Risk

Mid-Year Report 2017
Compensation & Market Trends

Barclay Simpson
corporate governance recruitment

BARCLAY SIMPSON
Mid-Year Report 2017
RISK

Contents

Offices
London
New York
Dubai
Hong Kong
Singapore

Disciplines
Internal Audit
Risk
Compliance
Security & Resilience
Legal
Treasury

Introduction 1

Barclay Simpson has been producing corporate governance market reports since 1990. We currently produce two reports a year:

Annual Market Report

Our annual Market Report is published in January and reviews the corporate governance recruitment market for the year just gone, whilst making predictions for the year ahead. It includes learning from our annual survey of employers.

Mid-Year Report

Our Mid-Year Report is published in July and updates the overall market picture, as well as providing a specific focus on compensation and the views of people working in risk management, based on our annual survey of employees.

This time round, the results are particularly interesting as we asked several questions about Brexit to gauge sentiment amongst risk managers and provide insight into the possible impact of this momentous decision.

Comparable reports exist for all other areas of corporate governance. They can be accessed in section 7 of this report ("About Barclay Simpson") or at **www.barclaysimpson.com**

Barclay Simpson
corporate governance recruitment

At a glance

2

Job market getting tougher

- More risk managers out of work
- Contractor confidence down

Salaries fuelling discontent

- Salary increases down
- Risk managers less satisfied with remuneration
- Remuneration is what risk managers would most like to change about their job

> "Remuneration is considerably below market"

> "Increase compensation, it is well below market standards"

Risk managers biding their time

- Recruitment activity calm but steady
- Job security increasingly important
- Focus on improving current position

> "My employer has been very good in terms of working from home"

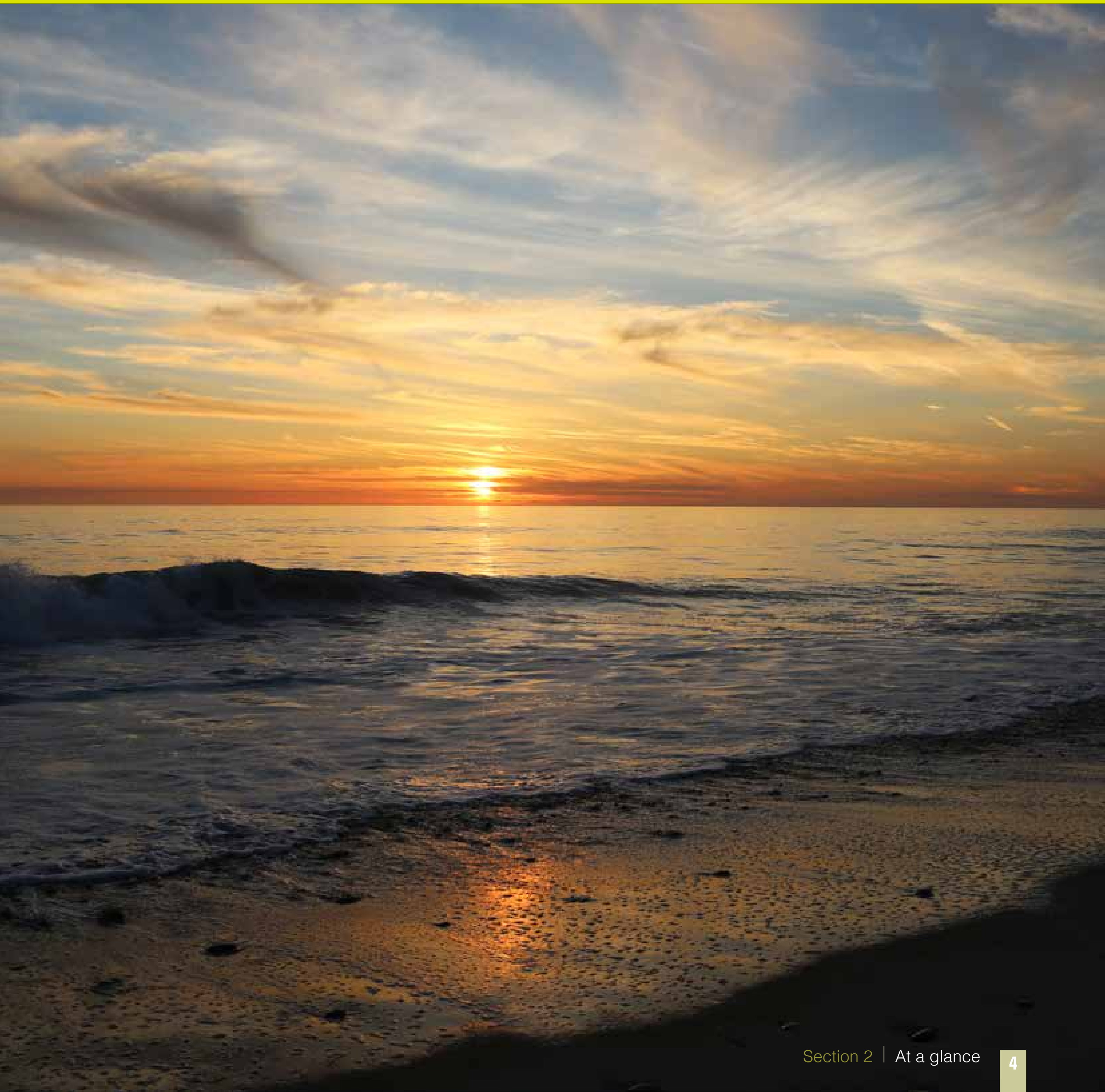
> "We've talked about more development & promotional opportunities"

Brexit a potential minefield

- Brexit significantly affecting work and reducing job security
- 39% of risk managers are non-UK EU citizens

Risk managers poised to jump

- 60% of risk managers ready to relocate



Executive summary

3

Economy and wages under pressure

Following a steady performance by the UK economy in 2016, growth rates at the beginning of 2017 have slowed. Whilst the post Brexit recession didn't materialise, the vast majority of economists expect the decision to leave the EU will hit growth. Overall unemployment levels continue to fall. Productivity growth, however, remains elusive and exchange rate depreciation has led to inflation exceeding the Bank of England's 2% target. Real wages, that had been improving since the financial crisis, are once again coming under pressure. This is exacerbating the pressure on salaries in risk management and causing an increase in the number of risk managers who would consider entering the recruitment market to improve their earnings.

Uncertainty prevails

Stability and growth tend to raise demand for risk managers. Unfortunately, we are still living through a period of uncertainty and, as we write this report, the UK government has begun a set of negotiations that will have far reaching implications, not just for employees and employers in risk management and other areas of corporate governance, but for the country as a whole.

We had hoped that by the time of this report the consequences of Brexit would have become a little clearer. This does not appear to be the case. The situation has been further complicated by the outcome of the recent general election and it remains to be seen what impact this has on the negotiations of the UK government with EU counterparts.

Brexit is a potential minefield

Whilst the response to our survey about the impact of Brexit is still speculative, our survey demonstrates that Brexit is a potential minefield for risk management departments, with many risk managers prepared to make significant changes to their lives, including relocating, to protect their jobs and career prospects. This situation is exacerbated by the fact that risk management departments are heavily dependent on EU migration for their successful operation and ongoing recruitment needs.

Threat to Financial Services

Some sectors may suffer a greater impact than others. For example, in Banking and Financial Services, if the EU changes the current rules governing the euro-denominated derivatives market and forces "systematically important" clearing houses to operate within the EU, this will have a significant impact on employment numbers in London, which could, in turn, have a negative impact on risk management departments that face off to these businesses.

Softer Brexit?

It is believed by some that the outcome of the general election could lead to what commentators describe as a "Soft Brexit", where access to the single market, customs union and a more relaxed approach to immigration is prioritised. As this report will demonstrate, and this will come as no surprise to many reading this, a Soft Brexit approach is preferable for the continued viability and success of many risk management departments.

Outlook

It is very difficult to make any sort of prediction on what is likely to happen over the longer term due to the uncertainty surrounding Brexit. In the short term, we anticipate the risk market will remain relatively active, particularly at the more junior level. Even during times of uncertainty, regulatory pressure, such as created by IFRS9 or FRTB, means companies still need to recruit. Instances of recruitment freezes or job losses due to departmental restructuring and role relocation are balanced by the creation of new roles, particularly in model validation, operational risk, retail credit risk and roles related to the delivery of a broad range of regulations. The market, in the short term, will remain challenging for senior credit and market risk managers with fewer roles at director level and above. Overall, we expect demand to hold up well with a good supply of candidates in all but the most specialist areas.

Key issues

4

As illustrated in section 2 (At a glance), the overall picture in risk management is mixed, with areas of growth and contraction, but with increasing pressures due to Brexit and remuneration. Here are the key issues coming out of our survey of risk managers:

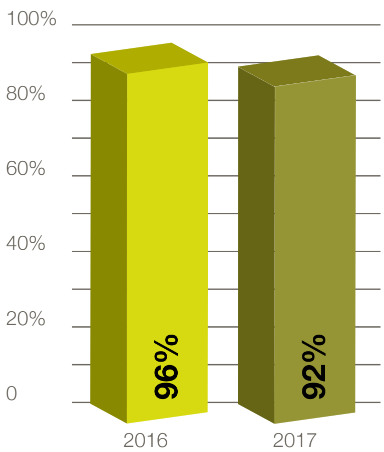
JOB MARKET GETTING TOUGHER

Job market deteriorating for risk managers

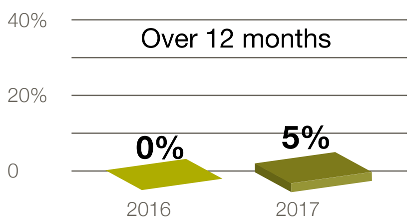
The number of risk managers reporting that they are not currently in work has doubled from 4% in 2016 to 8%. We also found an increase in risk managers reporting being out of work for over 12 months at 5%, compared to none in 2016.

This is not good news and may, in part, be explained by a deteriorating job market, but is perhaps better attributed to ongoing structural changes in the market.

Are you currently working?



How long have you been seeking a new position?



Large banks are continuing to cut costs to improve on their return on equity. Regulatory capital requirements have made certain business lines, such as commodities and structured credit, less profitable, leading to the closure or sale of those businesses. In addition, alternative finance providers, such as peer to peer companies, fin techs, challenger banks, direct lending funds, asset managers and insurers have started taking market share from banks in many of their traditional markets.

The consequence of this is that bank hiring in risk continues to be stronger in areas where there is a regulatory focus, such as liquidity risk, enterprise risk, treasury risk and operational risk and less strong in areas related to transactional activity, such as lending and trading, which is affecting credit and market risk.

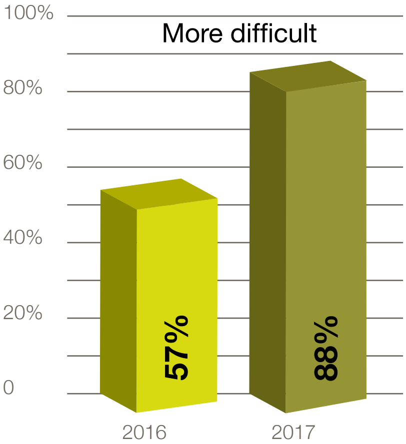
We have seen a steady flow of positions over the course of the year. There has been particular demand for operational risk managers in the financial services sector, whilst quantitative risk and retail credit risk have been areas of high demand in banking. There has been consistent demand for more junior hires in wholesale and corporate credit risk from the major banks, as well as an increase in demand for credit risk managers from funds, insurance, fin techs and challengers. As explained above, roles in market risk have been more prevalent on the non-trading side.

Overall, the consolidated number of vacancies across risk has remained comparable to the average figures for 2016, but the redundancies and pressure in certain areas have led to a slight increase in the number of risk managers who aren't working.

Contractor confidence down

Contractor confidence is low with 88% of contractors currently looking for a new contract reporting it harder to secure a new contract than anticipated. This is a big increase from 57% in 2016.

Are you finding securing a new contract more or less difficult than anticipated?

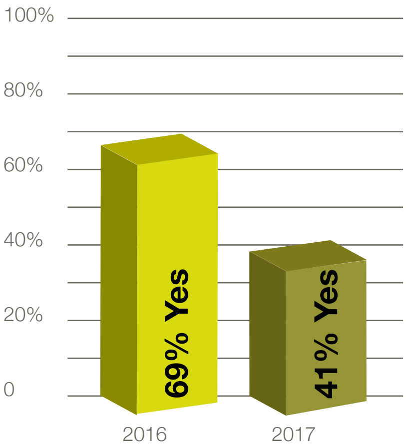


Just 25% of risk managers in work as a contractor believe that the market for their skills is improving (consistent with 2016, but down significantly from 45% in 2015).

This lack of confidence is linked to remuneration, as 43% of risk managers received no increase in their rate when changing contract, whilst 13% saw a decrease.

Satisfaction with remuneration (41%) is both lower for contractors than for non-contractors (53%) and is significantly down on 2016 (69%).

Overall do you believe you are adequately compensated?



Key issues

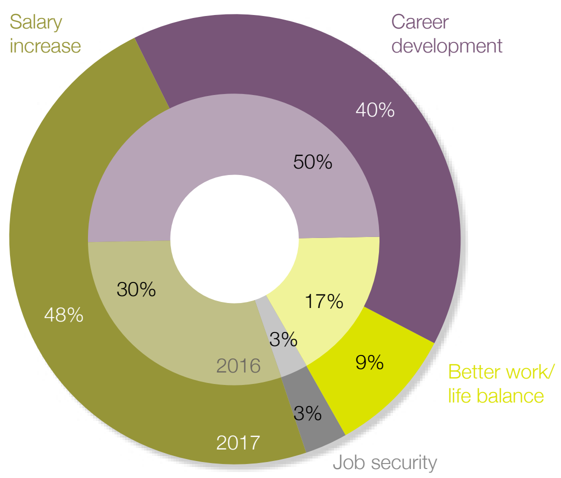
4

SALARIES FUELLING DISCONTENT

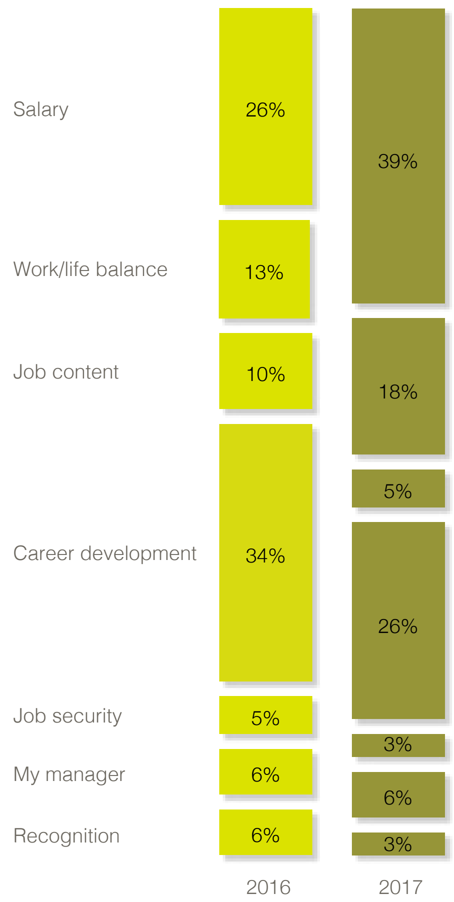
Salary an increasing motivation to change job

Overall, salaries are becoming an issue for risk managers. The number who feel adequately compensated has dropped only slightly from 55% to 53%; however, the number of risk managers who cite salary increase as a motivator for entering the recruitment market has increased significantly from 30% in 2016 to 48% and the number of risk managers reporting salary as being the thing they would most like to change about their current job has risen from 26% in 2016 to 39%.

If you were to consider looking for another job, or go for an interview, what would be the most likely reason for this?



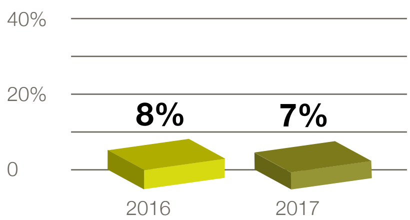
What would you most like to change about your job?



Average salary increase for non-movers down to 7%

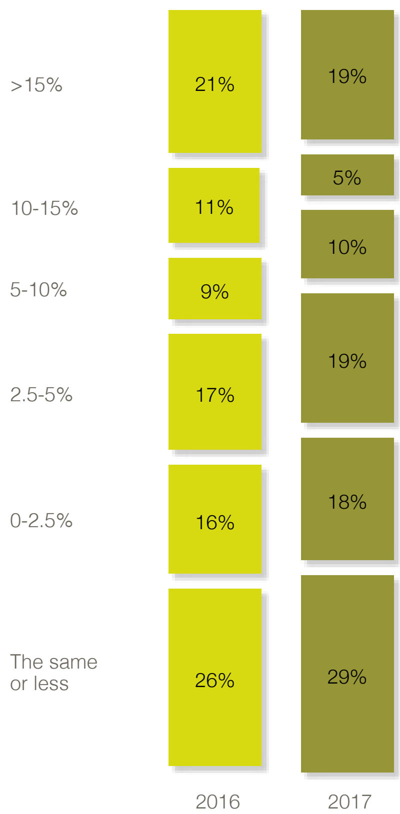
According to our survey, the average increase for risk managers who stayed with their existing employer fell from 8% in 2016 to 7% in 2017. Furthermore, averages can be misleading as many of the risk managers who stayed with their employer will have benefited from promotions. If we adjust for promotions, the figure drops to 2%. Given the recent rise in inflation, this represents a real reduction in the value of risk salaries.

Salary increase for non-movers



As our comparatives demonstrate, there has been an increase in the number of risk managers (66%) who received an increase of less than 5%. This compares to 59% in 2016.

Which option best describes your salary increase in the last year?



The figure of 29% of risk managers reporting they received no increase or even a drop in salary (3% included in the 29%) is up from 26% in 2016. This is a high percentage and will be of some concern, given the recent increase in inflation due to the fall in sterling caused by Brexit and the uncertain outcome of the general election.

Key issues

4

Sub-groups

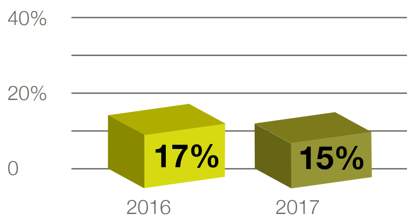
	Salary increase 2017
Credit risk	6%
Operational risk	7%
Liquidity risk	4%
Market risk	8%
Investment banks	5%
Corporate banks	9%
Retail banks/cards	5%
Funds/wealth	11%
Insurance	5%
Consulting & Regulator	6%
Men	7%
Women	7%
Managers	8%
Non-managers	5%

The picture is mixed across the financial services industry and across different risk disciplines. For example, the average salary increase achieved by liquidity risk managers was 4%, for credit risk it was 6%, for market risk 8% and operational risk 7%. In investment banking the figure was 5%, whereas in the funds space it was a considerable 11%. There was no difference in increases for men and women, though managers benefited from higher increases (8%) than non-managers (5%).

Average salary increase for job movers down to 15%

Our survey shows a drop in the average increase achieved by risk managers who have changed employers from 17% in 2016 to 15%.

Salary increase for job movers



The picture was most promising for market risk managers, who achieved an average increase of 19% when changing jobs, compared to 17% for credit risk and 13% for liquidity risk. The averages for men and women varied significantly, being 16% and 6% respectively.

Key issues

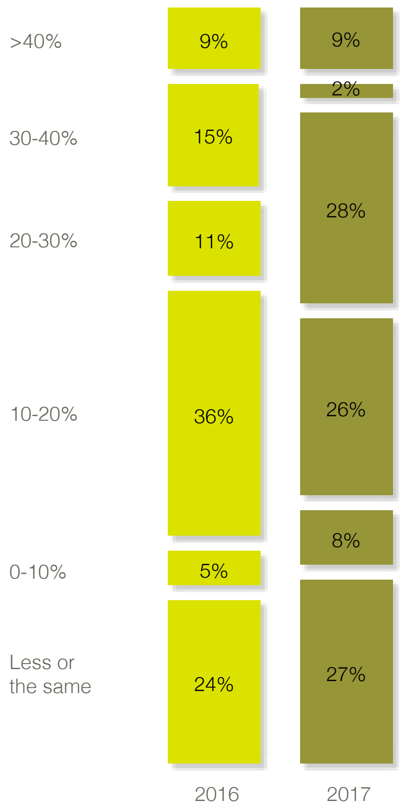
4

Sub-groups

	Salary increase 2017
Credit risk	17%
Operational risk	8%
Liquidity risk	14%
Market risk	20%
Investment banks	16%
Corporate banks	16%
Retail banks/cards	18%
Funds/wealth	13%
Insurance	5%
Consulting & Regulator	13%
Men	16%
Women	6%

There is a significant difference between the 15% increase in salary achieved by changing job and the 7% average achieved by staying with an existing employer. However, analysing the average reveals a wide range of increases. It is worth highlighting that whilst 15% may be taken as the average, only 26% (up from 18% last year) of risk managers actually accepted a salary increase between 10% and 20% and, significantly, 27% of risk managers moved for the same money or less, up from 24% in 2016, with 8% of risk managers moving for less.

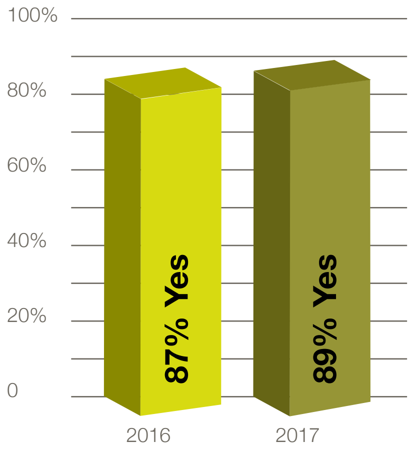
Which best describes how your current salary compares to your salary in your previous role?



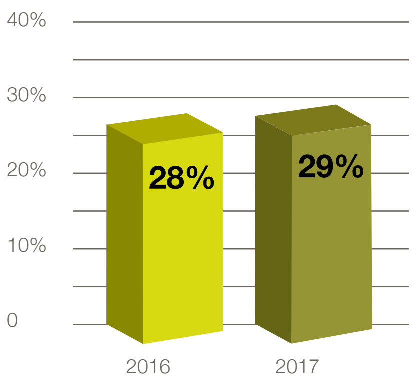
Bonuses flat

The number of risk managers receiving bonuses was 89%, fractionally up on 87% in 2016, whilst the average bonus level (29%) was virtually identical to 2016 (28%).

Does your employer pay a bonus?

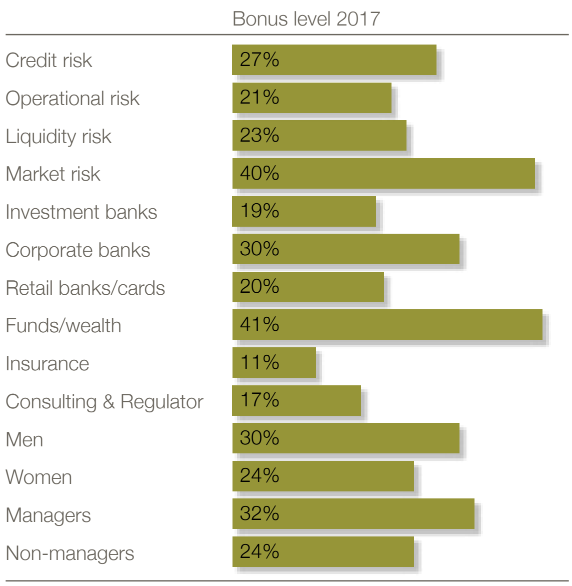


Level of bonus - percentage of salary



The average of 29% is significantly above the average paid to auditors (15%) and compliance professionals (18%). Risk managers tend to achieve higher bonuses than all other areas of corporate governance. The roles tend to be more technical and many risk managers, in credit and market risk in particular, work closely with revenue generating businesses in the front office. The average bonus is not, however, the typical bonus a risk manager might expect - only 17% of risk managers reported receiving a bonus in the 20-30% range and 54% of risk managers received a bonus of 20% or less.

Sub-groups



Bonuses were highest in funds/wealth at 41% and market risk at 40%. In credit risk, the average bonus was 27%, with 23% in liquidity risk and 21% in operational risk. Men achieved an average bonus of 30% and women 24%, whilst, unsurprisingly, the average bonus for managers (32%) was higher than for non-managers (24%).

Key issues

4

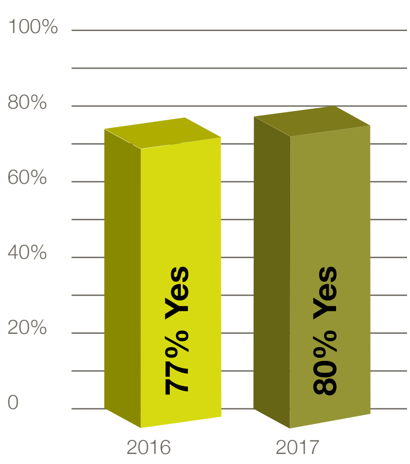
Whilst bonuses are a good way for employers to retain staff, they are not an efficient way of attracting them. This is shown in our survey where the average bonus for those who changed jobs was 25% compared to 30% for those who did not. Employers have been reluctant to compensate for loss of bonus when changing jobs for all but the most senior members of staff. If a risk manager wishes to change jobs they will have to forego any accrued bonus with their current employer and will, at best, receive a pro-rated bonus from their new employer. Bonuses are non-contractual, discretionary and subject to all the usual caveats around performance. In some cases, bonuses may begin accruing from the time employment starts, in others there is a qualifying period. Some employers have a cut-off point in the year after which new joiners will not qualify for a bonus in that year's cycle.

Pensions and other benefits stable

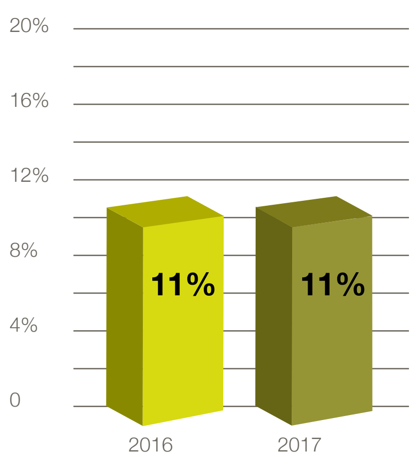
Pensions make a significant contribution to total income and, at 11% of base salary, have remained in line with 2016. 80% of risk managers receive additional pension contributions, a slight increase on 2016 (77%).

Other benefits (which include private health, travel or car allowances, memberships, etc.) remain at an average of £5,400.

Does your employer provide you with any pension benefits above the statutory minimum?

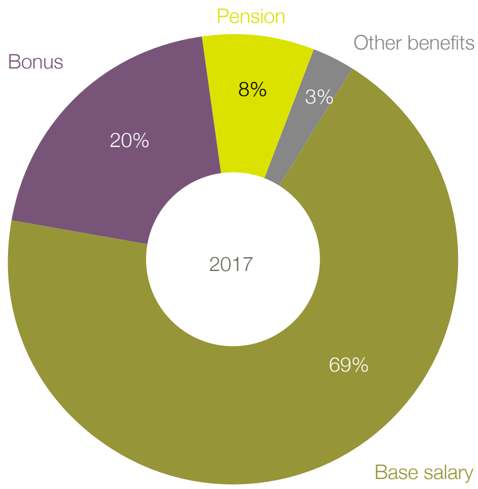


Level of pension contribution



Breakdown of total remuneration

The typical relative importance of the different elements of remuneration in risk is as follows:

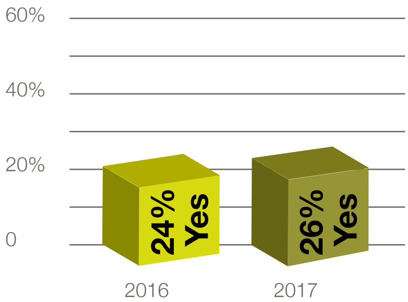


RISK MANAGERS BIDING THEIR TIME

Recruitment activity calm but steady

The number of risk managers who changed jobs in the past 12 months increased slightly, from 24% in 2016 to 26%, but is still at a calm rather than busy level.

Have you changed employer in the last 12 months?



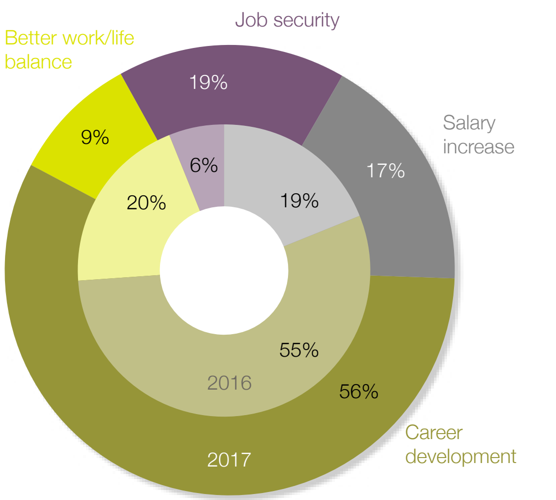
Key issues

4

Job security increasingly important

Job security is becoming increasingly important and was the primary motivator for 19% of people who changed job in the last 12 months, a big jump from just 6% in 2016.

What was your primary motive in looking for another job?



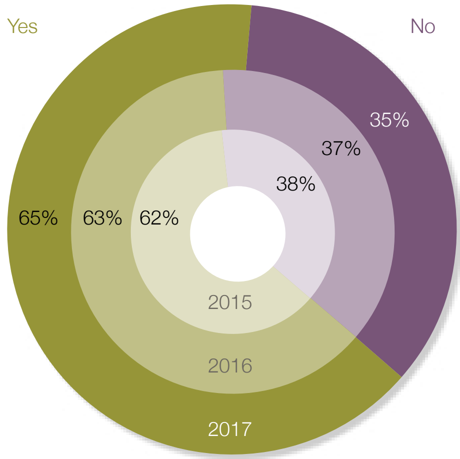
Operational risk managers feel the least secure, with 25% reporting job security as a reason for changing jobs, with credit risk managers close behind at 22%. These are very high figures and are explained not just by the potential impact of Brexit on both the wider economy and risk management, but also the current financial pressures in the risk market. Cost cutting measures have been common in banking for years and the last 12 months were no different. Regulatory capital costs have led to reduced lending and trading volumes, which has led to redundancies for credit and market risk managers that support these businesses. Offshoring, which has also been going on for several years, is another factor that is leading to insecurity among credit and market risk managers.

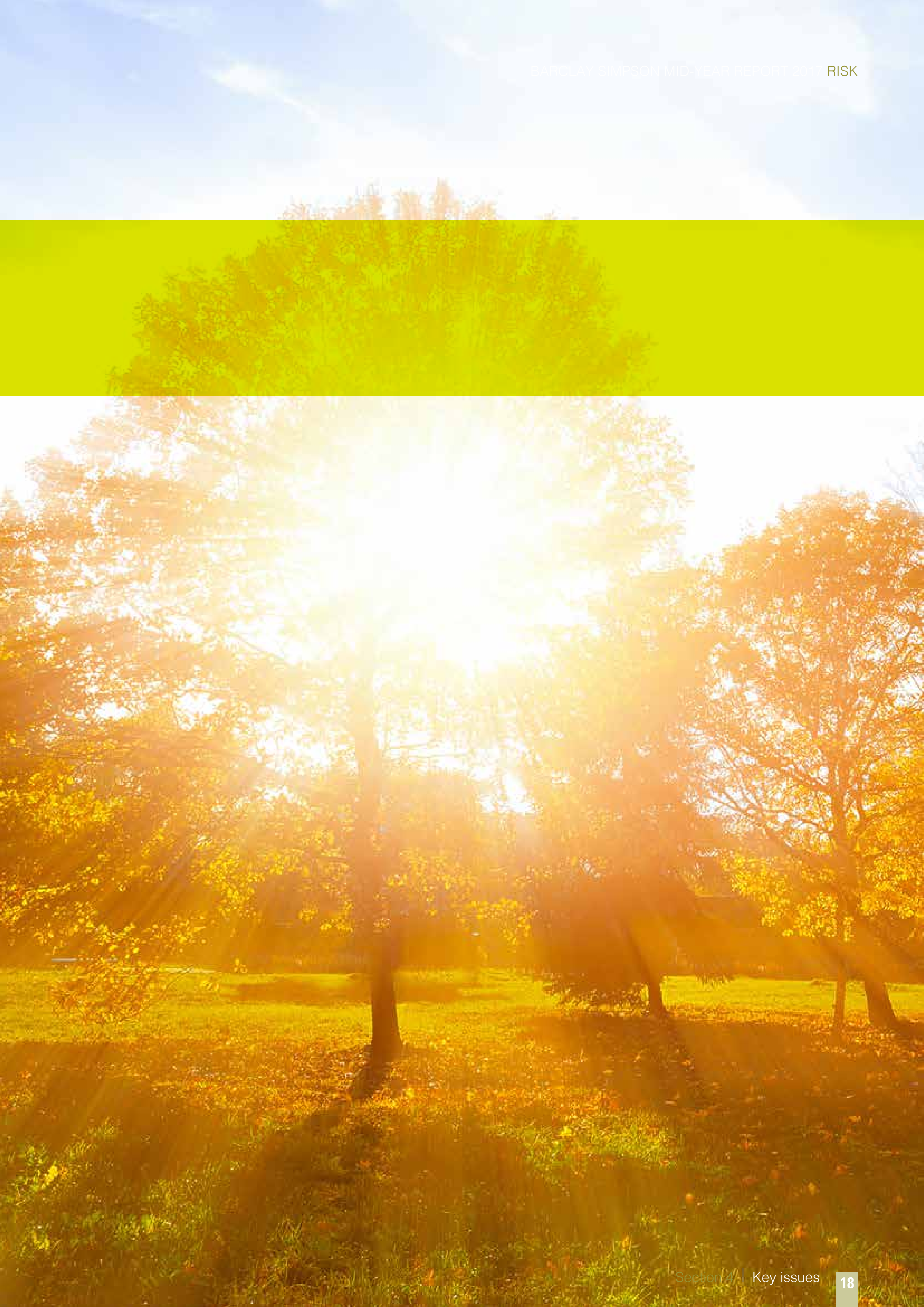
Focus on improving current position

Flexible working (i.e. the opportunity to vary your hours of work or to work from home on either an ad hoc or regular basis) is an increasing motivation for risk managers. Employers recognise this and are willing to entertain flexible working for new and existing employees.

This year 65% of risk managers reported that they benefited from flexible working, continuing a rising trend for the past 3 years. Furthermore, 76% of risk managers reported they would like the opportunity to work more flexibly.

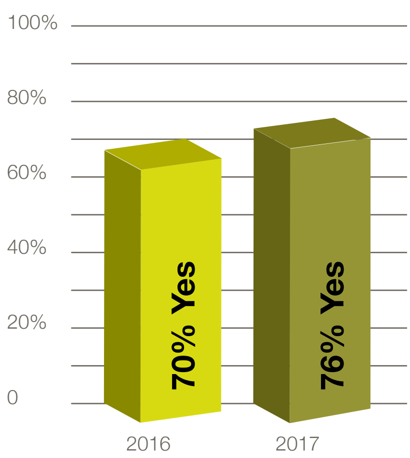
Does your employer provide you with the opportunity to work flexibly to any significant level?





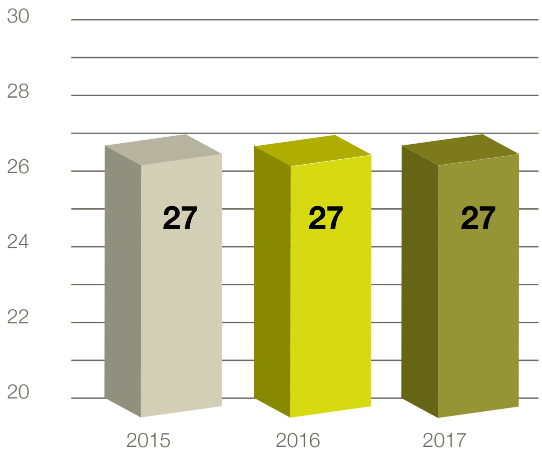
Key issues

Would you like the opportunity to work more flexibly?



Holidays are another key factor in quality of life, but tend not to be used as a means of securing or retaining staff as much as other incentives. In 2017, the average number of days holiday remained at 27 days.

Average number of days holiday

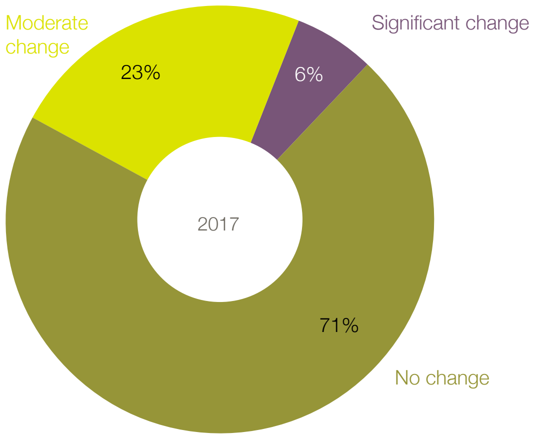


BREXIT A POTENTIAL MINEFIELD

Brexit is affecting the work of risk managers

Brexit is already impacting the work being performed by risk managers, with 23% reporting a moderate change and a further 6% a significant change. This is comparable to other areas of corporate governance, such as risk management and compliance, with 23% and 24% respectively. It is, however, considerably lower than in legal where 41% of lawyers have reported moderate change to their work and a further 8% of lawyers a significant change to the work they are performing.

Is Brexit affecting the work you do?



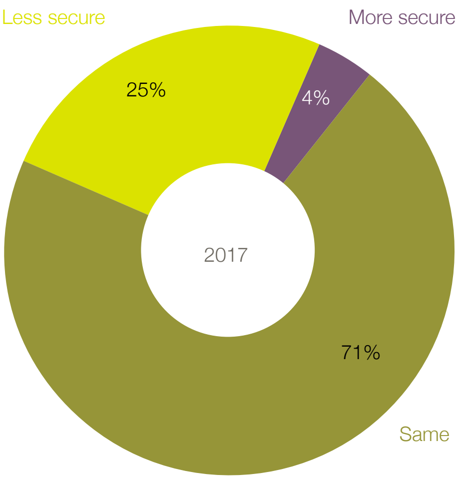
The impact increases in corporate banking, with 35% of banking risk managers reporting a moderate change and a further 3% a significant change, and funds, where 30% of risk managers have reported moderate change and 4% significant change. In consulting & regulator, whilst the number reporting moderate change is quite low (5%), the number reporting a significant change to their work due to Brexit is much higher at 15%.

Insurance appears to be the least affected sector, with just 9% of risk managers reporting a change to the work they do as a result of Brexit.

Brexit reducing job security

Brexit is also affecting job security with 25% of risk managers feeling less secure as a result of Brexit.

Has Brexit affected your job security?



This is higher than audit, where 15% feel less secure, but is comparable to other areas, such as legal and compliance where 27% of lawyers and 24% of compliance professionals believe their roles have become less secure.

Risk managers in banking feel less secure than their counterparts in the broader financial services industry. Whilst risk is a transferrable skillset between geographic locations, for financial services in particular, the depth of the candidate pool in London often dictates where roles are based. London attracts people from around the world so employers, bound by the need to attract the highest quality staff, resist the temptation to hire in cheaper locations and retain roles in London. However, banking is slightly different. We have seen restructuring of risk departments in banking for cost reasons prior to Brexit for some time and a number of organisations in banking have already moved credit and market risk teams to lower cost locations in other parts of the UK, Europe and beyond: Dublin, Edinburgh and Belfast, along with centres in Eastern Europe and India have all been popular destinations.

Brexit compressing earnings

One clear impact of both Brexit and the recent election has been a fall in the value of Sterling. This has led to an increase in inflation which currently stands above the Bank of England's target of 2% and has impacted real earnings. In addition to this, our survey reveals that the overall salary increases achieved by risk managers either changing jobs or staying put have fallen slightly. When compared to national averages, the figures for risk managers still exceed those in the wider economy, however, wage compression as a result of inflation has led to an increase in the number of risk managers who reported salary as a key motivator for potentially entering the recruitment market and the thing they would most like to change about their job.

Key issues

4

RISK MANAGERS POISED TO JUMP

Large number of EU Citizens employed in risk management

39% of the candidates who responded to our survey are EU Citizens (Non-UK). This is a very high figure and rises to 55% in market risk, which seems to be more reliant on EU Citizens than other areas of risk management.

These figures seem accurate based on our experience of the risk management market and the fact that, over the past 12 months, 36% of our revenue generated by risk placements came from placing EU Citizens. That said, the figures may not necessarily be representative of the composition of most risk departments as our survey is of candidates who are registered with a recruitment agency and most people relocating to the UK to look for work register with a recruitment agency which may skew the figures.

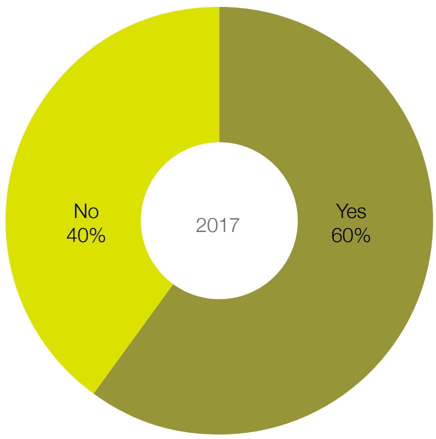
However, it is clear that risk management departments are heavily reliant on EU Citizens for their day to day functioning and future resourcing plans. Post Brexit, if the rights of EU Citizens already working here are not guaranteed and we fail to adopt some form of free movement or an efficient visa application system, employers may be faced with no choice other than to relocate roles to the continent to attract and retain staff.

60% of risk managers ready to relocate

Our survey has revealed a potential brain drain, depending on the outcome of the Brexit negotiations, as 60% of risk managers have indicated they are ready to relocate if their current role or job prospects are significantly affected by Brexit. Amsterdam is the most popular destination given, with Paris, Frankfurt, and Dublin all popular choices.

This figure rises to 100% of EU Citizens that responded to our survey and, given the heavy reliance on EU Citizens for the successful functioning of risk departments, this represents a significant risk for employers.

If Brexit had a significant negative impact on your career or job prospects, would you consider moving to a country within the EU?



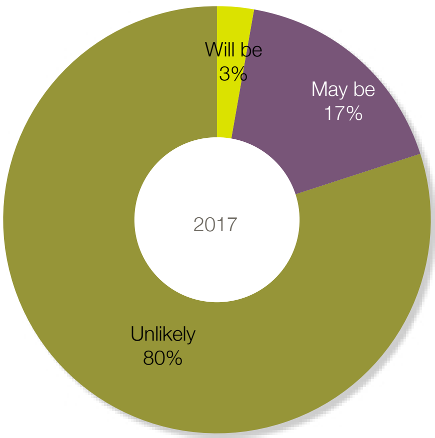
20% of risk managers believe their role will or may be relocated

20% of risk managers believe their role will or may be relocated to another part of the EU post Brexit.

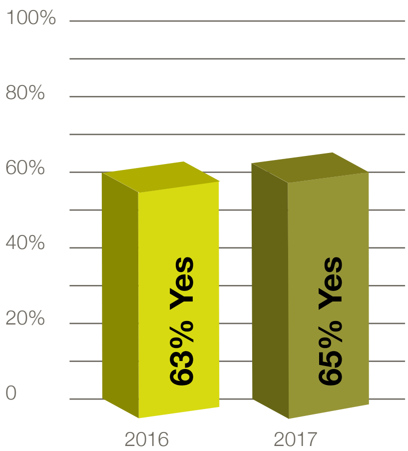
This figure rises to 26% of risk managers in corporate and investment banks, though is much lower in retail banking (8%) and in insurance (9%). Insurance sector risk managers feel the most secure with regard to Brexit as UK insurers tend to focus primarily on the UK and the Lloyds Market is a global centre of excellence that is less reliant on the EU for business than other financial services companies.

Aspects of risk management can be performed remotely, however, there are many roles that need to be close to the business areas they support.

Are you worried that your role may be relocated to another part of the EU post Brexit?



Do you believe your skills have become more valuable?



Those areas of financial services that need to have departments within the EU for their business to function internationally are likely to require a local risk management presence. On a positive note, the UK is likely to retain equivalence with the EU in rules and regulations for the foreseeable future. The UK also has a good track record of 'Gold Plating' regulatory standards meaning there shouldn't be any great divergence of rules and regulations between the UK and the EU, so it is unlikely that roles will be relocated due to regulatory pressure in the short to medium term.

Risk managers feeling confident in skills

When the time is right to move, risk managers are feeling increasingly confident in their skills, with 65% believing that their skills have become more valuable (up from 63% in 2016).

Confidence is greatest in operational and liquidity risk, slightly lower in credit and market risk.

Language skills could be a problem

- 52% of risk managers do not speak another European language
- 80% of risk managers who are also British Citizens do not speak another European language
- French is the most widely spoken European language amongst risk managers at 22%, followed by German at 17%

Whilst the international business language is English in many multinational businesses, particularly Financial Services, language skills may prevent the 80% of British risk managers who don't speak a second European language from moving to another EU country. Much of this is dependent on the outcome of the UK Government's negotiations with the EU and, for the time being at least, London remains the main ecosystem and European centre for financial services. For the better candidates, the perception remains that career opportunities and salaries are better here than in other EU cities.

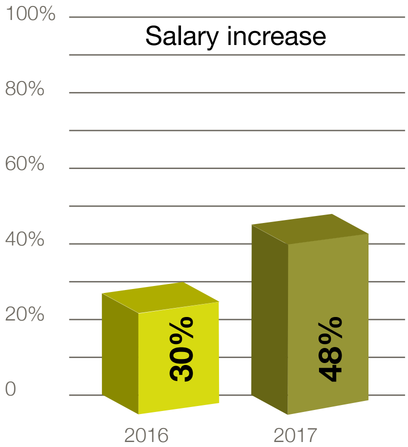
Sector analysis

5

CONTEXT

Following several years of sustained earnings growth, the recent rise in inflation, coupled with a fall in the average salary increases achieved by risk managers, has led to the number of risk managers who cite salary increase as a motivator for entering the recruitment market increasing significantly from 30% in 2016 to 48%.

If you were to consider looking for another job, or go for an interview, what would be the most likely reason for this?



Salary increases for both risk managers who have stayed with their employers as well as for those who have moved are down. Higher than average increases for those who have stayed are often linked to promotion or to a counter offer. Promotions are a good way of motivating and retaining staff, whereas counter offers are much less successful, with many risk managers who have been persuaded to stay purely by a salary increase, with no material change to their conditions or the nature of their job, choosing to re-enter the recruitment market within 12 months.

In 2016, when we asked risk managers what they would most like to change about their jobs, career development was top at 34%. This year, in light of compressed earnings, salary has risen to 38% against career progression at 26% and a better work/life balance at 18%. Salary is clearly becoming a more important issue in risk.

QUALITATIVE FEEDBACK

In our survey, we also gave risk managers the opportunity to respond qualitatively to the question **"If there were something you could say to your employer, what would it be?"** The strongest theme coming through was dissatisfaction with remuneration:

"Increase compensation, it is well below market standards."

"Remuneration is considerably below market"

"We need to reconsider financial terms."

Risk managers were also keen to encourage their employers to think about helping them develop their skills:

"More development & promotional opportunities."

"Just consider my experience and leverage on it. I love what I do and am looking for new challenges and opportunities."

"Higher education/personal development budget for my team."

And employers were urged to:

"Review the market rate for audit jobs."

Another theme was quality of life/working conditions:

"More flexibility in terms of working from home."

"Please don't contact me after 6pm, I deserve to have a life."

"Flexible working."

The comments were generally constructive, with frustration often balanced by praise:

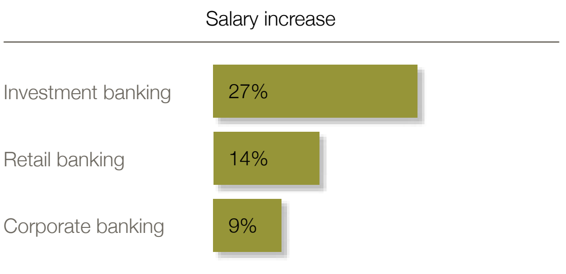
"Great place to work. Fix the primitive IT systems. Get rid of the lazy hangers-on, and up-skill and increase the pay of those willing to work."

BANKING

The number of risk managers in banking who reported changing roles in the past 12 months was up from 18% in 2016 to 21%. This is only a marginal increase year on year and is in line with 2015, suggesting that the market has remained relatively stable.

Salary was cited as a motivator for changing jobs by 27% of risk managers in investment banking, compared to 14% in retail banking and 9% in corporate banking.

What was your primary motive in looking for another job?

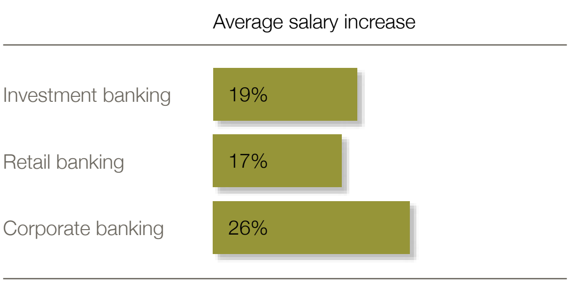


In spite of this, the average salary increase achieved by risk managers in corporate banking was the highest, at 26%, with investment banking risk managers achieving 19% and retail bank risk managers achieving an average increase of 17%. Each was above the overall risk average of 15%

Sector analysis

5

Which best describes how your current salary compares to your salary in your previous role?



Demand from the traditional London banking market presents a mixed picture, with some firms increasing headcount while others have recruitment freezes in place and there have been redundancies.

Alongside the continuing requirement to replace leavers, other factors driving recruitment in banking have been the introduction of new regulations and a move towards hiring risk managers to ensure banks are able to deliver on the regulatory side.

The volume of market risk management roles is shrinking

Automation in market risk in banking has reduced the size of teams required to monitor market risk positions on an intraday basis. Straight-through processing, for example, has optimised transaction efficiency and accuracy.

Banking regulations on capital requirements have forced banks to reduce the size of their trading books. Whilst this has affected some markets, such as commodities, more than others, it has nonetheless had a knock-on effect for risk management teams, which have shrunk proportionately.

A decline in exotic products

Since the financial crisis, legislation regarding capital requirements has become increasingly onerous. The need for more capital has led many financial institutions to reduce their exposure to complex products such as asset-backed and mortgage-backed securities. Demand from the banking sector for market risk managers who specialise in these products is at an all-time low and people are consequently seeking roles in more vanilla products.

Stress testing takes centre stage

Increased capital requirements may be putting the squeeze on some risk management positions, but the growth of stress testing has countered this.

The Dodd-Frank Act Stress Test, the Comprehensive Capital Analysis and Review (CCAR) and the Fundamental Review of the Trading Book (FRTB) are just a few examples of the regulatory pressures banks face where there are premiums placed on candidates' skill sets.

Centralised stress-testing teams that view risk after the fact are becoming more important. These roles, along with modelling and reporting jobs, have historically been viewed as less interesting for those keen on being as close as possible to the front office. However, regulatory pressures have required banks to take a more holistic approach across portfolios and candidates are starting to recognise the value of these positions.

Roles in "Enterprise Market Risk", "Group Market Risk" and "Portfolio Market Risk" are now cropping up with more regularity and many have attractive salaries to match the growing demand.

Nearshoring and offshoring continues

While nearshoring and offshoring are hardly new trends in risk recruitment, they show no signs of slowing down in 2017. Many businesses will no doubt be keeping an eye on Brexit negotiations to see whether or not shifting operations to mainland Europe or further overseas becomes a necessity.

European banking operations in Poland, Hungary and Germany are growing, as nearshore locations are becoming more attractive. Meanwhile, in the US, we have seen the growth of banking operations in Stamford, Salt Lake City and Boston.

INSURANCE

The insurance market has remained stable over the past 12 months, with fewer regulations, redundancies and firms restructuring, compared to other areas of the risk recruitment market. Whilst the volume of roles has remained steady, the general availability of candidates is lower, which has kept competition keen.

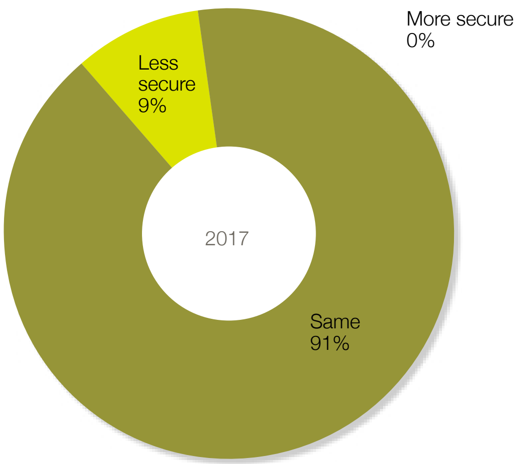
Operational Risk roles in insurance have evolved since the introduction of Solvency II. Risk Management departments in the Lloyds market tend to be smaller and employers are requesting candidates with some quantitative skills in addition to general risk management experience. These candidates are in relatively short supply and roles are staying open longer as a result.

There has also been a steady demand for credit risk managers from both the Lloyds Market as well as General & Life insurers. In the Lloyds market, many roles have come from Political & Credit Risk insurers wanting to employ credit analysts. Over the past few years there has been a growth in insurance companies investing in the private debt space, which has led to demand for credit analysts with a ratings and transactional background. There has been a reasonable supply of candidates for both these areas, with many displaced bankers looking to make the switch into insurance.

Sector analysis

5

Has Brexit affected your job security?



The insurance sector is least likely to be affected by Brexit, with 91% of risk managers reporting they feel no less secure as a result of Brexit. The Lloyds market is a unique and highly specialised global centre of excellence that books business globally and is very difficult to replicate elsewhere. Lloyds of London has announced plans to open an office in Brussels and many syndicates already have offices in Europe.

ASSET MANAGEMENT

Having so far escaped the level of regulation being faced by the banks, it is expected that the regulator will begin looking at the asset management industry in greater detail. MiFID II comes into effect in January 2018 and has driven demand for investment risk managers who can conduct suitability studies to ensure investments are appropriate and in line with client mandates.

Within operational risk, employers require candidates with buy-side and specific product knowledge. Skill sets in increasing demand include risk reporting, ICAAP, risk control self-assessment, root cause analysis, scenario analysis and risk dashboards with Key Risk Indicators. Given the small size of operational risk teams and the requirement to manage stakeholders, risk managers who are dynamic & personable will find greater opportunities. Employers are beginning to specify a need for candidates with financial qualifications or certifications, such as CISI (International Certificate in Wealth & Investment Management) or PRM (Professional Risk Management Certification).

There is an increasing number of firms looking to create risk in the first line as the second line becomes burdened by regulation. Whilst these teams may only be made of up of a single individual in some instances, they nonetheless play an increasingly important part of providing a holistic risk picture.

CONTRACT MARKET

Although confidence amongst contractors is down, the contract market within risk has recovered slightly from a dip in demand in 2016, particularly in the latter part of 2016. There are several reasons for the recent improvement in demand.

Consumer Credit Finance continues to grow and, as it grows, so does exposure to the regulator, which is driving demand for experienced risk managers. A number of challenger banks are looking to grow their risk functions and fintech groups have ambitious global growth plans. They often look to bring in interim experienced risk managers to ensure proper corporate governance is put in place.

There has also been notable demand from multinational corporate banks, asset management firms and investment banking. Quantitative Analysts, Credit Risk Analysts, Credit Risk Modellers, Stress Testing Analysts and IFRS9 Modellers have continued to be in demand across the banking sector, as have interim managerial positions within operational risk. Often clients have been seeking candidates who have come from investment banking or large banking backgrounds, who know what good risk governance looks like and who can help their business develop and implement a solid risk function and framework.

Mergers and acquisitions are also fuelling demand for contract staff, particularly contractors with business transformation or change management experience or those who have experience of risk systems, reporting and department integration. In such situations, contractors offer an adaptable and flexible resource which is attractive as the business goes through a period of change and transition.

Uncertainty surrounding Brexit is another factor driving the market, as some people already in work are reluctant to move employer, while some EU nationals do not want to take a UK role because of the lack of clarity over future immigration rules. Combining this with the fact that some firms may not want to commit to hiring teams of permanent staff if they are not sure what the road ahead looks like, results in firms either having to hire contractors, or at least become increasingly open to using them.

In terms of candidate availability, contractors with generalist banking operational risk experience are relatively available. However, whilst the contract market might superficially appear buoyant, there is a real shortage of contractors with the type of skill sets most often required. For example, those with a deep understanding of designing and implementing operational risk frameworks combined with other skills such as ICAAP, Stress Testing and Credit or Liquidity Risk. Skilled Modellers or Quants with 5-10 years' experience are also very scarce.

Salary guide

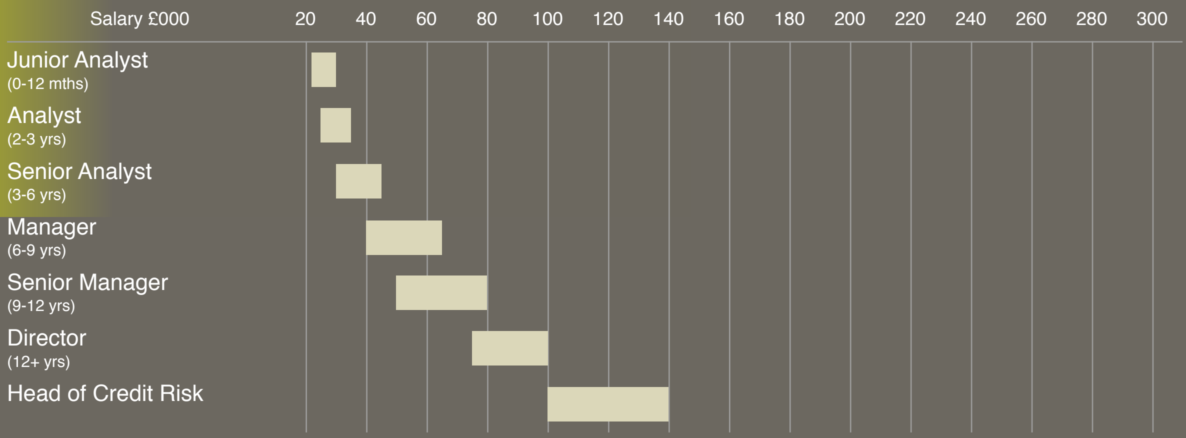
6

Barclay Simpson analyses the salary data that accumulates from the placements we make in the UK. This provides a guide to salaries for risk managers.

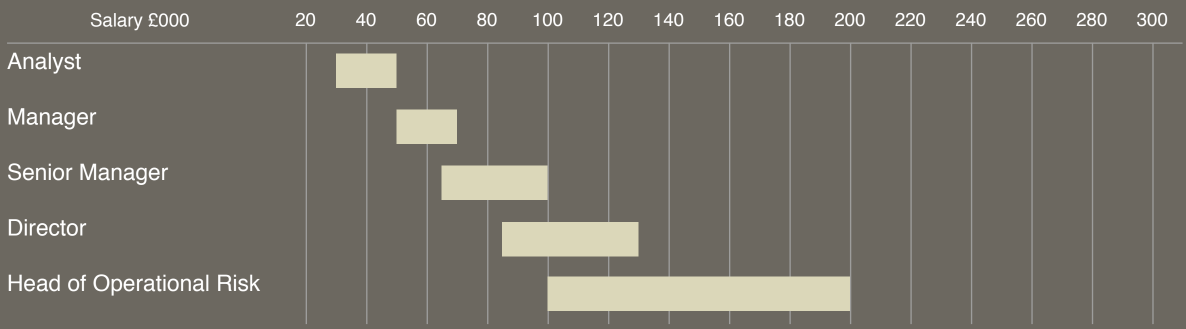
The salary ranges quoted are for good rather than exceptional individuals and take no account of other benefits in addition to salary that usually accrue to risk managers, such as bonuses, profit sharing arrangements and pension benefits.

For more information on risk salaries, please contact Antony Berou **(ab@barclaysimpson.com)** on 020 7936 2601.

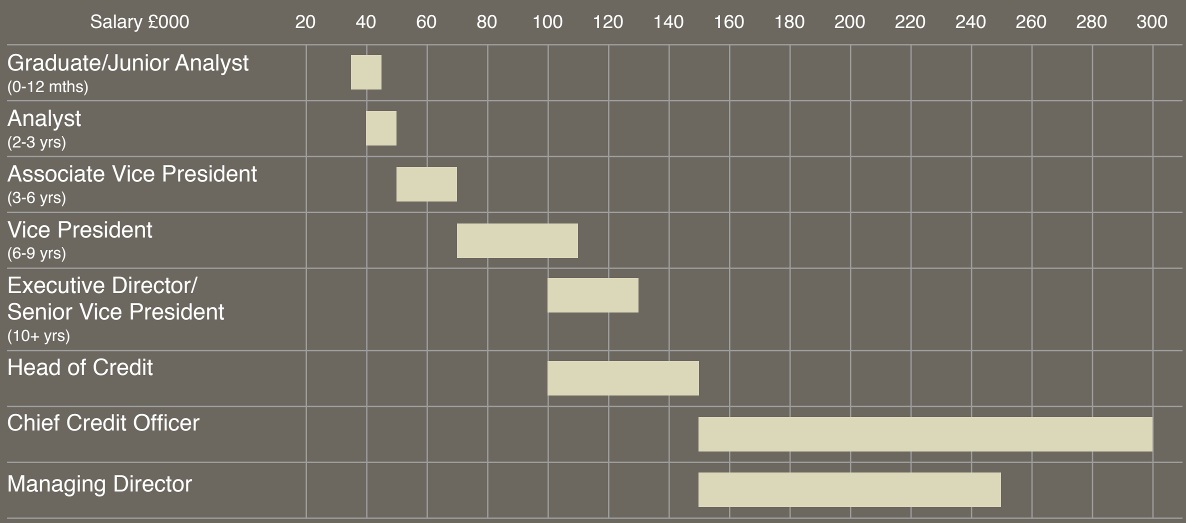
Retail Banking – Credit Risk



Retail Banking – Operational Risk



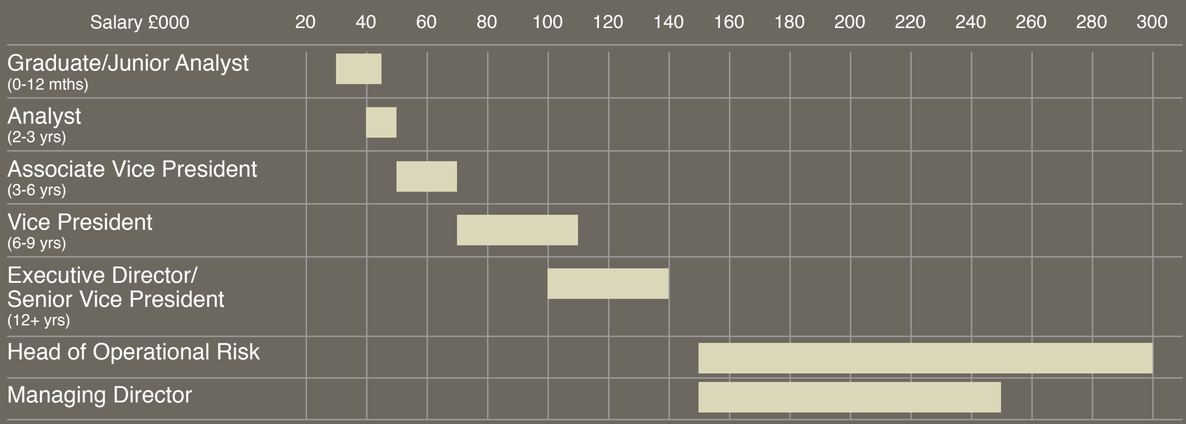
Corporate Investment Banking – Credit Risk



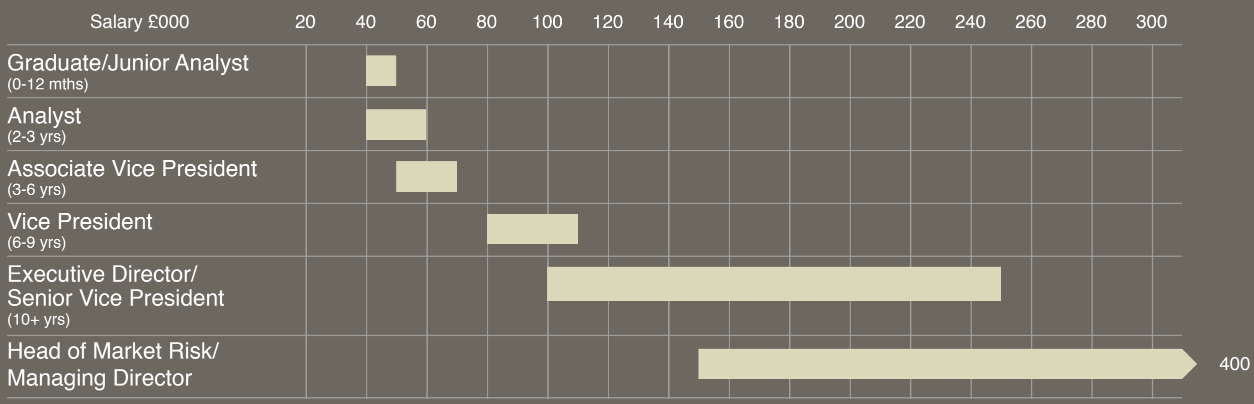
Salary guide

6

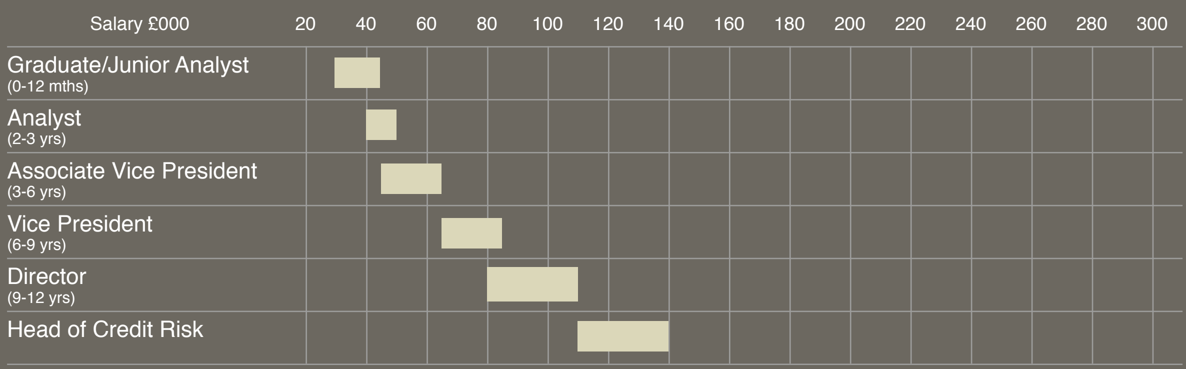
Corporate Investment Banking - Operational Risk



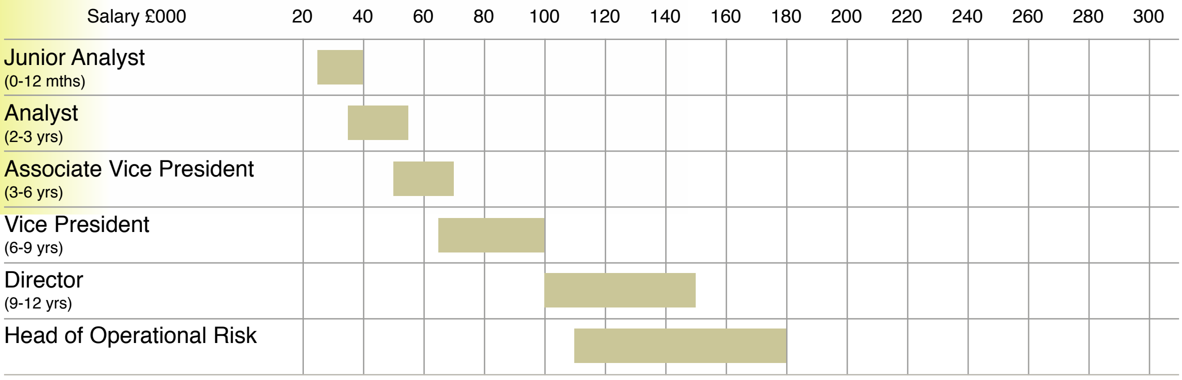
Corporate Investment Banking - Market Risk



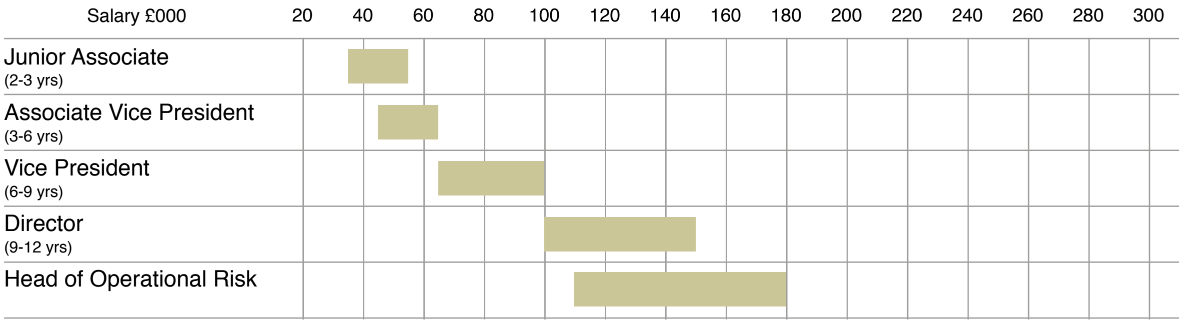
Private Banking - Credit Risk



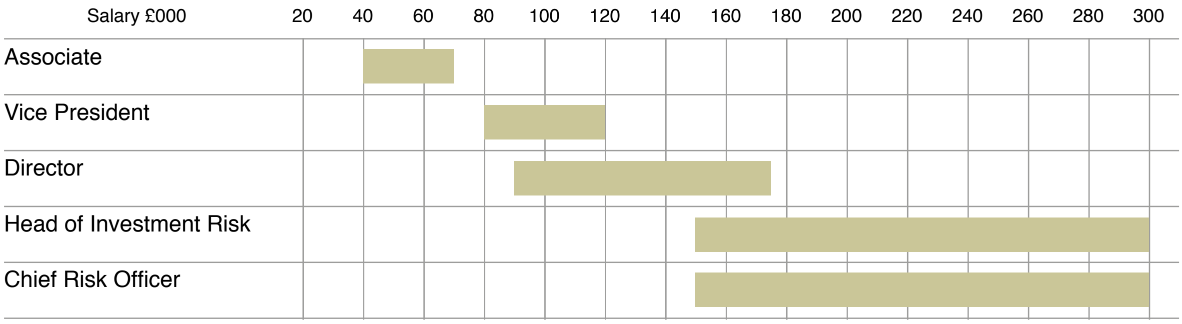
Private Banking – Operational Risk



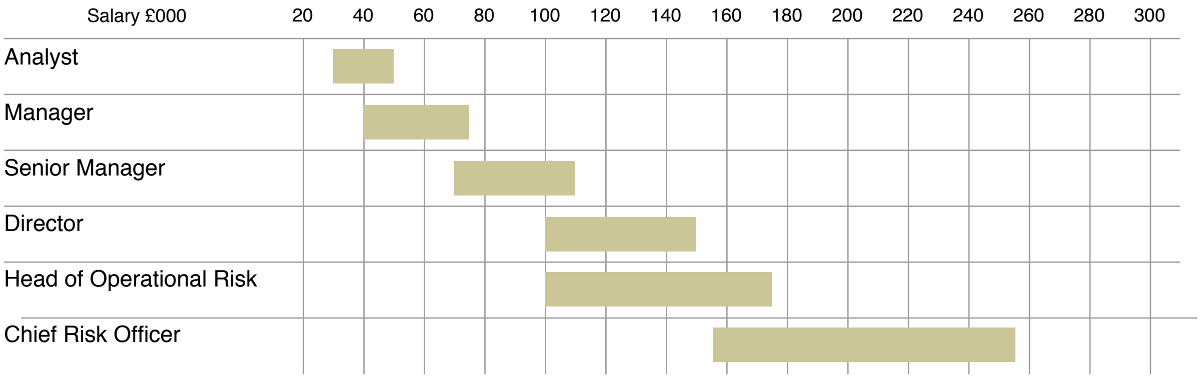
Asset Management – Operational Risk



Asset Management – Market/Investment Risk



Insurance – Risk



About Barclay Simpson

Barclay Simpson is an international corporate governance recruitment consultancy specialising in internal audit, risk, compliance, security & resilience, 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, 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 in utilising 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, Security & Resilience, Compliance and Legal recruitment markets. These can be accessed from the links below.

www.barclaysimpson.com/internal-audit-mid-year-report-2017

www.barclaysimpson.com/risk-management-mid-year-report-2017

www.barclaysimpson.com/compliance-mid-year-report-2017

www.barclaysimpson.com/security-and-resilience-mid-year-report-2017

www.barclaysimpson.com/legal-mid-year-report-2017

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

Barclay Simpson
Bridewell Gate, 9 Bridewell Place
London EC4V 6AW
Tel: 44 (0)20 7936 2601
Email: bs@barclaysimpson.com

Feel free to share our reports with colleagues or friends and, if you would like hard copies of any of the reports, or would like to discuss any aspect of them, please contact the following divisional heads:

Internal & IT Audit	David Jarrold dj@barclaysimpson.com
Risk	Antony Berou ab@barclaysimpson.com
Compliance	Tom Boulderstone tgb@barclaysimpson.com
Security	Mark Ampleford ma@barclaysimpson.com
Legal	Jane Fry jf@barclaysimpson.com
Interim	Andrew Whyte aw@barclaysimpson.com

To discuss our international services, please contact:

Europe/Middle East	Daniel Close dc@barclaysimpson.com
Asia Pacific	Russell Bunker rb@barclaysimpson.com
North America	Gareth Carpenter gc@barclaysimpson.com

Barclay Simpson
corporate governance recruitment