Compliance and Financial Crime Market Report 2019: A Time of Transition

BARCLAY SIMPSON.

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FOREWORD

This is the first year Barclay Simpson has combined our candidate and client market reports, and over 1,600 corporate governance professionals responded to our global surveys. We're delighted to share the key compliance trends with you.

The clear theme of this year's report is that we're in a time of transition. Monumental regulatory changes, combined with an uncertain political climate, means hiring has been necessary but perhaps not in the volumes we've seen in previous years.

Many parts of the market remain uncertain about what the future will hold. New industries are challenging the established order and innovative technologies offer exciting ways to make compliance and financial crime more efficient.

Strong governance is essential, but the cost burden is starting to bite. Bad hiring decisions are now more expensive than ever before - both in direct hiring costs and the potential reputational and financial repercussions of falling foul of the regulator.

Salaries are rising, as are expectations on compliance and financial crime professionals. A combination of strong academic performance, clear communication skills and a well-rounded set of technical skills is vital, but candidates must also show employment consistency.

Hiring managers have long complained to us about jumpy CVs, and we're seeing clients start to financially reward loyalty for the first time. But clients must also offer progression opportunities and a reasonable work-life balance to attract the best talent.

We hope this report will provide useful insight into the compliance and financial crime markets. Given the strong ties between all areas of governance, we also encourage you to read our other governance reports, which can be **downloaded here**: https://www.barclaysimpson.com/market-report-2019

Tom Boulderstone
Head of Legal, Compliance & Financial Crime
at Barclay Simpson

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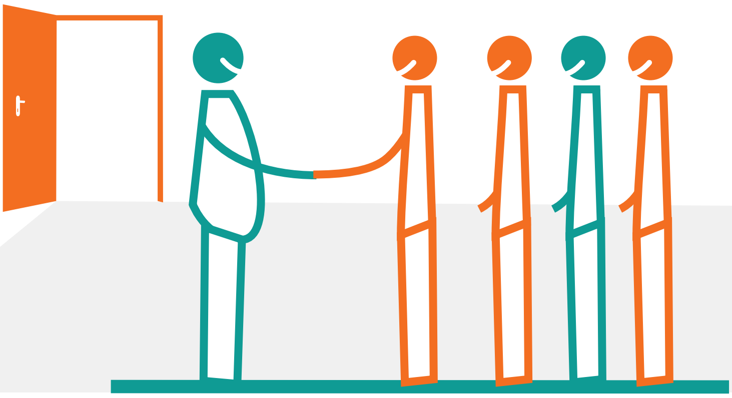
At a Glance

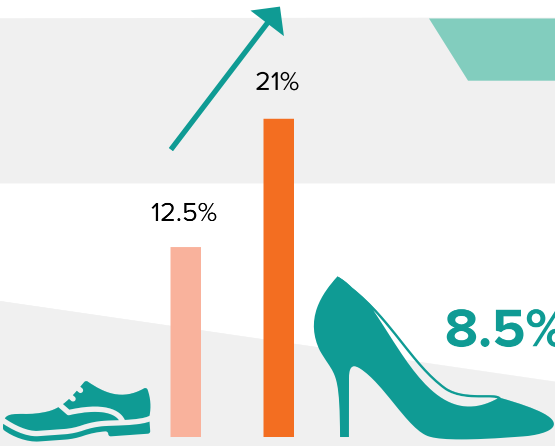
79% **of employers recruited**
or attempted to recruit in 2018
up from **72%**

of departments do
not feel adequately resourced



67%
of organisations will be hiring
in 2019

82%
of hiring managers
are not letting Brexit affect hiring decisions



8.5% **increase for diversity-led hiring**

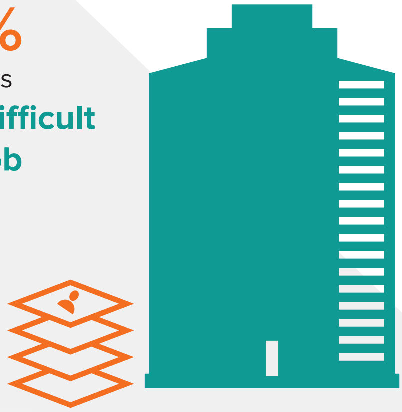
Technical skills are the biggest recruitment challenge
for **59%** of employers

Just

12%

of candidates

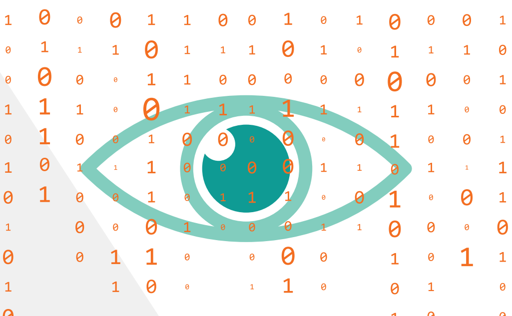
cite salary increase as their reason for moving



37.5%

of candidates

say it's more difficult to get a job



58%

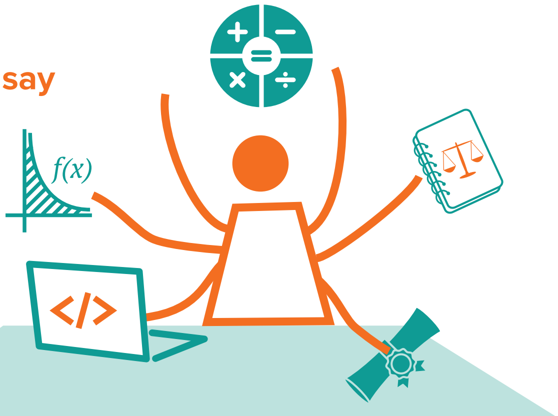
of candidates

are unsure how RegTech will affect job security

Proportion of

contractors who say skills are more in demand rises

38%



37%

of workloads significantly increased due to MiFID II

14% rise

in candidates

moving for better work-life flexibility

02

Executive Summary

Compliance market active as regulatory burden continues

Regulatory demands continue to pressure compliance functions, and hiring remains a priority for many firms, particularly with the implementation of MiFID II, GDPR and other key pieces of legislation in 2018. As a result, nearly four out of five employers looked to recruit last year, and 67% expect to hire in 2019.

Brexit fatigue sets in

Over four in ten employees now feel less secure in their jobs because of the ongoing uncertainty surrounding Brexit - up from 24% in 2017. However, 82% of hiring managers claimed Brexit had no impact on their hiring decisions, indicating business as usual at many firms.

Candidates hit peak satisfaction with salaries

The proportion of candidates who cited salary dissatisfaction as a reason for moving jobs slumped dramatically from 32% in 2017 to 12% last year. Rising salaries mean compliance professionals are increasingly well paid, so many are now seeking roles that provide better flexible working opportunities and job security.

Employer expectations reach record highs

Ever-increasing compliance costs have not gone unnoticed by employers. Firms now have higher expectations for jobseekers than ever before, demanding a strong mix of technical and interpersonal skills. More hiring managers are also avoiding applicants whose CVs show they regularly hop between jobs.

Doubts over RegTech remain

A sizeable minority of compliance professionals remain unconvinced of the benefits of RegTech and data-driven technologies. For example, 24% of respondents feel RegTech won't improve the efficiency of their departments. The shift towards these technologies seems inevitable, however, as firms prioritise streamlining and automation projects.

Diversity and inclusion efforts ramp up

Hiring managers placed more focus on equality in 2018, with 21% claiming they had diversity and inclusion targets, compared with 12.5% the previous year. Nevertheless, the gender balance in compliance remained the same at 60:40 for men and women, respectively, suggesting there is still room for improvement.

Skills shortages deepen as top talent stays put

Fewer candidates switched roles last year, dropping to just 23% from 28% in 2016. A fierce war for high-calibre talent means a growing number of employers (60%) cited technical skills shortages as their main recruitment hurdle last year. First-rate educations and excellent communication skills remain highly sought-after.

Compliance contractors thrive off project work

Large-scale regulatory change projects have helped contractors enjoy a steady stream of work throughout 2017 and 2018. Interim staff believe the market for their skills has dramatically improved, with 60% claiming this is the case. Only 22% said the same in 2017.

03

Compliance market trends

Various economic, political and regulatory headwinds continue to buffet the compliance recruitment market. Here, we examine the factors that had the biggest impact on hiring last year, as well as predict key trends for 2019.

Economic and regulatory drivers

Signs of recovery for UK economy

Uncertainty was perhaps the main theme running through **our last market reports**. In 2017 and 2018, businesses faced massive upheavals as they prepared for GDPR, MiFID II, PSD II and other key regulatory changes.

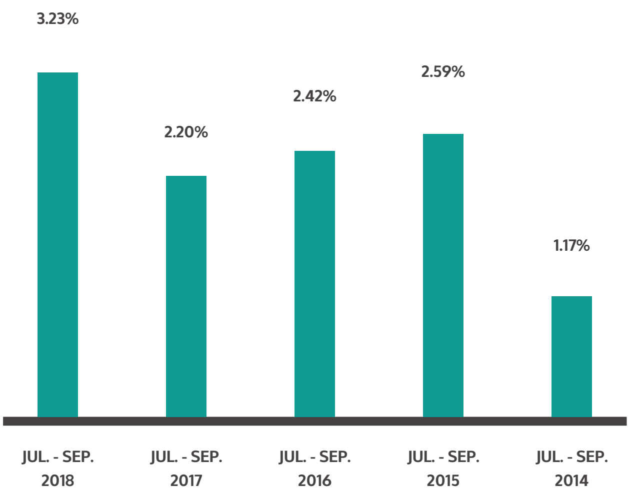
The economy grew at its weakest rate in five years during the first six months of 2017.[1] By the end of the year, the country's long-running streak of falling unemployment had faltered[2], real wage growth had stagnated and there remained lingering doubts over Brexit.

Uncertainty is still a problem over one year on, particularly regarding Brexit, but there are signs 2018 was a time of transition and organisations can expect the next 12 months to provide answers to some elusive regulatory questions.

Pay growth revival

Unemployment stood at just 4% in the three months to August 2018, which was the lowest rate in 40 years.[3] This figure had crept up to 4.1% by the September quarter[4], but still remained significantly below the 8.1% peak seen in 2011.[5] A subsequent skills shortage helped pay growth hit 3.2% at the time of writing - the biggest increase since the country plunged into recession in 2008.[6]

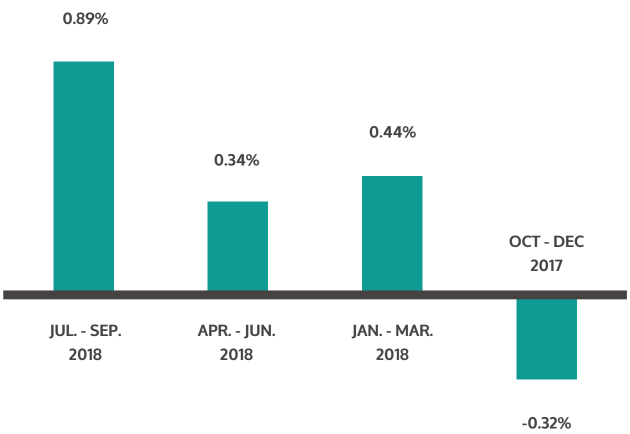
Annual pay growth (nominal) for the July-September quarter



Source: ONS

Real wage growth, which accounts for inflation, is also steadily increasing. Between April and June, regular pay edged forward just 0.34% in real terms.[7] However, this had climbed to 0.9% for the September quarter, while the 12-month inflation rate stayed at 2.4% for October.[8]

Quarterly UK pay growth (real)



Source: ONS

Sluggish productivity remains a problem for businesses, but the results nevertheless suggest salary growth showed a strong upward trajectory throughout 2018.

GDPR and MiFID II

Significant resources went into preparing for these two comprehensive pieces of legislation. They were by no means the only regulatory changes that occurred in 2018, as we'll discuss later, yet the sizeable fines attached to non-compliance guaranteed they were the primary focus for most governance teams.

Businesses may have breathed a sigh of relief when the implementation deadlines passed, but the job is far from over. A TrustArc survey showed 26% of organisations didn't expect to be compliant with GDPR by the end of 2018, while 7% won't even be ready when this year comes to a close.[9]

Meanwhile, media reports suggest the FCA is becoming impatient with companies that remain non-compliant with MiFID II.[10] Will the regulator clamp down on firms this year?

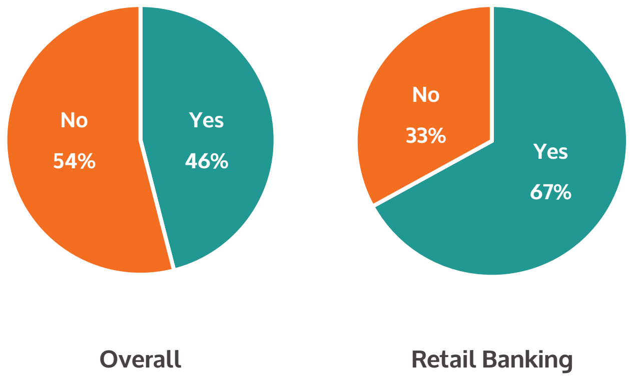
Money-laundering directives

The Fourth Money Laundering Directive (AMLD4) came into force on June 26th, 2017. Last year, the European Parliament adopted the Fifth Money Laundering Directive (AMLD5), and member states will be expected to transpose the legislation into their national legislation by January 10th, 2020.

Less than half (46%) of our clients' compliance teams experienced serious disruption from AMLD4 in 2018, although this figure jumped to 67% for retail banks. This is hardly surprising; money-laundering affects all organisations, but retail banking continues to feel the most pressure.

They've been under significant regulatory scrutiny, with each update having a major impact. The need to implement a more risk-based approach to reviewing and checking data has meant firms with large client bases require equally well-resourced financial crime teams to manage them.

Has AMLD4 had a big impact on work this year?



The ongoing Brexit saga

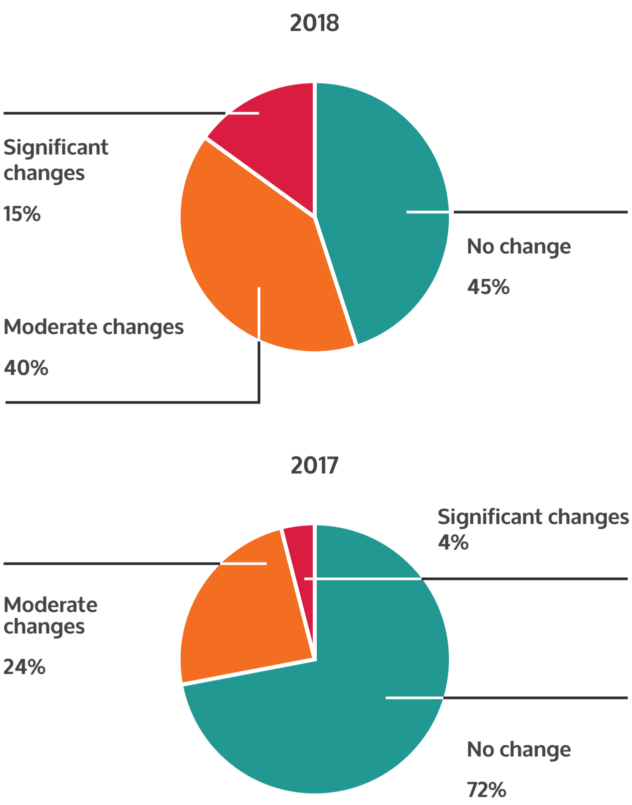
Predicting the future is always difficult, but even the best analysts have found it impossible to forecast what will happen next with Brexit negotiations. The uncertainty surrounding the UK's exit from the EU was palpable in our previous market reports and not much has improved since then.

Given the constantly evolving Brexit situation, we won't delve too deeply into the current status of negotiations. However, the growing impact on compliance is undeniable.

Brexit affecting confidence and workloads

In 2017, nearly three-quarters (72%) of compliance professionals said Brexit had resulted in no changes to the work they completed. This figure plummeted to 45% for 2018, while the proportion of candidates reporting significant workload changes more than tripled to 15%. Brexit is now making 43% of respondents feel less secure in their role, up from 24%.

Is Brexit affecting the work you do?

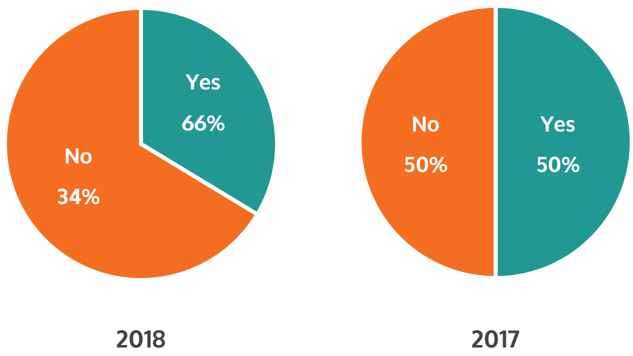


As the actual date for Brexit draws near and the eventual shape of a deal - if there is one - continues to elude us, it's hardly surprising people are feeling more nervous about job security. After all, the whole shape of financial services could change if the UK loses passporting rights because of a no-deal Brexit.

Fewer people willing to move

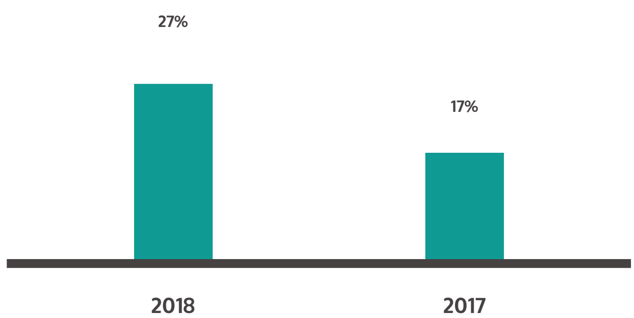
Compliance staff appear less keen on moving away from the UK if Brexit has a significant negative impact on their career. Previously, half of respondents said they would consider opportunities elsewhere, but this has slumped to just 34%. Nevertheless, a brain drain of EU nationals may already be underway, as the proportion of non-British compliance staff in departments dropped from 27% to just 17% in the space of a year.

Would you consider relocating?



This is more likely a reaction to Brexit uncertainty than a genuine lack of opportunities in the market, which remained buoyant for both UK and international candidates throughout 2018. Candidates planning to move may need to brush up on the local lingo; just 30% of British compliance professionals speak a second language.

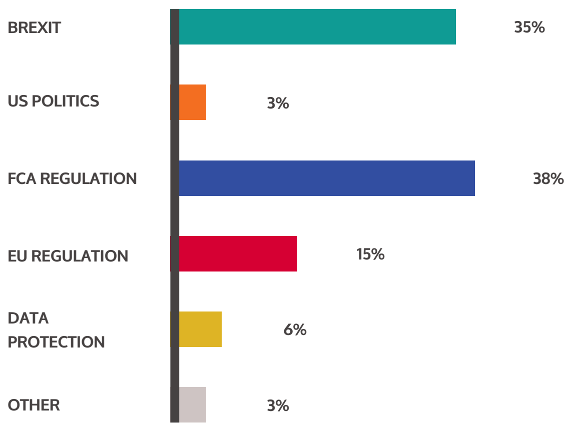
% of non-British compliance staff



Brexit bark worse than its bite for employers?

A large majority of hiring managers (82%) claimed Brexit had no impact on their ability to recruit last year, with just 18% saying it was harder. Businesses aren't taking any chances, however, and more than one-third (35%) admitted the UK leaving the EU was their greatest concern at the moment, second only to FCA regulations (38%).

Which business factors concern you most?



Furthermore, nearly half (47%) said they've opened or plan to open new offices as a result of Brexit. Germany was the favoured destination, with Benelux and Ireland runners-up. Conversely, Frankfurt was the least appealing location for candidates, with many preferring Amsterdam or Dublin.

The need for good governance hasn't reduced because of Brexit, and 2018 remained a busy year across the board. Most vacancies created in Europe have been in conjunction with - rather than replacing - roles in the UK. Businesses are rightly worried, but many have no option other than to carry on until the situation becomes clearer.

Frankfurt seems unlikely to usurp London's position as the banking capital of Europe, as it lacks the same infrastructure. Getting top-paid financial services professionals to move there will not be an easy sell. Many Brits are familiar with Amsterdam and Dublin, so it's no surprise they are highly appealing.

Tom Boulderstone

HEAD OF LEGAL, COMPLIANCE & FINANCIAL CRIME

Disruptive forces affecting compliance

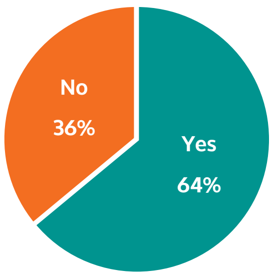
RegTech and the data conundrum

Governance, risk and compliance are estimated to cost between 15% and 20% of the total expenditure of running a financial services firm.[11] Understandably, businesses are always looking at ways to automate processes and deliver savings, while maintaining the same regulatory rigour.

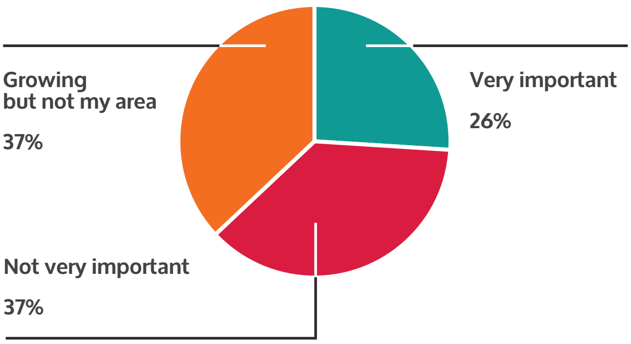
Many experts predict RegTech, big data and data science are the next big things in compliance. RegTech adoption alone jumped from 17% in 2016 to 30% in 2017 among financial services firms.[11] But our surveys told a slightly different tale, with some respondents yet to be convinced of the benefits.

Nearly two-thirds of employers claimed RegTech would improve the efficiency of compliance departments, but that still leaves 36% who disagree. A similar proportion (37%) claimed big data and data science aren't an important part of creating a fit-for-purpose financial crime department.

Do you believe RegTech will help improve efficiency?



How important is big data and data science?



Candidates also appear on the fence for now, with almost one-quarter believing RegTech, big data and data science won't lead to efficiency gains. Many seem unsure how innovative solutions will affect job security. Some 58% didn't know whether implementing these technologies would put their jobs at risk, although 16% were confident their employment would be more secure.

Overall, the implications of RegTech and other systems are still becoming clear. Data volumes are only increasing, emphasising the need for quick and accurate monitoring, but many solutions are still in their infancy. Candidates may also fear better technology will result in headcount reductions, which perhaps explains why respondents were ambivalent.

However, the importance of common sense and commercial decision-making means the human element of compliance is unlikely to disappear anytime soon. As mentioned, 2018 was a transitionary year, and we expect RegTech to gain significant momentum this year and beyond. Nearly every bank or large organisation we've spoken to is investing in these areas.

Georgina Housden
CONSULTANT

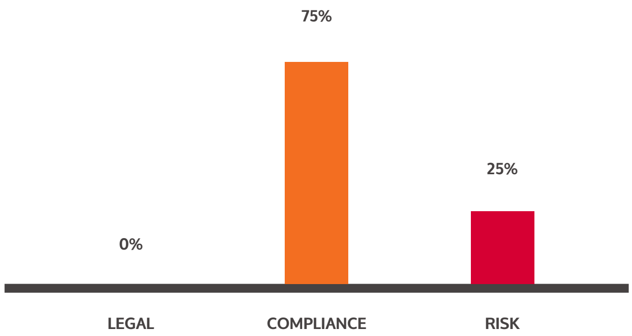
The rise of fintech

Fintechs are pushing the boundaries of what traditional banking offers, forcing the whole industry to take notice. The UK is at the forefront of fintech, receiving $16 billion (£12.5 billion) of investment in the first half of 2018 - more than one-quarter of the nearly $58 billion spent worldwide.[12]

The breakneck speed with which many fintechs grow can create weaknesses in their corporate governance processes; left unchecked, poor governance can result in severe financial and reputational damage. Increased regulatory scrutiny worldwide and skills shortages within the market provide added pressures.

Having partnered with these firms at an early stage, we're seeing how important governance now is to fintechs. Three-quarters of our respondents confirmed compliance would be the first hire into their governance team and regulatory compliance was fintech's biggest recruitment driver in 2018.

Would your first fintech regulatory hire be a legal, compliance or risk professional?



Finding candidates continues to prove troublesome, despite market buoyancy. At the highest level - Chief Compliance Officers - few senior-level candidates with direct fintech experience exist in the UK. These candidates may also not be actively job searching and can be expensive, which is sometimes financially unviable for a young company looking to build its foundations and grow.

While our survey shows only 8% of managers and candidates feel threatened by fintechs, banks themselves consider the industry a threat. Virtually all incumbents are examining ways to adapt their businesses to cope with the rise of fintech.

Nick Evans
TEAM LEADER

Diversity and inclusion

Diversity is a hot topic, and rightly so, with businesses worldwide keen to be more inclusive during their recruitment processes. Countless studies have emphasised the benefits of diverse workforces, which include:

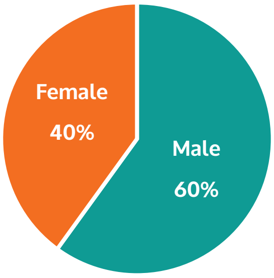
- Enhanced profitability;[13]
- Improved decision-making;[14]
- Better innovation[15]; and
- Improved customer experiences.[16]

Nevertheless, financial services has room for improvement when it comes to diversity. For example, the average gap between salaries for men and women is 22% for the sector, increasing to 46% for bonuses.[17] The UK average across full-time salaries is 8.6%.[18]

Gender has been the primary focus for diversity in recent years, with initiatives such as the Women in Finance Charter gaining support from the industry's biggest names. Overall, the gender split is approximately 50:50 worldwide[19], yet 85% of financial services executives are men.[20]

Our research shows the gender balance in compliance was 60:40 in favour of men last year. This was the same outcome as 2017 and exactly mirrors our placement record across the discipline over the last few years.

Gender split in compliance departments

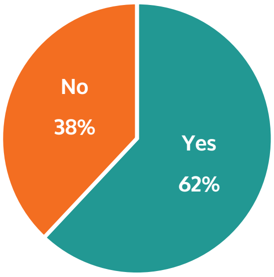


Employers focus more on diversity

The results showed an increase in diversity-led recruitment among compliance departments, but this was from a relatively low base. In 2017, only 12.5% of hiring managers had diversity and inclusion targets affecting recruitment decisions. Last year, the figure jumped to 21%, which is a 68% increase.

Unfortunately, the simple truth of the regulatory and financial crime compliance markets is that securing top talent is hard enough. LinkedIn research revealed finding enough applicants to interview is the main hurdle for many employers.[21] Our results seemed to echo these frustrations, with 38% of hiring managers reporting that recruitment efforts focusing on diversity were unsuccessful. Nearly three in 10 claimed the speed of placing candidates was also affected.

Has diversity-led recruitment been successful?



04

Recruitment, salary and compensation trends

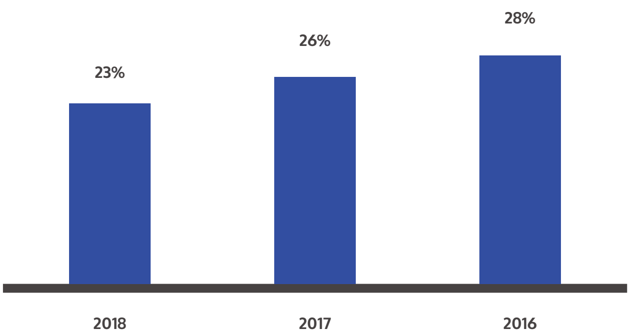
We've discussed the major factors influencing the market, but what impact are they having? This section examines key client and candidate insights from our global surveys.

How active is the compliance recruitment market?

Compliance departments faced a slew of new regulations last year. This ensured 2017 and 2018 were busy years for professionals, as they tackled an intense workload of MiFID II, GDPR and PSD II projects, among many other obligations.

Despite this, the recruitment market for regulatory compliance and financial crime candidates was quieter last year than in 2017. The proportion of professionals who switched jobs dropped slightly from 26% to 23%, continuing a downward trend from 2016.

% of candidates who moved jobs

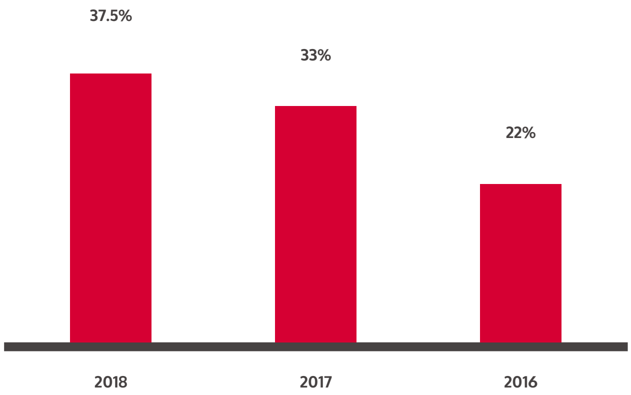


> *With Brexit looming, hiring across financial services has been more bearish on the whole. The uncertainty surrounding what terms the UK and EU will agree meant organisations were unsure how much they'd need to adjust their operations and relocate staff to nominated European centres.*
>
> *Some candidates may also have stayed put because they'd already moved around several times in recent years. A new role usually brings a salary bump, but employers are becoming increasingly hostile to applicants who appear to have itchy feet. Compliance professionals whose CVs indicate a propensity to job hop must show they can stay loyal before entering the job market again.*
>
> **Tom Boulderstone**
>
> **HEAD OF LEGAL, COMPLIANCE & FINANCIAL CRIME**

Employers expect the best

There will always be a market for top talent in compliance. Employer expectations have risen year on year, and nearly one-fifth of businesses are either 'somewhat dissatisfied' or 'dissatisfied' with their compliance function.[22] Some candidates struggled to keep up in terms of being able to deliver both the technical knowledge and the business-facing skills necessary to be a compliance professional in 2018. In fact, 37.5% said finding a new job was more difficult than expected last year, up from 33% in 2017 and 22% the year before.

% of candidates who said finding a new job was more difficult



To counter this, two-thirds of hiring managers said they would be willing to recruit people from risk and audit to fill monitoring roles. Furthermore, 58% said they would consider hiring professionals from outside their sector to resolve skills gaps.

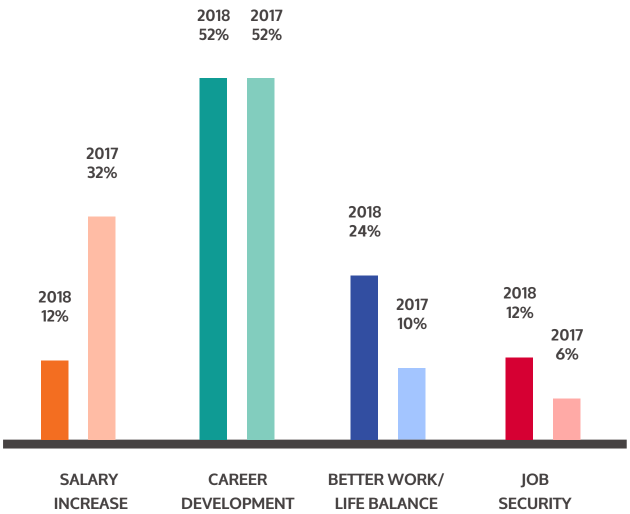
What drivers are affecting candidate choices?

Candidates move jobs for a variety of reasons, but 2018 marked a significant shift in priorities for many compliance professionals.

Importance of pay plummets

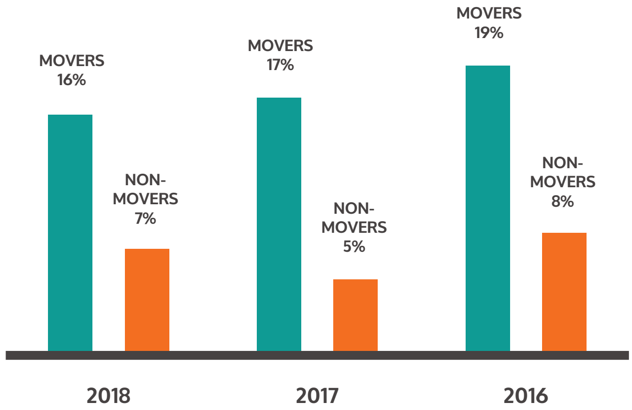
Salary and career development have traditionally been the two primary motivators when employees move jobs. Career development held its position, but the proportion of compliance professionals who cited salary as the main reason for switching roles dropped dramatically from 32% in 2017 to just 12% last year. Two-thirds of respondents now feel they are adequately compensated for their work, compared with just 53% before.

What was your primary motive in looking for another job?



The simple explanation for this trend is candidates are better paid. Most employers recognise top talent doesn't come cheap, so they are more willing to give existing staff a pay bump to boost retention. The salary increase gap between moving jobs and staying appears to be narrowing as a result. Switching roles can still secure successful candidates over twice the pay boost than sticking with their existing employer, but they can only do this so many times before employers become wary of 'jumpy' CVs.

Average salary increases for movers versus non-movers

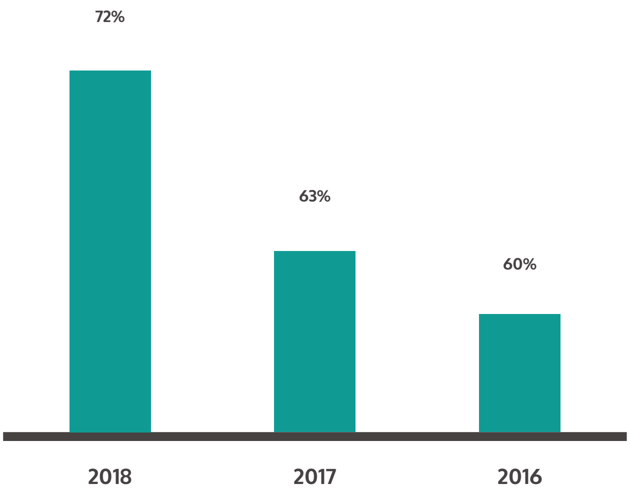


Candidates seek flexible workplaces

As the focus moves away from money, more professionals now want a better work-life balance. Just 10% cited flexible working as the primary motive for moving jobs in 2017, but nearly a quarter (24%) did so last year.

This matches a broader trend in the UK, with a Timewise study showing 87% of British employees either already work flexibly or say they want to.[23] Organisations are adapting to these evolving demands; the proportion of compliance professionals who have the opportunity to work flexibly jumped from 60% in 2016 to 72% last year.

% of professionals who can work flexibly?

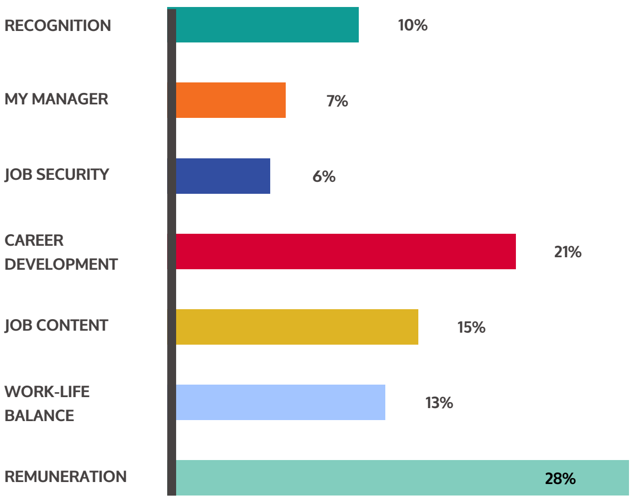


Security desirable in uncertain times

Job security was the top consideration for 12% of compliance professionals who secured a new role in 2018. While this is lower than other key drivers, the figure doubled from the previous year and continued a steady upward trend from 2016, when it stood at just 4%.

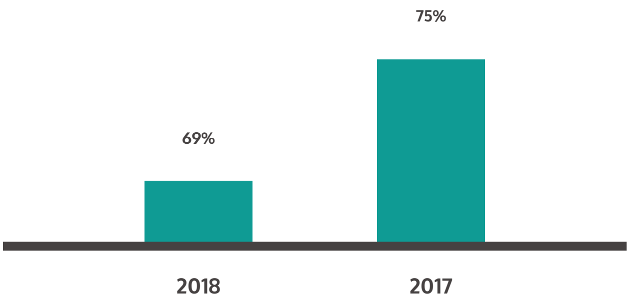
Non-movers were also more worried about the stability of their job, with 7% stating this would be their primary reason to begin looking for employment elsewhere - up from just 2% in 2017. Despite this, only 6% of people said job security was the aspect of their current role they'd like to change the most, which was less than any other factor.

What would you most like to change about your job?



Slightly fewer professionals also said they would like more flexible working opportunities (69% in 2018 versus 75% the previous year). This indicates more employers are offering these perks, leading candidates to focus on other areas of their job.

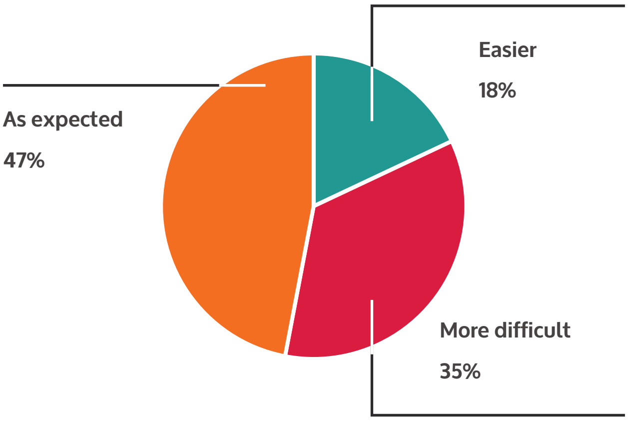
% of candidates who would like more flexible working



What recruitment challenges did employers face?

Nearly 80% of departments recruited or attempted to recruit compliance or financial crime professionals externally in 2018. However, more than one-third (35%) said hiring was more difficult than they expected.

How have you found recruiting in 2018?



Here are some of the reasons why:

Skills shortages

The war for talent is fairly fierce across most sectors, and sourcing candidates with the right technical skills was overwhelmingly the biggest challenge for nearly 60% of clients last year. Larger banks have struggled to find people with specific product advisory experience and surveillance expertise. Meanwhile, smaller businesses and fintechs had difficulties finding Heads of Compliance with the right skillsets.

Expectations of compliance professionals are at an all-time high. The industry has gradually moved towards higher-calibre teams for the last few years and 2018 was no exception. Academic achievement is becoming increasingly important for the top jobs, especially at mid-level and below. This trend is driven by the number of graduates who choose compliance as a first role rather than falling into the discipline later.

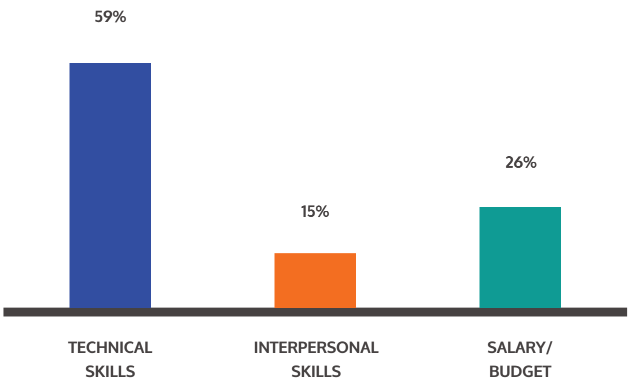
Nick Evans
TEAM LEADER

Only 15% of employers said finding candidates with the right interpersonal skills was their main recruitment dilemma last year. However, these capabilities are essential for compliance professionals who want to secure the most lucrative positions. Individuals must often strike a balance between robustness in the application of the rules and remaining commercial in their enforcement.

Salary expectations

Salaries have risen considerably in recent years, with 62% of clients claiming candidate pay expectations made hiring harder than expected. Finding compliance professionals within the right salary range was the greatest recruitment hurdle for 26% of hiring managers last year.

What has been the greatest challenge to recruitment?



But the stats don't necessarily tell the whole story. In our experience, jobseekers are generally looking for a 10-20% pay rise, which many employers find acceptable - if the applicant ticks all the right boxes. Candidates who secure the best roles with the highest salaries must again be able to balance both technical and social skills. Gravitas, communication, confidence, commerciality and robustness are just a few of the words clients commonly use to describe ideal candidates.

A greater appreciation for top talent seemed to be reflected in bonuses last year, with nearly all compliance professionals (96%) receiving one in 2018. Employers clearly recognise they risk losing their best people if they fail to match the attractive bonuses their competitors are offering."

Georgina Housden

CONSULTANT

MIFID II

MiFID II saw one of the largest shifts in the regulatory landscape for many years, and nearly all compliance professionals were affected in one way or another. During our last report, there was widespread confidence that firms were prepared for MiFID II, and we have seen this play out in 2018, with very few clients appearing to panic hire to deal with the consequences.

That said, new regulation drives hiring within compliance and MiFID II has been at the centre of continued growth within the sector. Nearly three-quarters (74%) of employers claimed the directive increased workloads last year, with 37% confirming a significant rise.

Investment management was the most-affected industry. UCITS and AIFM products had previously fallen outside of the framework for MiFID I, whereas they are now directly affected by MiFID II, so the regulatory burden increased suddenly and dramatically within the sector.

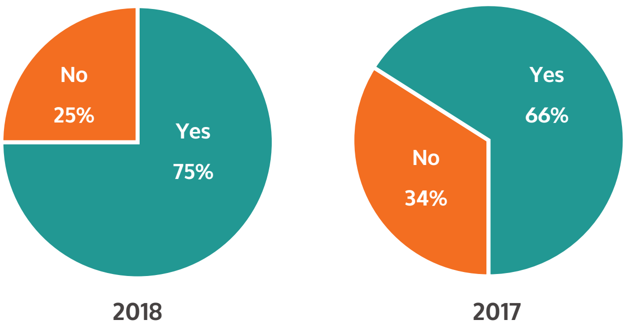
Interim staff help plug project gaps

PETER WHYTE

Interim Solutions, Compliance

Compliance contractors enjoyed a busy year in 2018. Many organisations turned to interim staff to help with MiFID II, GDPR and Brexit planning, resulting in a notable increase in the proportion of contractors in work compared with 2017 (75% versus 66%).

Are you currently working?



Even out-of-work contractors shouldn't expect to be on the shelf for long; 93% of professionals were able to land a new contract within three months - one-third did so immediately.

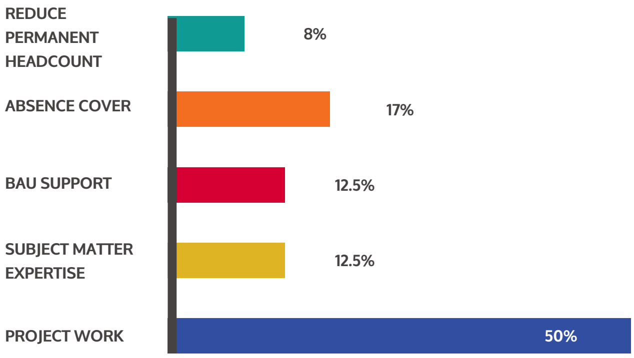
Project work formed the bulk of contractor activity last year, which is hardly a surprise given the sheer volume of regulatory changes. Specifically, MiFID II consumed the majority of interim budgets last year, as organisations hired change managers with expertise across project and programme management, business analysis and IT.

Planning for the UK's separation from the EU has been a key driver of project work for interim staff within compliance departments. Cross-border regulatory specialists are in high demand, particularly contractors who have experience working with European regulators.

Peter Whyte

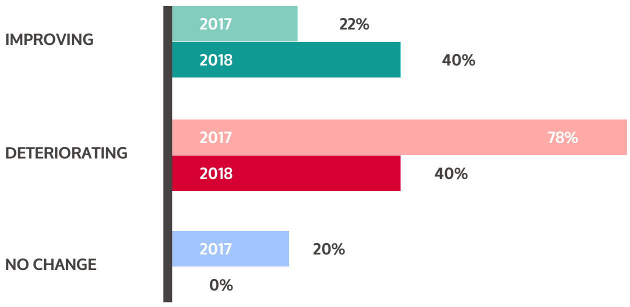
INTERIM SOLUTIONS, COMPLIANCE

What is your main reason for hiring contractors?



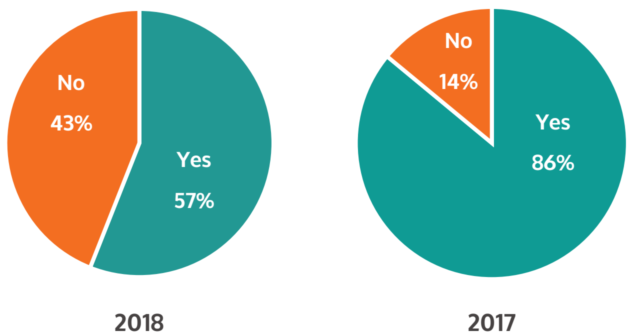
Interim compliance staff also feel the market for skills is improving. Four out of 10 respondents believed their talents were more in demand last year. This is a notable improvement from the 22% who gave this response in 2017.

Is the market for your skills improving or deteriorating?



Half of contractors saw their daily pay improve year on year, while a further 29% maintained similar rates. Interestingly, just 57% of interim staff felt they were adequately compensated for their work - a significant decrease from 86% the prior year - despite many earning more.

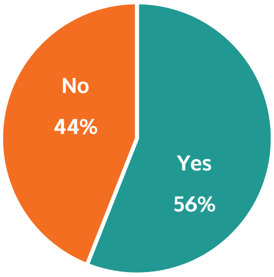
Do you believe you are adequately compensated?



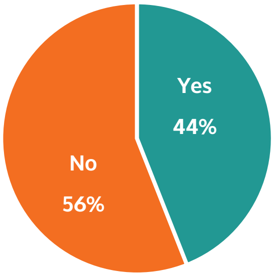
Looking ahead to 2019

More compliance departments felt adequately resourced last year than they did in 2017, but 44% still believe they're not sufficiently prepared for the workloads they face. What does this mean for 2019?

Is your department adequately resourced?



2018



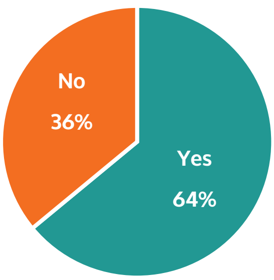
2017

All quiet on the regulatory front?

This year may be slightly more subdued from a regulatory implementation standpoint, but important changes are still on the horizon, including the SMCR. Firms must have systems in place by December 2019, with the regime dramatically increasing accountability for senior employees within financial services. Compliance professionals with prior SMCR experience and skillsets will be highly sought-after over the coming months.

Despite 64% of firms claiming they are ready for AMLD5, there is still a huge difference in the readiness of some firms compared to others. Certain organisations are playing catch up and trying to create fit-for-purpose teams that can implement the relevant policies, while performing periodic reviews. Getting due diligence checks right and maintaining effective controls around transactions is a must.

Are you feeling prepared for AMLD5?

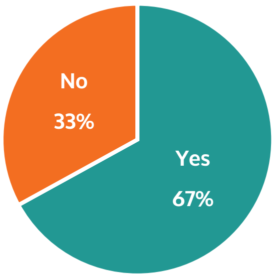


Elsewhere, 2019 will see the launch of many maintenance and remediation programmes. The initial flurry of activity to comply with GDPR, MiFID II, PDS II and money-laundering directives will make way for BAU hiring and ongoing tweaks to existing systems and controls, especially if eye-watering fines begin to appear.

Hiring will remain healthy

More than two-thirds (67%) of employers expect to hire in 2019, and we feel confident the next 12 months will be busy. The market continues to see considerable movement simply through replacement hires. Financial crime hiring, which was relatively low-key in 2018, should be much more active when - or if - the government makes progress on a Brexit deal.

Will you need to recruit compliance professionals this year?



Instead of seeing a massive influx of new regulations, the regulator is instead taking more of an interest in individual sectors. This broader scrutiny is driving each part of the market to have the right level of resource. Organisations must therefore take a joined-up approach across different departments, as they are under pressure in multiple areas.

05

Q&A with Tanya Ziv

Chief Compliance Officer & MLRO, at CurrencyCloud

We regularly sit down with significant figures from the compliance industry to get their perspective on key trends within the market. This time we spoke to Tanya Ziv from CurrencyCloud. We'd like to thank Tanya for her contribution and welcome our readers' thoughts on what she had to say.

Tell us a bit about your background

I'm originally from Tel Aviv and started my career as an M&A Lawyer in one of Israel's biggest law firms. I mainly worked on mergers, acquisitions and the investment rounds of tech companies. When I moved to London, I joined eToro, a social trading platform. I started their operations in the UK and headed their global compliance function. Afterwards, I headed the compliance and AML functions of Cornercard UK and Lebara Money. I joined CurrencyCloud in 2017 as the CCO.

What encouraged you to move from legal into compliance?

I felt like I needed a change and wanted to move away from being an 'advisor' to a more operational role within a company and industry I believe in. People don't realise compliance is a highly operational role, especially in fintechs. It touches all the different parts and departments of the company and can become a business enabler, if done properly.

Reading and understanding regulation and its purpose, how to approach regulators and regulatory frameworks - these are all legal skills. But the operational side of things is quite different. I think the most interesting - but also most complex - part is implementing the policies and not just drafting them, which is where the legal side usually ends.

What attracted you to the fintech payments sector?

The tech sector was a natural attraction since I've always worked with high-tech companies. Plus, I'm Israeli and tech is pretty much the national industry there! I've always believed the financial sector can and should be more approachable, transparent and efficient because financial services are a fundamental need in modern society. I believe there is a lot of room for innovation and improvement and using today's technology to improve and make financial services better is the right way to go.

What was your biggest challenge in 2018?

I would say hiring and global expansion. We are a very fast-growing business, which means we needed to grow the compliance department quite rapidly. Compliance hires are definitely challenging, since I'm always looking for people who have excellent compliance and regulatory knowledge but who are also operational and capable of making decisions.

Global expansion is another challenge of course - one that also involves hiring. For a company to manage a process of global expansion - while running the day to day - is difficult. Each new jurisdiction has different regulations and different expectations, which makes it even harder.

How will regulatory developments affect the payments industry this year?

I believe open banking has real potential to change and develop the payments industry even further. It will create more competition in the sector and greater transparency. Also, hopefully, open banking will encourage better cooperation between banks and the fintech industry, which I believe is essential.

We will probably also see the Brexit impact during 2019 and companies setting up new offices in the eurozone. I see UK fintechs opening up additional offices in the EU, but I'm not sure it will have a wider impact. For us, I think this will be an opportunity to get closer to our EU clients and tap into the excellent talent pool in Amsterdam.

> "Compliance hires are definitely challenging, since I'm always looking for people who have excellent compliance and regulatory knowledge but who are also operational and capable of making decisions."

You work in a disruptive part of the industry. What's your view on the possible benefits and pitfalls of RegTech?

One change I would really like to see in 2019 is progress in the RegTech space. This can be a real game-changer by supporting fintech companies and even traditional banks in handling complex regulation and new technologies. Financial services may be getting more sophisticated, but so are fraudsters and money launderers!

I think RegTech is essential for the industry. Compliance and AML requirements are getting more and more complex and companies that scale fast find it hard to keep up. RegTech companies could ease that pain - without taking the responsibility away of course. They do need a very good understanding of what problems they're solving, so close cooperation with fintechs is vital. I think that's the biggest pitfall; the misunderstanding of the regulatory and operational needs of clients.

What advice would you give to people looking to forge a compliance career?

I think it's a very wide industry with many different roles that often have the same name. It's very important to consider the type of organisation you want to work for, since the same role can be completely different in practice across various sectors of the financial industry.

Junior candidates need to focus on understanding the reasoning behind regulations and learning industry practices. Get yourself out there and understand how different companies approach regulatory requirements. Also, I would recommend learning about and understanding other parts of the business and getting closer to product, sales and marketing. That will help you understand their needs and engage with them better.

“I think RegTech is essential for the industry. Compliance and AML requirements are getting more and more complex and companies that scale fast find it hard to keep up.”

What does the perfect candidate look like?

For me, the best candidates are smart and driven individuals, who have good regulatory knowledge and understanding but are also operational and can drive a process. They need to be someone who thinks about implementation - not just policy - and can work and engage closely with different stakeholders in the business.

06

Compliance recruitment: A sector analysis

Every industry had unique challenges and opportunities for compliance professionals in 2018. This analysis drills down into the data to draw out key insights for each sector.

Regulatory compliance

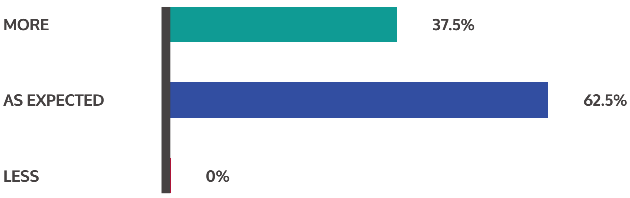
Retail banking and lending

GEORGINA HOUSDEN

Consultant

Retail banking recruitment was especially active in 2018, with both large retail banks and smaller challenger banks experiencing a surge in growth. Nearly nine in 10 organisations attempted to hire this year, although 37.5% found hiring harder than expected.

How difficult did you find recruitment in 2018?



Challenger banks are often seen as new and exciting, allowing compliance professionals to broaden their skillsets across many areas via more generalist positions. However, incumbents have an established market presence and provide more opportunities to specialise. Our research also revealed 80% of established retail banks feel they have strong company cultures.

Larger retail banks maintain fairly strict salary bands for each level to prevent disruption among existing employees, although better remuneration packages are available for the best candidates. Challenger banks with smaller teams generally have more flexibility but rarely pay much beyond the industry average. Salaries within retail banking, which are generally lower than most financial services, are steadily rising. Perhaps this is why more than one-third of employers (37.5%) cited salary expectations as their greatest recruitment challenge.

Technical skills remain the key concern for half of businesses. Conduct risk, advisory and regulatory change skillsets are required across all Barclay Simpson retail banking mandates this year.

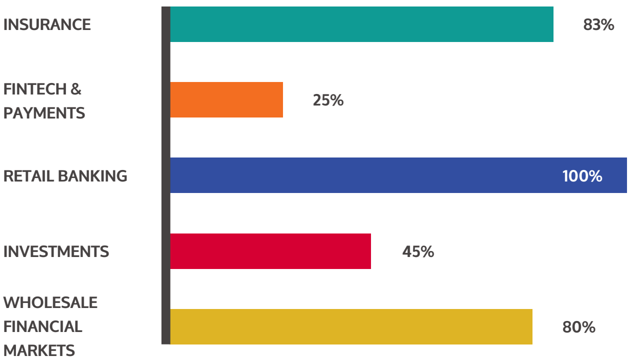
Wholesale financial markets

NICK EVANS

Team Leader

Wholesale and investment banking compliance has been very buoyant, albeit not without its struggles. The future also looks bright, with 83% of employers aiming to hire in 2019, second only to retail banking.

% of firms that need to recruit compliance professionals in 2019



Several key trends affected hiring, including:

- **MiFID II**: Trading and capital markets institutions have had to increase headcounts in surveillance and reporting due to the new directive.
- **Regulatory failings**: Fines and remediation programmes often feed compliance team growth, and 2018 was a regulation-heavy year.
- **CFD markets**: The FCA and ESMA continue to shine a spotlight on this area, shaking up the industry and prompting hiring.
- **Operational resilience**: Another FCA interest area. These roles, which combine operations, compliance and IT skillsets, have appeared at large consultancies and are beginning to emerge at large wholesale banks.

- **Department restructures**: Firms are looking to maximise efficiency by linking operational risk, audit and compliance functions into a seamless three-lines-of-defence model.

Finding the right technical skillsets remains difficult for employers. Specific product experience, private side advisory and surveillance roles were highly important in large banks last year. Proficient SMEs within these siloed areas must face off to the front office, which requires a unique skillset of good technical knowledge, clear report writing and excellent communication skills. Candidates who possess all three traits are hard to come by, but they command lucrative salaries at the VP and SVP level.

Investment management

TOM BOULDERSTONE

Head of Legal, Compliance & Financial Crime

The industry faced considerable scrutiny last year, with the FCA's consultation paper on asset management highlighting the importance of clearer fees and better governance.

MiFID II was a key driver of compliance investment within the sector. In our 2017 report, 100% of respondents claimed they felt prepared for the directive. We argued this was either very impressive or showed overconfidence. Fast-forward to the present and 46% of professionals said MiFID II has only marginally increased their workload, suggesting firms were well prepared for the changes. Let's hope none fall foul of the regulator when placed under greater scrutiny.

Other key trends that arose in 2018 and will likely affect the industry this year include:

- **Rising compliance costs**: These are taking a toll on recruitment, with half of employers saying hiring was harder than expected. Nearly 90% claimed salary expectations were the main problem hindering recruitment.

- **Hiring exceeds expectations:** : While only 40% of firms intended to hire in 2018, 62% ended up recruiting. Candidates will no doubt hope for a repeat performance, after just 45% of clients said they are increasing headcounts in 2019.

- **Strong company cultures**: None of the respondents we polled said they worked for firms with a weak compliance culture, while 54% felt their culture was strong.

Insurance and pensions

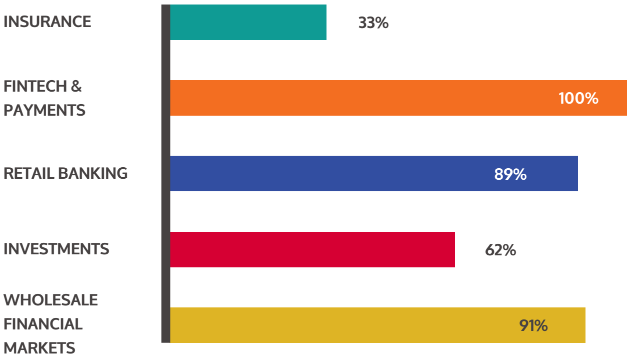
GEORGINA HOUSDEN

Consultant

We've gathered survey responses from candidates and clients across pensions, retail and the more complex Lloyd's insurance market, so the results may not accurately reflect individual parts of the market. Insurance and pensions also remain smaller and behind the curve of most other areas of financial services when we look at team sizes across both regulatory and financial crime compliance.

Indeed, only one-third of respondents tried to recruit in 2018, which was among the lowest of our recruitment areas. Salaries remain lower than most market segments, despite improvements over the last couple of years, although remuneration was still the number one difficulty for employers when hiring in 2018.

% of firms that recruited in 2018



Organisations must typically borrow skills from other parts of financial services when it comes to conduct and monitoring due to the lack of available talent. For advisory roles, however, candidates must possess product knowledge in order to add value, meaning more firms are hiring junior candidates and training them up. Overall, salaries within the sector are smallest on the retail side, with the Lloyd's market commanding a premium due to the specialist nature of the work.

Fintech

NICK EVANS

Team Leader

Corporate governance remains a key concern for many fintechs, despite the UK's generous regulatory environment. Nearly one-quarter (24%) of respondents in the Fintech Census said compliance was a principal challenge, and sourcing the right talent is an ongoing struggle.[24]

Three-quarters of fintechs cited regulatory and risk-management abilities among their top three most-difficult skillsets to find. In fact, 28% predicted these roles would be the toughest to fill last year.[24] In 2017 and 2018, we saw a tendency for fintechs to hire applicants from banking and consulting firms, as well as banking conduct risk specialists, to fill their Head of Compliance roles.

While fintech is an exciting prospect for some candidates, the industry does have strong competition from larger organisations, also looking for the best candidates. These businesses can usually afford to pay more, which is often the deciding factor when a candidate has two offers on the table.

You can read more about the sector's governance challenges **in our fintech whitepaper**.

Consultancies

TOM BOULDERSTONE

Head of Legal, Compliance & Financial Crime

Consultancies were exceptionally busy in 2018. The Big Four will continue to win the vast majority of large-scale regulatory change projects for major organisations because most clients want the reassurance of saying they have a top name taking ownership.

However, we have seen a growing body of work go to smaller consultancies delivering smaller projects or supplying specialists that can be parachuted in to complete certain bits of work or provide cover for staff shortages. More than two-thirds of respondents felt they weren't adequately resourced, which illustrates the sheer volume of projects that must be delivered this year. It is equally unsurprising that 100% said they planned to hire next year, with all hiring driven by additional growth plans.

As a sector, there will always be a bit of movement, with people becoming more senior but wishing to avoid the sales side. Those on the cusp of Assistant Manager and Manager or Manager and Senior Manager are typically the candidates looking to move. Salaries have trended lower than in other industries, but the breadth of work on offer encourages people to stay. Most firms value skills gained from consultancies, so opportunities exist for candidates who are considering in-house moves. Professionals making the switch may need to convince hiring managers they can adapt from looking at delivering a single project with a suite of products to a fully functioning and workable in-house compliance department.

Financial crime

GEORGE RATCLIFFE
Consultant

Retail banking

Retail banks are still dependent on high volumes of cash going through the business, so preventing terrorist financing and money-laundering activities is crucial. Banks have therefore started hiring onboarding and KYC candidates from broader backgrounds who have exposure to technical tools like IDMEE.

Organised fraud and identity theft schemes continue targeting larger organisations, resulting in a hiring spike for highly skilled investigatory professionals. Many banks have funded proactive fraud strategy departments in an attempt to identify trends and prevent future threats.

Wholesale financial markets

Financial crime was again busy within wholesale banking, resulting in no shortage of work for regulators. Demand for very strong, intelligent KYC/onboarding analysts is high, with candidates from a legal background increasingly popular. Their ability to delve deeper into the structure of complex clients and confidently handle senior stakeholder relationships - both internally and externally - is prized. Strong advisory candidates are also in short supply, with certain banks again looking to the legal industry for talent, particularly among white-collar crime lawyers.

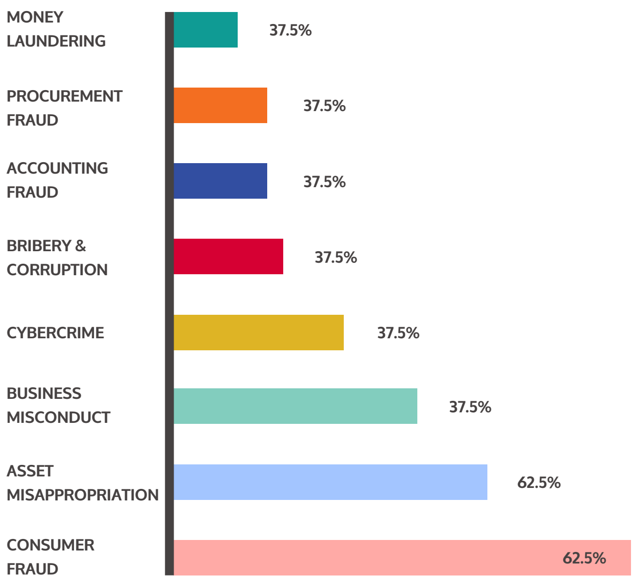
Wholesale firms have recruited heavily for large-scale projects utilising data science and machine learning, as they consider these essential for creating a fit-for-purpose financial crime department. Moving into 2019 and beyond, we expect this area to grow further and become one of the main tools to fight constantly evolving threats.

Insurance and pensions

While not at the volumes of banking, insurance has continued to grow steadily as an area, with 62% of insurers reporting exposure to fraud and/or financial crime in 2018. This figure is up significantly from 37% in 2016.[25]

Our survey identified sanctions as the number one issue facing insurers in the financial crime space. However, clients faced other major issues in 2018, as shown in the graph below:

What issues have you faced in 2018?



Despite this, we are yet to see a major increase in hiring. Monitoring and AML teams typically sit at between five and 10 people within major insurers, which is far lower than AFC teams in banks and other areas of financial services.

Investment management

AMLD5 has significantly changed the way funds must operate and comply with local regulators across the EU. Initially, funds need to provide total transparency to relevant regulatory bodies or financial intelligence units regarding the ownership of trusts and special purpose vehicles. This has already led to substantial increases in the amount of client research that funds must perform, particularly where complex ownership structures are involved.

The research burden will only increase over time, leading to greater demand for highly skilled due diligence researchers and KYC professionals within the funds space.

Fintechs

Last year was an exciting one for fintechs, with rapid and significant growth occurring at some of the industry's biggest names. However, the sheer pace of growth presents a difficult problem of how to effectively control exposure to financial crime risk. Money launderers are attracted to fintech's nascent state, with firms operating in markets that have never existed before and building client bases largely unknown within the broader finance sector.

A well-known fintech firm reported suspicious activity to the FCA and NCA regarding suspected money laundering on its platform in 2018. This led to increased AML investment and the hiring of numerous analysts to assist with the monitoring and prevention of money laundering in the future. Other firms will likely hire high-profile MLROs and larger teams of financial crime analysts over the next 18-24 months.

Consultancies

The ongoing issues at many major banks have continued to provide increased opportunities for major consultancies. Firms are able to offer a range of solutions to their banking clients and assist on the wholesale transformation of operating models and governance frameworks after fines or warnings from the regulator.

Subsequently, we've seen PwC create a 'centre of excellence' to help attract more top AFC professionals and give them higher-profile work with less emphasis on business development and sales. Several smaller consultancies, such as Moore Stephens and BDO, are also hiring at a senior level, prior to building out financial crime functions to target international banking and CFD markets.

07
Conclusion

Last year was a time of transition for the compliance recruitment market. Departments faced significant regulatory changes, uncertain political and economic forces, growing compliance costs and disruptive industries and technologies.

Unsurprisingly, the market was quieter as a result, but demand remained strong for high-calibre candidates with the right mix of skills and experience to excel in today's complex regulatory compliance and financial crime environments.

Looking ahead to 2019, candidates are focusing less on salary and more on career development, flexible working and job security. Employers must take these factors into account when trying to attract top talent.

The compliance landscape is becoming harder to navigate for both candidates and clients. This is where the right partner who understands the market can help ease the burden.

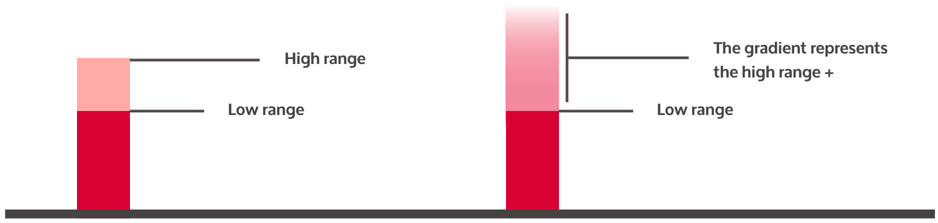
08 Salary guide

Barclay Simpson analyses the salary data that accumulates from our UK compliance placements. The salary ranges quoted are for good rather than exceptional individuals and don't account for other benefits such as bonuses, profit-sharing arrangements and pension benefits.

For further information about salaries in the compliance market contact Tom Boulderstone at **tgb@barclaysimpson.com**

Key

Each bar shows the low and high salary range:

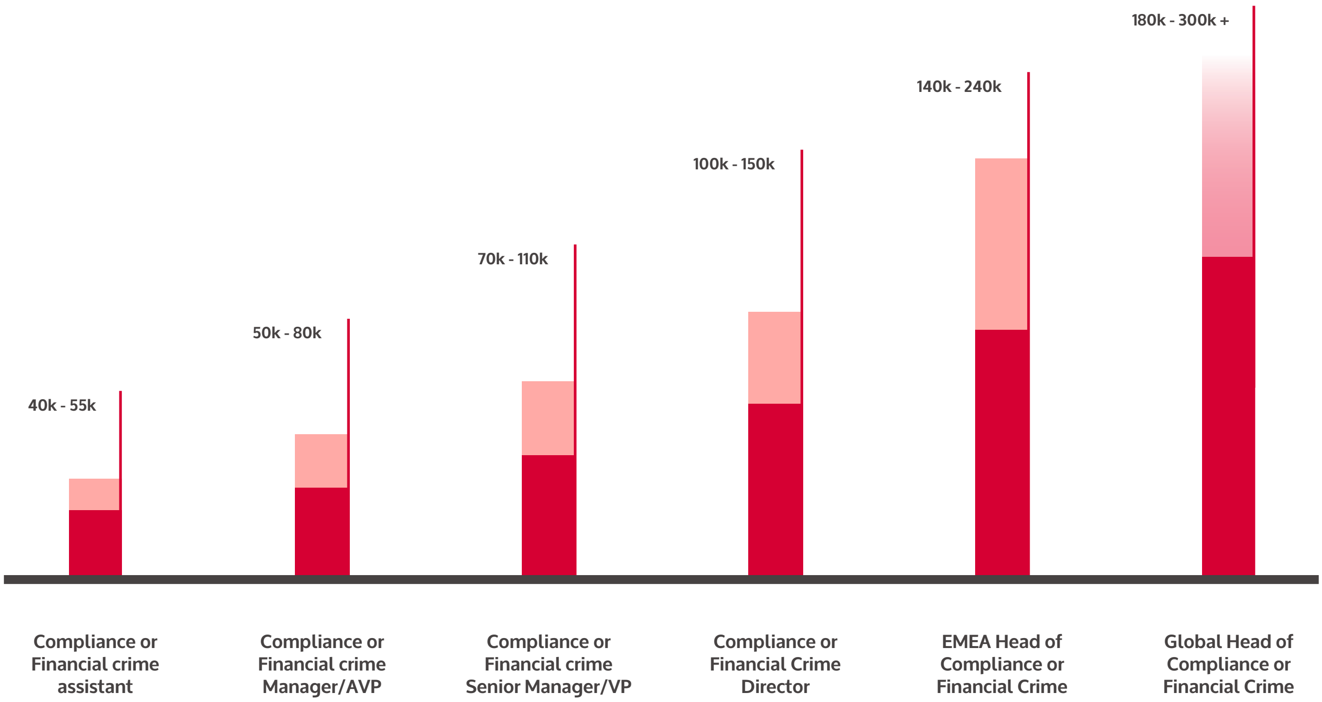


Wholesale Financial Markets

Gross annual salary in GBP

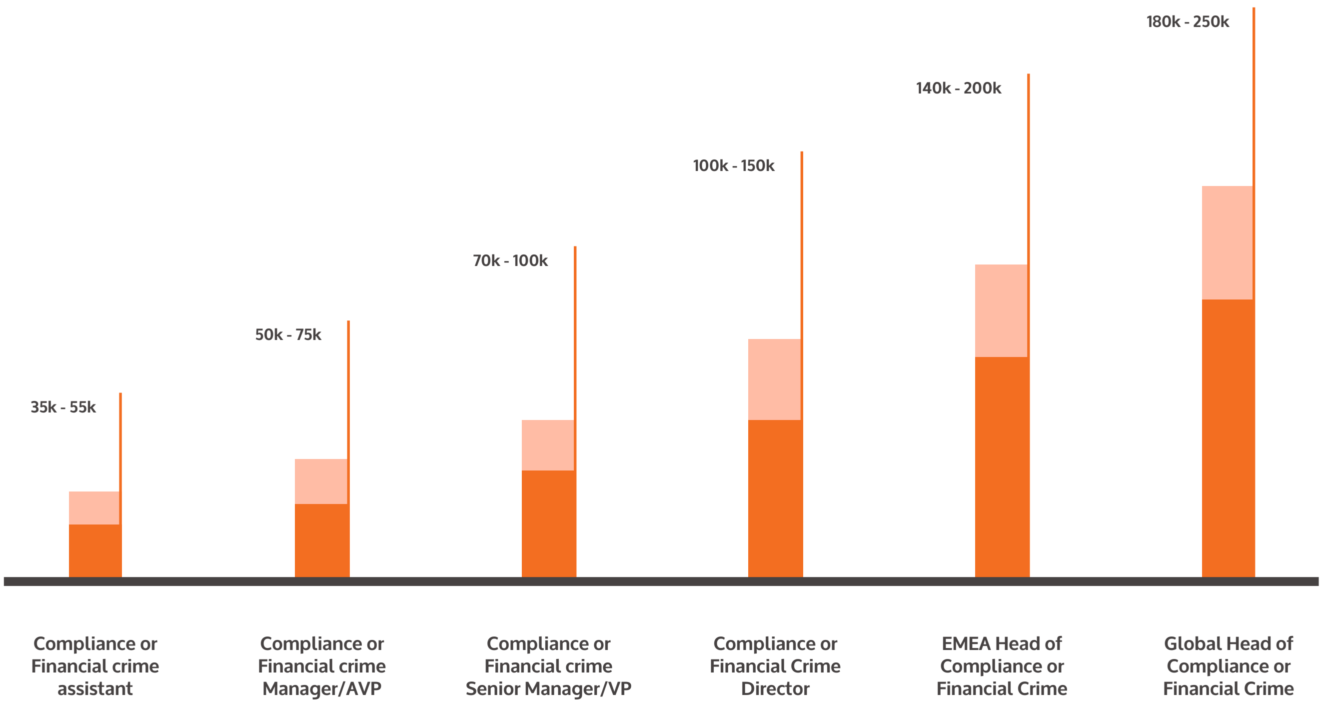
Investment Management

Gross annual salary in GBP

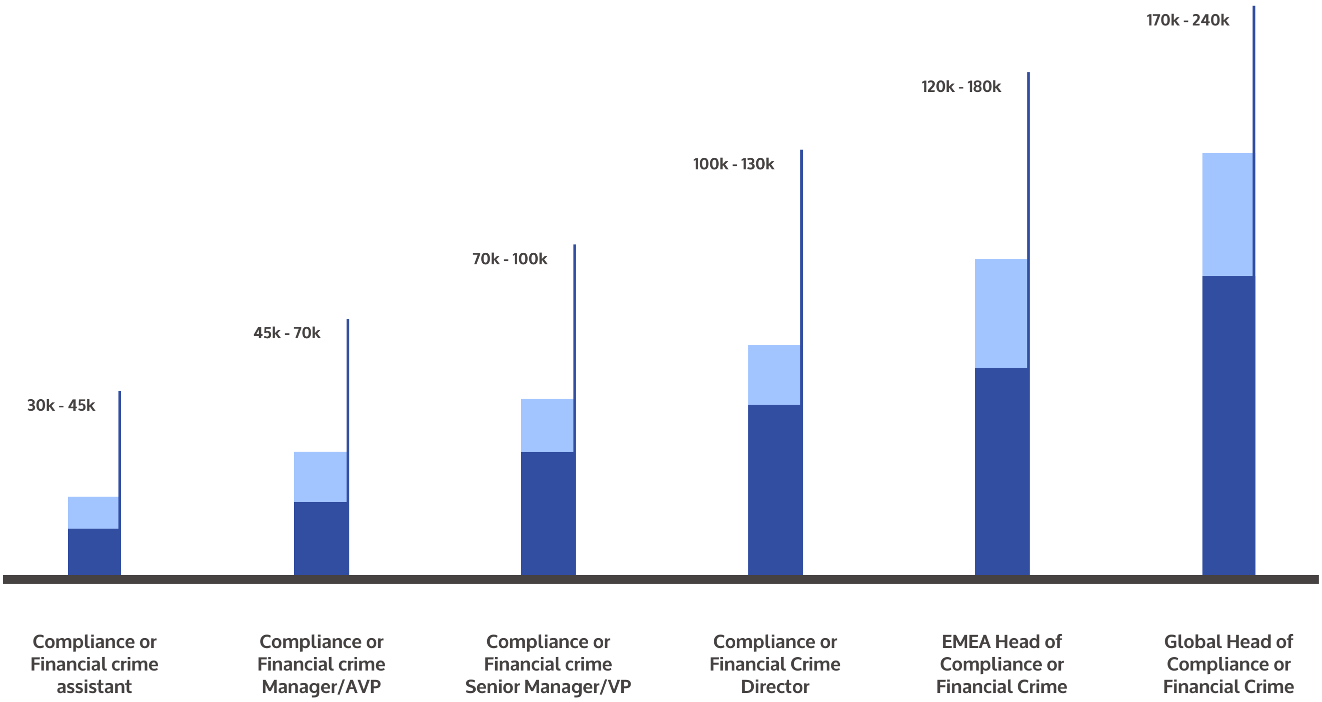


Retail Banking & Lending

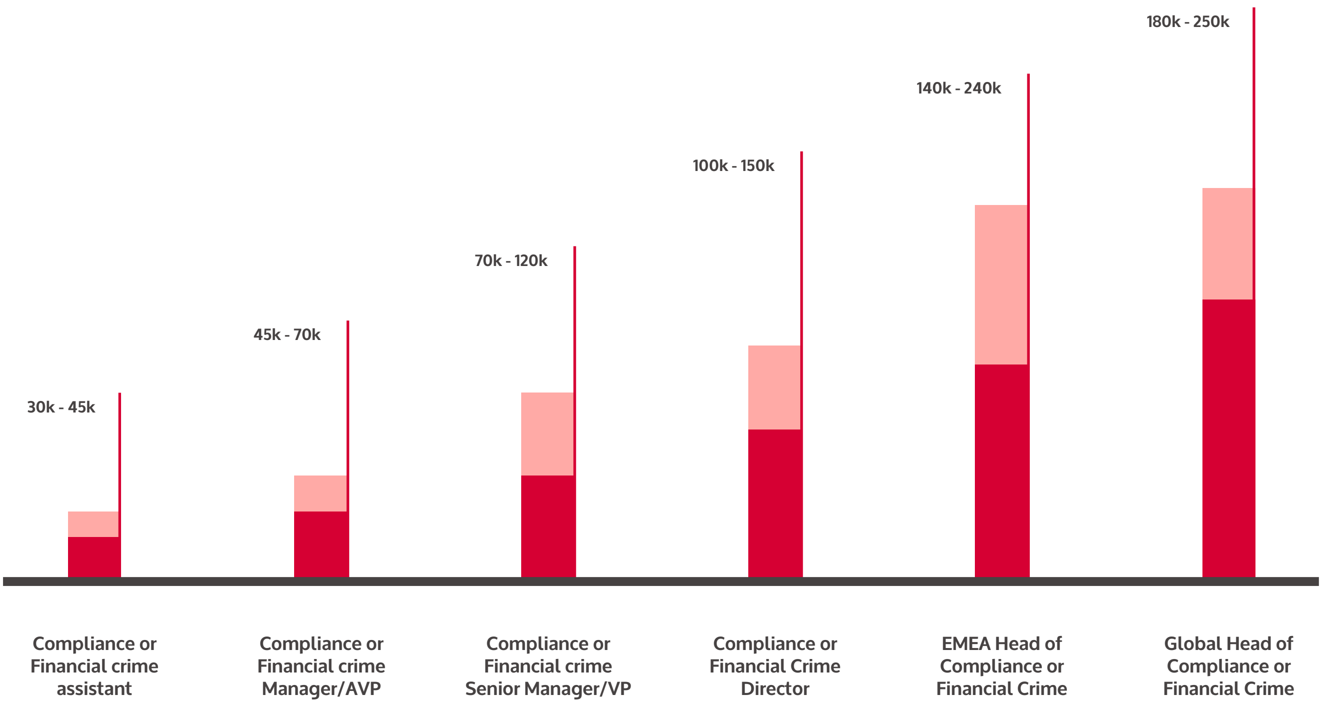
Gross annual salary in GBP



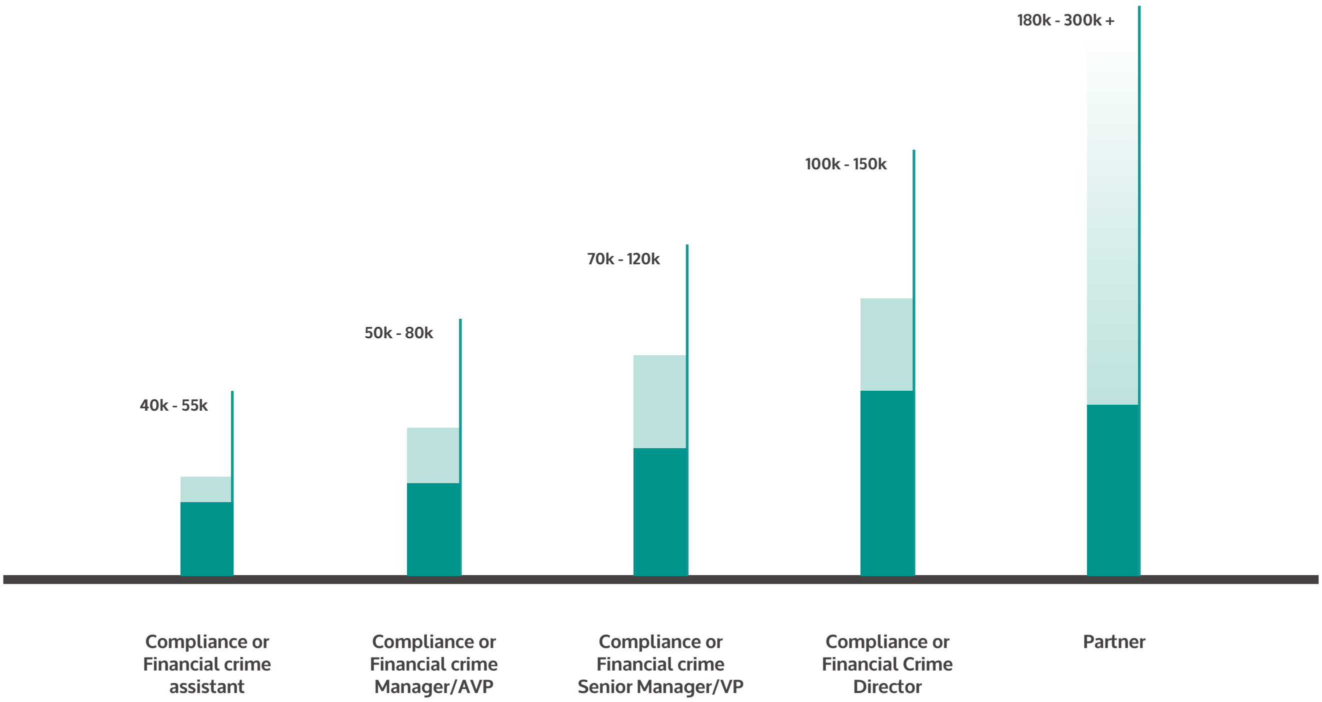
Insurance & Pensions
Gross annual salary in GBP



Fintech
Gross annual salary in GBP



Consultancies
Gross annual salary in GBP



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About Barclay Simpson

Barclay Simpson is an international recruitment consultancy specialising in internal audit, risk, compliance, security and resilience, business continuity, legal and treasury appointments.

Our strength lies in our ability to understand client and candidate needs and then use this insight to ensure our candidates are introduced to positions they want and our clients to the candidates they wish to recruit.

We also provide comprehensive reports and compensation guides for the internal audit, risk, security and resilience, legal and treasury recruitment markets. All our specialist reports can be **accessed for free on our website**: https://www.barclaysimpson.com/market-report-2019

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