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5 key trends:

How Brexit and the pandemic

are shaping European governance recruitment

Introduction

On January 31st 2020, the UK formally withdrew from the European Union (EU) – more than three-and-a-half years after the country first voted 'Leave' in the 2016 referendum.

Less than a year later, the nation has also left the bloc's single market and customs union. In more conventional times, Brexit would be the biggest story of the year in European governance circles.

However, the arrival and spread of Covid-19 in mainland Europe in early 2020 caused immediate, unprecedented disruption to the way many firms do business. This disruption is still ongoing and will likely have lasting consequences for business practices across the financial services industry.

But how have European companies coped with the twin headwinds of Brexit and Covid-19? In what ways are these trends shaping governance recruitment across the region? And which other key issues are keeping governance teams awake at night?

In this report, we hope to bring valuable insight to both organisations and professionals regarding the current state of play in European governance recruitment.

We welcome your feedback and look forward to hearing your thoughts on the latest market developments.

5 factors affecting European governance

To ensure our research and insights accurately reflect the experiences of clients and candidates across Europe, we interviewed senior decision-makers at a range of EU-based financial services firms for this report.

We would like to thank them for their participation and contributions. In order to share their comments and opinions as transparently as possible, we have preserved their anonymity.

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Brexit continues to cause headaches

Few readers will be surprised that most heads of risk and compliance functions we spoke to cited Brexit as a major driver of day-to-day activity across their departments.

> *"Nearly all my work has been sorting out the regulatory requirements for the Brexit entity."*
>
> – Head of Risk at an international investment bank

More than **440 firms across banking and finance** have moved or are in the process of moving parts of their business, employees, assets or legal entities from the UK to the EU, according to a recent study by thinktank New Financial.

The researchers estimate that banks, insurance firms and asset managers have already collectively transferred approximately £1 trillion (€1.1 trillion) in assets and funds because of Brexit.

Where have firms moved?

Dublin is the most popular place for businesses setting up new EU hubs or secondary locations outside London, but several cities are vying to become the top post-Brexit hotspot:

1 Dublin **25%**

2 Paris **19%**

3 Luxembourg **17%**

4 Frankfurt **12%**

5 Amsterdam **9%**

Major banks and insurers have also announced high-profile moves to Madrid (4%), Brussels (3%) and Stockholm (1%).

Industry sector is a crucial factor in these decisions. New Financial's data shows approximately one-third of asset managers that have moved went to Dublin, while 60% of the firms that relocated to Frankfurt are banks. Of the companies that chose Amsterdam, nearly two-thirds are trading platforms, exchanges and brokers.

This data mirrors our own observations, although we have also seen significant interest in Luxembourg as a post-Brexit hub among asset managers. Businesses are attracted to the country's excellent geographic location in Europe, nestled as it is between France, Belgium and Germany, as well as its close proximity to London. Many companies also already had a presence there.

Best-laid plans go awry

Some businesses were better prepared than others for the regulatory repercussions of Brexit. One Head of Risk for the Brexit entity of an international investment bank admitted their organisation had been slow to accept some of the realities of the UK's exit from the EU.

"It has been tough because some regulatory supervisors have been less than sympathetic. To their credit, they had been trying to push us along the process in 2020, but they are now really piling a lot of pressure on us," the senior decision-maker explained.

Even companies that felt confident in their Brexit preparations have experienced bumps in the road. Some had made significant early investments into EU structures that couldn't be fully utilised during the contentious negotiation period.

"*We got ahead of the game and put into place post-Brexit measures quite quickly, so we were quite frustrated with how long the negotiations and delays took,*" one Head of Risk and Compliance told us.

"*The true test will be profitability once a more stable market returns because there has been quite a significant increase in the cost base with, as it stands, nowhere near an equivalent increase in client numbers.*"

>7,600

Financial services jobs, or 0.7% of the UK total have moved from the UK to Europe due to Brexit.

Further complicating matters is the ongoing uncertainty that still surrounds many of the legal specifics of how financial services firms across the UK and EU will operate in a post-Brexit world.

The Brexit deal was notoriously light on detail about the future of the financial services sector.

Indeed, a memorandum of understanding that would enable UK and EU policymakers to begin serious dialogue on voluntary regulatory cooperation wasn't agreed until late March 2021. At the time of writing, it is yet to be signed.

02

Regulatory compliance tops governance agendas

Preparing for regulatory changes has been a key focus for most governance teams over the past year and will continue to be a priority moving forward.

“*Our main challenge has been linked to a change of status with the local and regional regulators,*” one Head of Risk and Compliance at a Paris-based international broker said.

“*Developing, implementing and reporting back on new policies to meet new requirements has been particularly tough to do remotely during the pandemic.*”

While the lion’s share of regulatory work for many businesses was Brexit-related, this was not always the case, and governance teams have a raft of other regulations to consider.

Timeline of key regulatory developments

- **6AMLD:** The EU’s Sixth Anti-Money Laundering Directive came into effect on December 3rd, 2020
- **MiFID II/MiFIR review:** ‘Quick fix’ amendments to the MiFID/MiFIR framework were published in February 2021 and will apply from February 28th 2022. Further changes are also due to be announced in the near future.
- **Investment Firms Regulation:** A new prudential regime for MiFID investment firms applies from June 26th, 2021.
- **ESG:** The Sustainable Finance Disclosure Regulation was adopted by the EU in 2019 and came into force for certain financial services firms in March 2021.

Opportunities in ESG

Regulatory compliance often places additional pressures on businesses, but there are opportunities for companies that take a proactive approach. ESG and climate risk is an area where leading by example could have significant upside potential.

"*Our teams and the business as a whole have been dealing with the changes needed for sustainability,*" one source told us.

"*The view from the top is that just adhering to what is mandated by the regulators is not enough. The whole area of sustainability, climate change and the broader ESG remit is ultimately where the competition for new business will sit.*"

Climate change opportunities at a glance

- Green lending up nearly 250% YoY in 2019
- Investors likely to double allocations to ESG assets by 2025
- Over half of financial firms already issue their own sustainable instruments
- 96% of European firms feel client demand will rise for sustainable products
- €1.2 trillion of new low-carbon revenue opportunities identified in 2019 alone

Furthermore, the financial services industry continues to show support for robust climate change regulations and guidance. Seven in 10 businesses believe there should be a collaborative, open-source framework to improve climate change tracking and disclosure processes.

03

The challenges of post-pandemic flexible working

It almost goes without saying that Covid-19 caused monumental changes to workplaces across the world in 2020 and 2021. An overwhelming majority of European countries introduced some form of regional or national lockdown measures.

In July last year, nearly half (48%) of EU employees were working from home at least some of the time, with 33% doing so exclusively, according to Eurofound. And nearly 8 in 10 staff would like to continue working from home occasionally, even when lockdown restrictions in their country are lifted.

Our conversations with clients revealed a more mixed response to remote working within the financial services sector.

The vast majority of organisations pivoted quickly to ensure the health and safety of their staff while still working hard to maintain business as usual to the best of their abilities.

Stats at a glance

95%
of FS staff maintained or improved productivity working remotely

70%
+70% of FS employers said remote working was successful

86%
of employees want to work from home at least once a week

Source: PwC

But many senior decision-makers question whether it would be practical – or even possible from a regulatory perspective – for governance teams to work remotely permanently.

“Regulators will want the ‘registered representative’ to be based in country and managers will need face-to-face time with their teams,” a Luxembourg-based Head of Risk and Compliance said.

We can confirm this holds true for all of the senior searches that our consultants have worked on, including CRO, CCO, MLRO and Conducting Officer roles.

Tax rules are also an important factor. Many cross-border employees enjoy protection from being taxed twice on their income due to double taxation treaties between EU countries.

However, these treaties place a limit on how many days an employee can work from home without also being taxed by the country they live in. National governments have temporarily abandoned these thresholds in light of the pandemic, but this is unlikely to be the case forever.

Tough decisions ahead

How companies proceed with their post-pandemic remote working policies will often depend on the size of the business and its location, as well as the sector in which it operates.

Smaller, more agile fintechs that already had well-established flexible working policies have found the work-from-home shift far easier than larger incumbents with more traditional in-office set-ups.

Nevertheless, we expect most organisations to begin offering more flexible working options, albeit not necessarily at the level seen during the peak of the pandemic.

A Chief Compliance Officer for an international banking group based in Frankfurt explained that their firm was still weighing up the various pros and cons of remote working.

"*On the one hand, client data security and secrecy has been a big fear of the company,*" they said. "*On the other hand, cost-saving is an important issue for us, and real estate is a huge part of our current fixed-cost base, so I expect changes in our office use and practices moving forward.*

"*Ultimately, companies who get remote working policies wrong may also struggle to hire the best talent in the future.*"

Cyber security in a post-pandemic world

Financial services firms are right to be worried about cyber security risks arising from remote working, according to recent studies.

238%

Cyber-attacks against the sector rose 238% between February to April 2020

FS attacks

Aside from health, financial services suffers the most cyber security attacks

€3.4m

European firms average €3.4 million in financial losses for every data breach

Download our report, Impact of Covid-19 on the Information and Cyber Security Market for insights on how financial firms coped during the pandemic.

04

Hiring on the road to recovery

It’s not just work routines that Covid-19 disrupted. The pandemic had an immediate and significant impact on European recruitment.

During the first wave of the pandemic in April/May 2020, we saw only 15-22%[1] of the expected volume of governance roles being registered. These low levels continued throughout the summer, as travel restrictions, second waves and unpredictable national lockdown policies created major uncertainties for both employers and candidates.

However, by the end of the year, expected job volumes had begun to regain momentum and have accelerated in 2021 as businesses regain confidence and the lag effect of delaying essential hires became clear.

While delays to the vaccine roll-out and potential third waves and new strains of the virus prevail, senior decision-makers we spoke to also felt the European governance market had remained relatively resilient, despite headwinds.

“There still seems to be a lot of firms recruiting because of Brexit and throwing crazy money around.”

– A Head of Risk and Compliance for the Brexit entity of an international broker.

1. Sector and region account for percentage variance

Hiring trends in Europe

The uptick in activity late last year is likely to have been boosted by firms beginning to implement the last phases of their Brexit planning.

Even with tight restrictions on the movement of people, the EY Financial Services Brexit Tracker for October 2020 showed an extra 400 new roles in Europe had been advertised or already filled when compared with January that year.

2,800

More than 2,800 new financial services roles have been created in Europe because of Brexit

7,600

Overall, 7,600 Brexit-related job moves have occurred since the EU Referendum

Hiring has been particularly active across a number of key disciplines that form the core spine of most governance structures, including:

- **Regulatory compliance**
- **Financial crime compliance**
- **Operational risk**
- **Combined Legal & Compliance**
- **Treasury (capital and liquidity requirements)**

05

Talented candidates harder to find (and retain)

"For me, the biggest impact of Brexit has been people being recruited from my team!"

"I have come to accept it is likely to be more expensive to hire the talent we need this year. But this will be a battle I need to fight."

"Brexit has meant I have lost good people and it has been hard to replace them."

"A lot of head-hunters have been in touch with me. My impression is there are more jobs than good people right now."

These are just a handful of the comments made by the senior decision-makers that we interviewed.

Even among the companies that weren't actively hiring themselves, the consensus was that attracting and retaining talented staff was becoming more difficult. Given the broad geographical spread of our clients, this appears to be a Europe-wide trend.

A competitive market and the challenge of attracting good people from overseas – particularly amid the backdrop of a pandemic – has resulted in upward pressure on salaries.

That said, there are some exceptions. For example, Spain is a particularly candidate-rich region, with fewer roles on offer, although we predict this will change as the year progresses. Recruitment levels have also remained broadly consistent in Switzerland, albeit slightly lower than in typical years. This is perhaps to be expected given the lack of a 'Brexit effect' due to the country being outside the EU already.

Generally, however, our dialogue with employers matches what we're seeing on the ground, which is that demand for talented professionals is still strong despite market conditions.

Working with a specialist recruiter

When looking to build a team that can support corporate governance requirements across Europe, engaging a specialist recruiter with deep roots and expertise in these markets will save you time and money. Barclay Simpson has one of the most established corporate governance teams with a proven track record of supporting businesses with both a European head office or subsidiary of a UK entity. Get in touch to learn how working with Barclay Simpson can help you build the European corporate governance team you need to secure your company's future.

How to attract and retain the right talent

In a candidate-led market, people with sought-after skills and experience will regularly be approached by recruiters and employers. Here are some tips on securing (and keeping) the right talent to grow your governance function.

A clear roadmap for the future:

Provide clarity and reassurance about career progression opportunities available with the firm.

Offer interesting projects:

'Business as usual' roles are less attractive than the chance to work on new entity set-ups and other bespoke project work.

Promote training and development:

Firms that can show they are willing to invest in their staff, whether through courses and qualifications or broader experience, are more likely to engender loyalty.

Support junior staff:

The pandemic has created obvious challenges with onboarding and development. Providing additional guidance and help for new and/or junior colleagues should be an important area of focus.

Research remuneration:

Employers should be aware of local pay and benefits preferences. A British-style package may not be appealing in other countries, for example, which could prevent job offers being accepted.

What are employers looking for?

Recruitment trends obviously vary by country and are highly sector-specific. But Brexit is likely to cast a long shadow over European hiring trends across the financial services industry for the foreseeable future.

As such, candidates that have built up two to three years' experience helping set up Brexit entities already come at a premium.

This demand will only become more evident as governance functions start building out their teams beyond the core governance spine. We expect more mid-level and senior-level hiring to flesh out these departments once they begin to manage additional projects.

However, a scarcity of suitable talent may be encouraging some companies to hire less experienced candidates and promote them into senior positions too quickly.

Businesses should therefore seek the support of a specialist recruitment firm to help them avoid costly hiring mistakes.

"I sometimes question the appropriateness of certain Head of Department appointments being made by other companies. I think to myself: 'That person is nowhere near ready to run a function.'"

– Head of Risk at an international bank

Conclusion

European firms face unprecedented market pressures in the form of Brexit and Covid-19, either of which alone would be enough to cause significant problems for governance teams. Combined, the challenges have been amplified.

Nevertheless, most businesses continue to tackle these issues with aplomb, meeting robust regulatory obligations while ensuring the health and safety of their staff in difficult circumstances.

Finding the right talent is never easy, and businesses hit by both Brexit and the pandemic may have been reluctant to hire. However, a clearer picture of the UK and EU's relationship after Brexit is now beginning to emerge, and early vaccine results are promising.

These developments should spell good news for hiring, and we expect market activity to increase as European businesses look to strengthen their governance teams over the coming year.

Providing effective European recruitment and workforce solutions

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Barclay Simpson has a dedicated division covering all our specialist areas of recruitment in the European market.

We take a bespoke approach to all hiring challenges, ensuring your unique business needs are met quickly and efficiently. Taking a 360-approach to resourcing, we understand the best ways to source appropriate domestic and international candidates, and the logistics of relocating people within Europe and globally, allowing you to focus on your own priorities assured that your recruitment needs are being handled.

Get in touch to learn how a working with Barclay Simpson can help you enhance your team to secure your company's future.

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