or no salary increase, 20% were rewarded with a salary increase of less than 2.5%.** Given an inflation rate of 2.9%, this represents a 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 compliance recruitment market, most working in compliance 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 8%, defensive registrations are now only half of what they were last year and are currently at a multi-year low. In 2009, in the immediate aftermath of the financial crisis, it was over 30%. Companies are now retaining staff and, in spite of perceptions otherwise, there is no significant pool of redundant compliance professionals. This is borne out by our survey. Only 2% of respondents were not working and of those only one third were not working as a result of redundancy. Just 15% of those not working, had been looking for work for over 6 months.

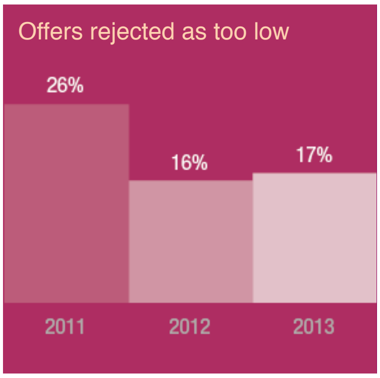


There is a clear rise in the number of candidates looking to increase their salary. This is not surprising given that 47% of respondents to our Survey indicated that in the last year they had received a salary increase below the rate of inflation.

Although the primary motive for the majority of candidates entering the recruitment market remains career development, most compliance professionals will seek 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 too low. That is the percentage of compliance professionals 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 compliance professionals view their bargaining power.

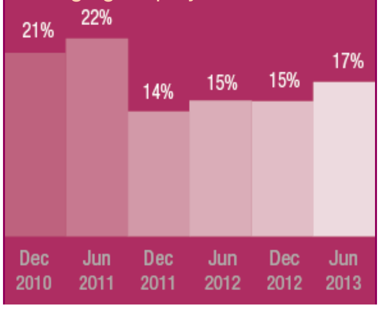


Having fallen significantly between 2011 and 2012, the number of offers rejected rose from 16% to 17% in 2013. We concluded last year that companies were making more realistic offers in response to their need to recruit. We see this trend continuing. **However, we also see candidates becoming more secure 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.

> 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.

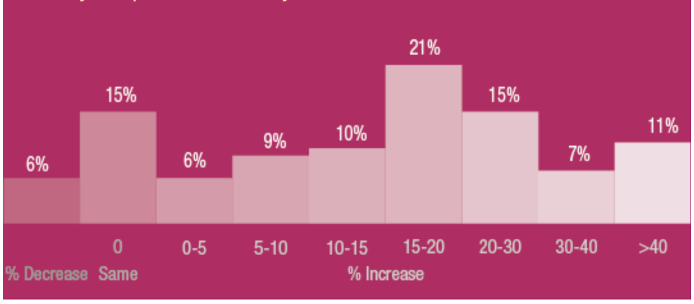
Salary increases achieved by changing employer

Last year the average salary increase achieved by compliance professionals changing job was 15% which was close to its long term average. This has pushed higher and is now 17%, still someway off the 22% that was achieved in the first six months of 2011.



Salary levels achieved by changing employer

There is clearly a significant difference between the 17% increase in salary achieved by changing job and the 5% average achieved by staying with an existing employer. However, averages can be misleading and it is worth looking at the breakdown.



Which best describes how your current salary compares with your previous salary?

At first, it might seem curious that 21% of compliance professionals would move for less or the same salary. For some a move away from London to a lower cost 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, 53% of compliance professionals benefited from increases in excess of 15% and 17% benefited from increases in excess of 30%. Whilst some of these increases are the result of people relocating to London, clearly companies are willing to pay significant increases to those compliance professionals with the skills and experience that match their expectations. Companies recognise these candidates are in short supply. Compliance professionals are quite prepared to turn offers down and stay with their existing employer where they consider offers to be too low.

Salary v Remuneration

Whilst base salaries always catch the headlines, offers of employment invariably include other benefits, which on average in compliance make up to 30% of total remuneration. We will use this opportunity to provide an oversight of other benefits that compliance professionals might expect to receive.

Bonuses

90% of compliance professionals benefit from an annual bonus. Bonuses, whilst potentially a good way of retaining and motivating staff, are almost invariably an inefficient way of attracting them.

Whilst the average bonus paid was 16%, 41% of compliance professionals either received no bonus or one less than 10% of their salary. In fact, only 14% received a bonus of over 30%. In compliance there is no evidence of a rampant bonus culture.

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 compliance professional entering the recruitment market, having benefited from a bonus, will add it to their base salary, they are more inclined to discount bonuses from potential employers. This goes some way to explaining what can otherwise be relatively high increases in the base salaries achieved by compliance professionals moving between employers.

Bonuses vary considerably and, as it stands, a typical offer made to a compliance professional will contain a non contractual offer of a bonus. **Given the difficulties they tend to engender, bonuses are now more likely to begin accruing from the time employment starts rather than from the start of an annual qualifying period.**

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

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 compliance professionals benefit from employer pension contributions. 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. **Within compliance the average employer pension contribution is 10%.**

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 a less common benefit. They can still be expected where a role requires significant travel and at a senior level. In terms of overall remuneration, a car allowance is frequently offered in lieu of a car and is often considered as non pensionable salary when evaluating overall remuneration. 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 often 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. **The overall average value of other benefits according to our survey is £3,500.**

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 compliance is 26 days, but there can be wide variations between sectors. The number of days holiday granted 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 they are purchased through salary sacrifice.

Flexible working

Flexible working is the opportunity to vary hours of work or to 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, once employment starts, are often prepared to be more flexible on say start and finish times and are ultimately more concerned with output rather than simply attendance. Flexible working is an effective means of retaining staff, particularly as few employers initially formally offer it. **52% of compliance professionals report that they benefit from flexible working.**

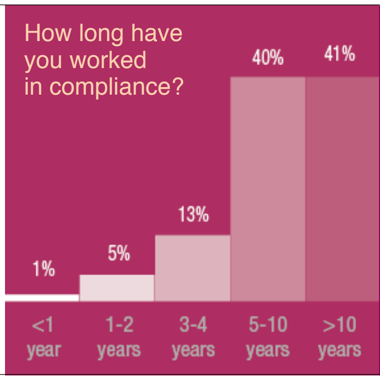
3

Compensation Survey

General results

Mature and stable employment market

- 81% of compliance professionals surveyed have worked in compliance for over 5 years
- 41% have worked in compliance for over 10 years

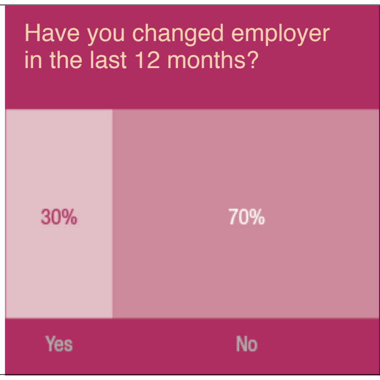


Differences by sector

- 100% of compliance professionals working in consultancy have more than 5 years' experience
- By contrast, 39% of compliance professionals working in hedge funds have less than 5 years' experience

Recruitment activity significantly up

- 30% of compliance professionals surveyed have changed job in the last 12 months. Whilst this cannot be considered representative of the compliance community the percentage is significantly higher than in 2012



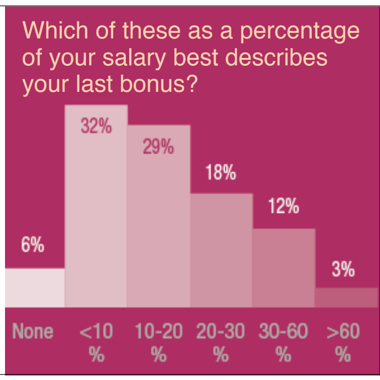
Differences by sector

- 43% of consultants and compliance professionals working in hedge funds have changed job in the last 12 months
- Just 12% of compliance professionals working in the Lloyds market have changed job in the last 12 months

Bonuses

Bonuses remain a material part of remuneration

- 90% of compliance professionals benefit from a bonus
- Average bonus equivalent to 16% of basic salary

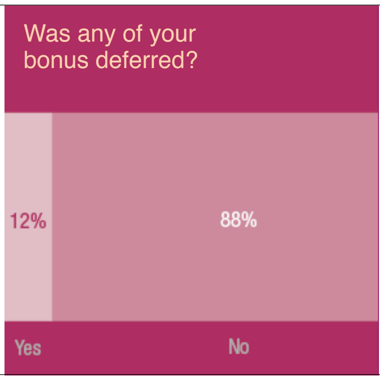


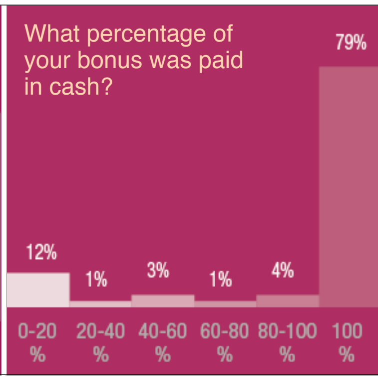
Differences by sector

- Highest bonuses in Hedge Funds and Asset Management
- Bonuses generally higher in insurance than in banking
- Bonuses lower in Investment Banking than might have been expected - 67% received less than 20% of salary

Very few conditions attached

- 88% not deferred
- 79% of the time all in cash





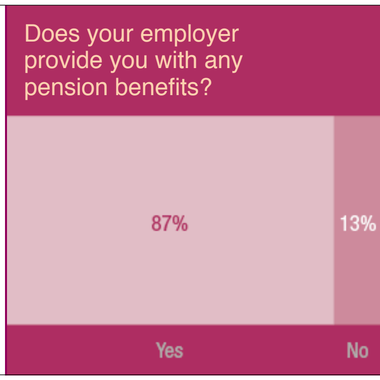
Differences by sector

- Hedge Funds 100% paid all in cash
- Private Banks / Wealth Managers just 67% paid in cash, General Insurers 68%, Retail Banks 71%

Pensions

Pensions also a key part of remuneration

- **87% of compliance professionals surveyed benefit from pension contributions**

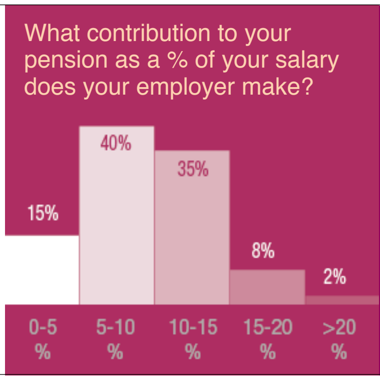


Differences by sector

- Insurance sector most likely to contribute to pensions
- Only 50% of Hedge Funds paying pension contributions
- Consultancy second lowest at 71%

Pension contributions highly significant

- **Average pension contribution equivalent to 10% of basic salary**
- **68% get more than 7.5% of basic salary**



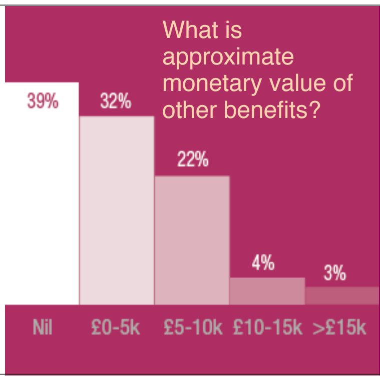
Differences by sector

- No particular trends between sectors

Other benefits

Other benefits also significant

- **61% of compliance professionals surveyed receive other benefits**
- **Average value of additional benefits across all compliance professionals £3,500**



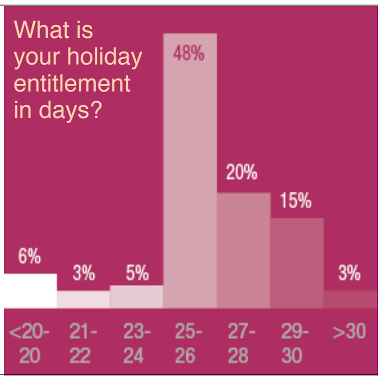
Differences by sector

- 71% of managers had other benefits compared to 47% of non-managers
- 38% of managers had benefits of over £5,000 compared to 16% of non-managers
- No particular trends between sectors

Holiday entitlement

Five weeks plus is the norm

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



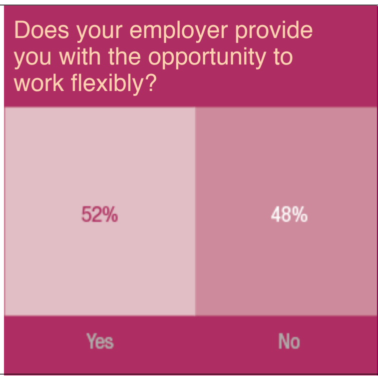
Differences by sector

- 57% of people who work in Retail Banks get 30 days holiday or more
- 88% of people who work in Hedge Funds get 25 days or less
- No difference between managers and non-managers

Flexible working

Flexible working becoming the norm

- **More than half of compliance professionals (52%) benefit from flexible working**



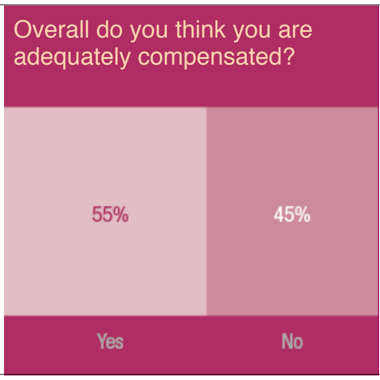
Differences by sector

- 56% of managers benefit from flexible working versus 43% of non-managers
- 100% of people in Lloyd's Insurers, 71% of Consultants and 67% of people at Commercial Banks benefit
- Only 13% of people at Hedge Funds benefit

Content with compensation?

More people content than not

- **55% believe they are adequately compensated**



Differences by sector

- Significant differences by sector
- Most content are Credit Card Issuers (100%), Commercial Bankers (78%) and Brokerage (69%)
- Least content are Corporate Bankers (27%), Hedge Funds (38%) and Investment Bankers (44%)

Differences by specialism

- Limited differences in satisfaction by specialism
- 60% of KYC / AML Officers believe they are adequately compensated
- No specialism below 50%

Best paid specialism

Differences by sector

- 43% of those working in Compliance Regulatory Affairs / Development paid over £100,000
- 41% of those working in Group Compliance paid over £100,000

Larger v smaller companies

General difference between bigger and smaller employers

- **No specific differences in salaries, or how adequately they feel compensated**
- **However, there are differences**

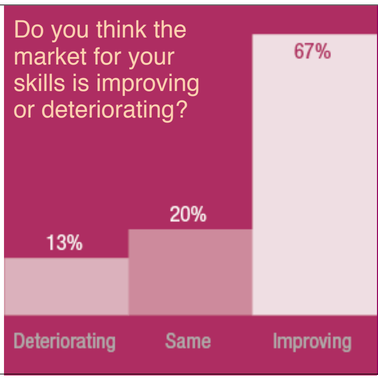
Bigger companies	Smaller companies
More likely to contribute to pension	Higher bonuses
More likely to offer additional benefits	
Better holiday entitlement	
More flexible working	

Interim Compensation Survey

Contractors in work

Positive sentiment coming through

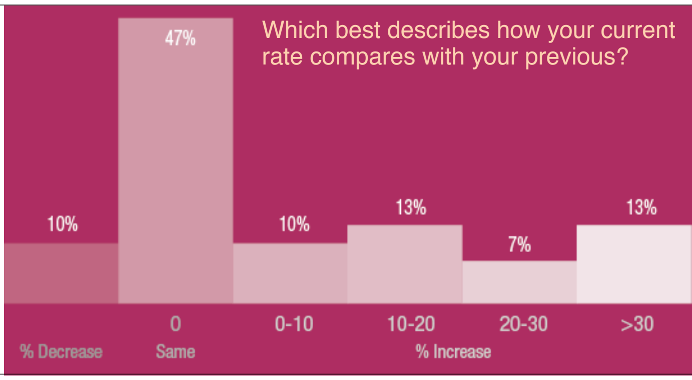
- **67% believe the market for their skills is improving and only 13% think it is deteriorating**
- **73% are happy with their current contract**



- **Less positive sentiment from compliance contractors looking for work**

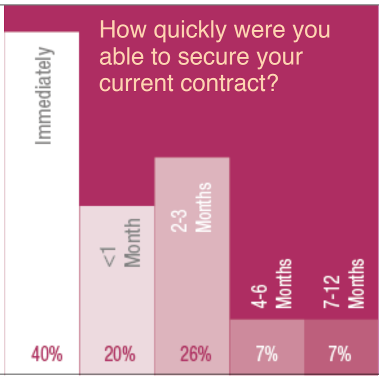
Salary rates generally up

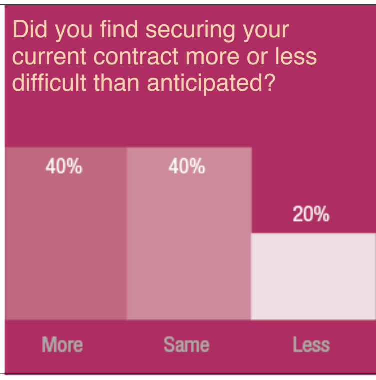
- **Salary rates up in 43% of cases**
- **The same in 47% of cases**
- **Down in only 10% of cases**



Contracts secured relatively quickly, though not always easily

- **86% were able to secure their current contract in 3 months or less**

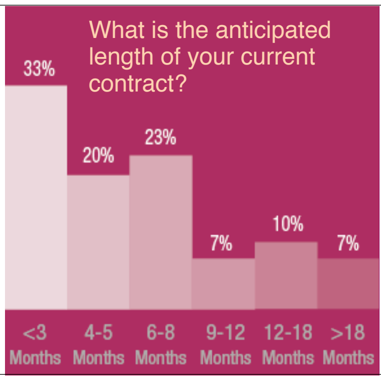


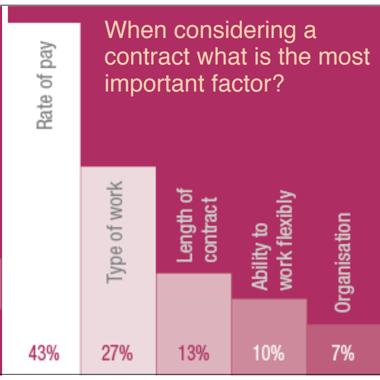


- **40% found it more difficult than anticipated**

Most contracts less than a year - rate of pay and type of work key factors

- 83% of current contracts are for less than 12 months



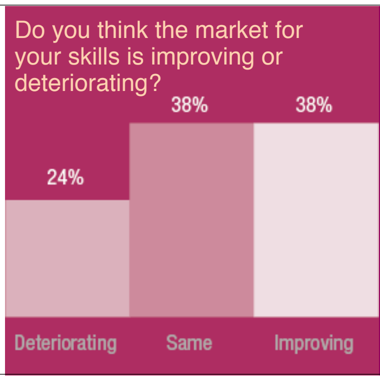


- When considering a contract, 70% cite "rate of pay" (43%) or "type of work" (27%) as the most important factor

Contractors looking for work

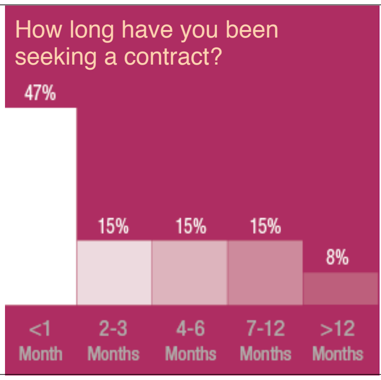
Still relatively positive about the current situation

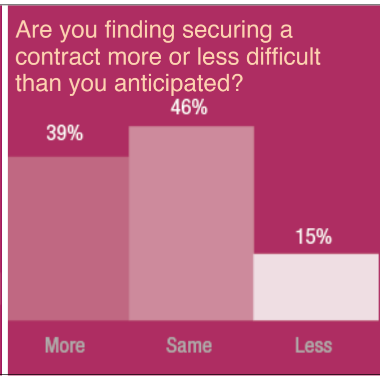
- More of those looking for work believe the market for their skills is improving than think it is deteriorating (38% v 24%)



Most have not been looking for long, but some are finding it tough

- 47% have been looking for less than a month
- 62% for 3 months or less
- And only 8% have been looking for over a year





- Although nearly half are finding it the same as anticipated, 39% are finding securing a new contract more difficult than 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 compliance professionals.

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 compliance professionals, such as bonuses, profit sharing arrangements and pension benefits.

INVESTMENT BANKING	RANGE	AVERAGE
Compliance Trainee (0-12 mths)	£25 – £30,000	£28,000
Compliance Assistant (1-3 years)	£30 – £45,000	£35,000
Compliance Assistant (2-4 years)	£40 – £55,000	£48,000
Compliance Manager (3-5 years)	£45 – £75,000	£60,000
Compliance Manager (4-7 years)	£65 – £90,000	£80,000
Senior Compliance Manager	£75 – £100,000	£90,000
Head of Compliance	£90 – £120,000	£110,000
Head of Compliance (Group Head / Country Head)	£100 – £160,000	£130,000
Global Head of Compliance	£120 – £200,000	£160,000

INVESTMENT BANKING – AML	RANGE	AVERAGE
Junior and KYC	£25 – £30,000	£25,000
Junior Manager	£35 – £55,000	£45,000
Senior Manager / Deputy MLRO	£70 – £90,000	£75,000
Stand-alone MLRO	£80 – £110,000	£95,000

ASSET MANAGEMENT – INSTITUTIONAL & RETAIL	RANGE	AVERAGE
Compliance Trainee (0-12 mths)	£25 – £30,000	£25,000
Compliance Assistant (1-3 years)	£30 – £45,000	£35,000
Compliance Assistant (2-4 years)	£40 – £55,000	£48,000
Compliance Manager (3-5 years)	£45 – £65,000	£60,000
Compliance Manager (4-7 years)	£65 – £90,000	£80,000
Senior Compliance Manager	£75 – £100,000	£90,000
Head of Compliance	£85 – £120,000	£110,000
Head of Compliance (Group Head / Country Head)	£100 – £160,000	£130,000
Global Head of Compliance	£120 – £200,000	£160,000

AML	RANGE	AVERAGE
Junior and KYC	£25 – £30,000	£25,000
Senior Manager / Deputy MLRO	£60 – £80,000	£75,000
MLRO	£80 – £100,000	£90,000

PRE AND POST TRADE INVESTMENT RESTRICTIONS	RANGE	AVERAGE
Junior / Coding Input only	£20 – £30,000	£22,000
Analyst	£30 – £45,000	£37,000
Manager	£55 – £70,000	£60,000

GENERAL INSURANCE	RANGE	AVERAGE
Compliance Trainee (0-12 mths)	£20 – £30,000	£26,500
Compliance Assistant (1-3 years)	£25 – £35,000	£30,000
Compliance Assistant (2-4 years)	£30 – £40,000	£35,000
Compliance Manager (3-5 years)	£40 – £55,000	£45,000
Compliance Manager (4-7 years)	£50 – £75,000	£65,000
Senior Compliance Manager	£60 – £90,000	£75,000
Head of Compliance	£70 – £120,000	£90,000
Head of Compliance (Group Head / Country Head)	£100 – £180,000	£140,000
Global Head of Compliance	£100 – £200,000	£150,000

AML	RANGE	AVERAGE
Junior and KYC	£25 – £35,000	£30,000
Senior Manager / Deputy MLRO	£50 – £60,000	£55,000

RETAIL BANKING, LIFE & PENSIONS AND MORTGAGES – HEAD OFFICE ROLES	RANGE	AVERAGE
Compliance Trainee (0-12 mths)	£25 – £30,000	£27,500
Compliance Assistant (1-3 years)	£30 – £40,000	£35,000
Compliance Assistant (2-4 years)	£30 – £45,000	£40,000
Compliance Manager (3-5 years)	£35 – £50,000	£42,000
Compliance Manager (4-7 years)	£45 – £55,000	£50,000
Senior Compliance Manager	£50 – £75,000	£60,000
Head of Compliance	£75 – £110,000	£90,000
Head of Compliance (Group Head/Country Head)	£100 – £200,000	£140,000
Global Head of Compliance	£120 – £200,000	£150,000

AML	RANGE	AVERAGE
Junior and KYC	£20 – £30,000	£25,000
Senior Manager / Deputy MLRO	£55 – £80,000	£70,000
Stand-alone MLRO	£55 – £90,000	£80,000

OTHER SPECIALISMS	RANGE	AVERAGE
Complaints Handling	£25 – £35,000	£30,000
Financial Promotions	£30 – £50,000	£45,000
T&C Officer	£35 – £60,000	£40,000

RETAIL BANKING, LIFE & PENSIONS AND MORTGAGES – LOCAL OFFICES	RANGE	AVERAGE
Compliance Trainee (0-12 mths)	£18 – £22,000	£20,000
Compliance Assistant (1-3 years)	£20 – £25,000	£23,000
Compliance Assistant (2-4 years)	£25 – £35,000	£30,000
Compliance Manager (3-5 years)	£32 – £38,000	£35,000
Compliance Manager (4-7 years)	£35 – £50,000	£40,000
Senior Compliance Manager	£60 – £70,000	£60,000
Head of Compliance	£70 – £120,000	£90,000
Head of Compliance (Group Head / Country Head)	£90 – £150,000	£120,000

AML	RANGE	AVERAGE
Junior and KYC	£15 – £22,000	£18,000
Senior Manager / Deputy MLRO	£25 – £45,000	£35,000
Stand-alone MLRO	£40 – £65,000	£52,000

OTHER SPECIALISMS	RANGE	AVERAGE
Financial Promotions	£24 – £45,000	£37,000
T&C Officer	£30 – £50,000	£40,000

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.

We add value by using our unique focus on corporate governance, our highly experienced specialist consultants and access to both the local and international pools of corporate governance talent.
Our strength lies in our ability to understand client and candidate needs and then to use this insight to ensure our candidates are introduced to positions they want and our clients to the candidates they wish to recruit.

For more in-depth coverage, comprehensive reports and compensation guides exist for the Internal Audit, Risk, Compliance, Security and Legal recruitment markets. These can be assessed from the links below.

We also produce other specialist reports, each of which can be accessed for free on our website: www.barclaysimpson.com

www.barclaysimpson.com/2013report/audit

www.barclaysimpson.com/2013report/risk

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