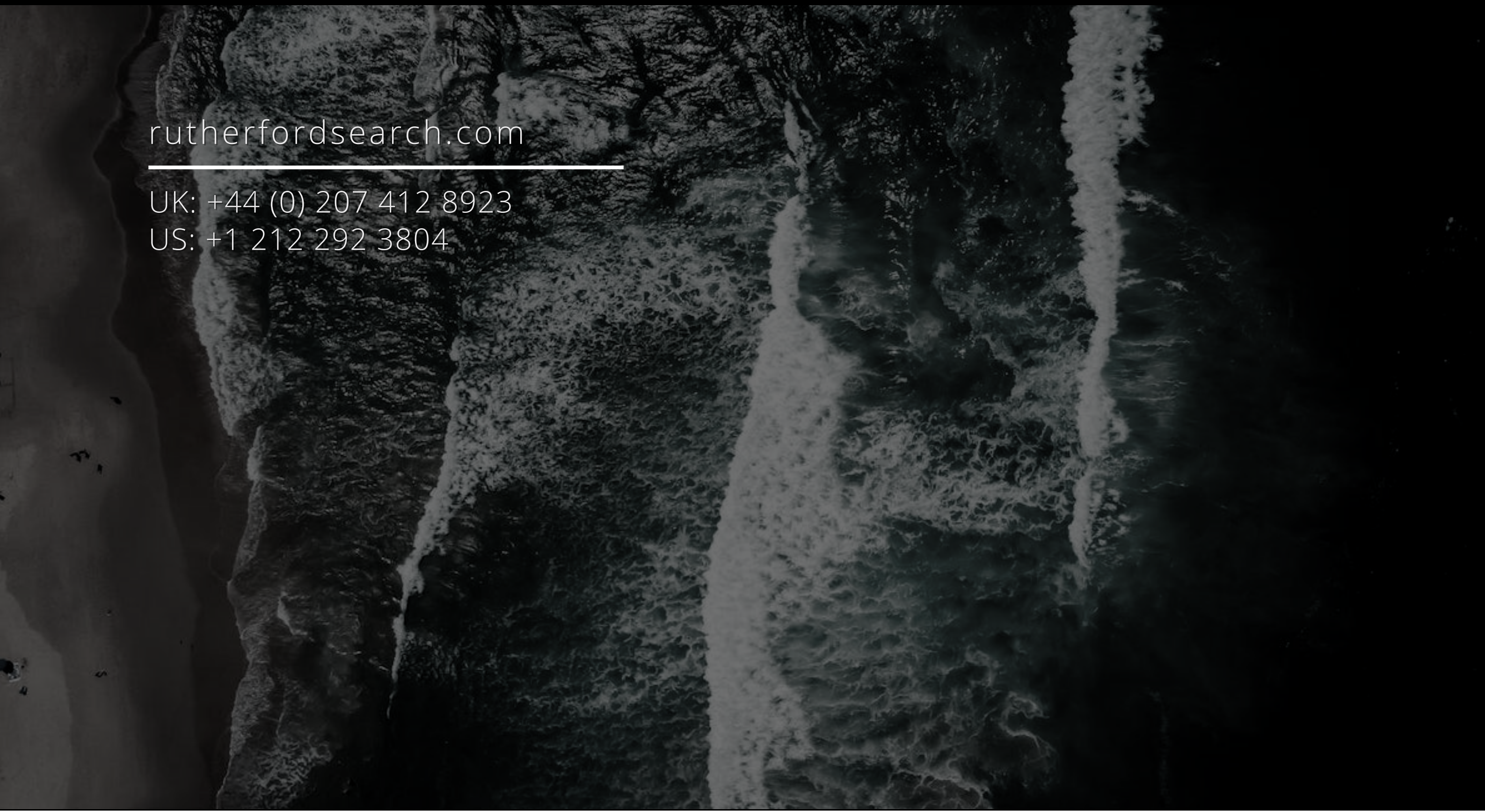
RUTHERFORD

Compliance Market Report & Salary Survey

2022/2023

Alternative Investments Sector



rutherfordsearch.com

UK: +44 (0) 207 412 8923
US: +1 212 292 3804

We are pleased to present Rutherford's 2022/2023 Compliance Market Report for the alternative investment market. The past year has been a busy and challenging one for clients recruiting in the space, and this report aims to provide insights into the key trends and developments in the regulatory resourcing market, as well as a salary survey.

This year we have been recognized as the Best Recruitment Firm at the 2022 Hedgeweek European Awards, and were shortlisted for Best Executive Search and Best Recruitment Firm at the HFM European Services Awards 2022 and Hedgeweek & Private Equity Wire European Credit Awards 2022, respectively.

If you have any further questions, require custom data or benchmarking, please do not hesitate to reach out. We are here to support your recruitment needs.

Jackson Baker
Jackson@rutherfordsearch.com
Director, Legal & Compliance
T: (44) 0203 778 0771

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MARKET OVERVIEW

Going into 2022, UK professionals began their return to the office post-Covid-19, which had caused immense economic uncertainty. Much like the year before, governance recruitment was resilient meaning Compliance Officers within the alternatives market were still in high demand.

The ample choice of regulatory candidates welcomed within 2022 meant that generalist Compliance Officers who were in the market usually had several enticing options when pursuing a new opportunity. While this made for a candidate-led market, the competitive demand for similar talent saw firms offering large compensation increases at offer stage to attract the best professionals, and many candidates in return were leveraging offers to get more attractive packages.

Buybacks and buyouts were common responses, which can be mainly attributable to the shortage of candidates and overall replacement costs. A significant number of firms have placed a larger emphasis on retaining performing professionals in their roles - affecting the bottom line along the way. In contrast with previous years, many firms responded with uplifts, promotions, and flexibility but this was not always enough.

The UK are in an inevitable recession and that may see an adverse effect on budget allocation and consequent hiring in the wider financial services space. How that impacts regulatory resourcing remains to be seen.

We are likely to be entering a phase where there is more balance between candidates and organisations that are hiring. Although candidates still have expectations and demands when looking for a new opportunity, there may be less to choose from and employers will be particularly cautious over the roles that they look to fill, it will be interesting to see how this evolves in 2023.

2023 TRENDS AT A GLANCE

FLEXIBILITY

Flexible working now moving closer to pre-pandemic structures.

CRYPTO

Despite Crypto Winter, the demand for crypto regulatory talent remains high.

M&A

The decrease in M&A activity may slow down the private equity market.

HIRING

The volume of recruitment in 2021/22 resulted in a diminished pool of talent.

MARKETING

A tighter Marketing & Distribution pool, with candidates pushing for generalist positions.

TECH

Increased demand for tech-savvy regulatoyry talent able to code and use software languages.

THE FLEXIBLE WORKING MODEL

The pandemic naturally saw a shift in the working-from-home policy that was adopted by most firms. What we are now seeing is a structure moving closer to a pre-pandemic pattern, with more alternative firms leading the way in going back to full-time in the workplace. This is even more prominent within global macro/multi-strategy hedge funds as well as the more transactional-facing positions.

Currently, this is a sticking point for a greater portion of the candidate market, with many professionals opting to look for roles with flexibility. This will lead to more negotiations at the recruitment and offer stage, as the present trend across financial services seems to be moving towards 4 days in the office and 1 day from home, or full-time in the office.

This will be increasingly apparent as candidates transition from the wider financial services market, like big banking, fintech or asset management, where they are not quite as far along the return-to-office road as alternative hedge funds.

The mismatch of expectations in relation to hybrid working is a driver for movement, as employees who are unwilling to return to pre-pandemic working conditions will seek to leverage the discrepant approaches of employers and test the job market. Employees who have moved to more rural locations due to being granted a remote working option will now have to change their routines and factor in additional travel expenses to adhere to the shift. This, coupled with the cost-of-living crisis, is enough to cause organisations to lose key talent if they aren't willing to be flexible.

TRADITIONAL FINANCE VS DIGITAL ASSETS

From late 2021 onwards, we saw an increase in digital asset firms hiring some of the best talent away from the alternative investment space. This was highlighted by some high-profile moves from hedge funds and private equity firms.

The United States, in particular saw a significant trend of compliance and legal professionals moving from some of the leading alternative investment managers to crypto exchanges, market-makers, and investment firms.

Full packages being offered to top candidates within the space include enticing equity offers, large salaries and bonuses, which has seen an interesting shift in not only attitude towards the crypto market but also how many professionals are willing to switch industries - even though crypto is considered a volatile market.

However, it's important to note that during this time traditional firms who implemented a digital asset arm are invested in re-hiring the best senior talent – those who have prior experience working in traditional finance - from the crypto sector with the aim of solidifying the performance of their in-house digital asset function. Firms are increasingly presenting competitive packages at offer stage, proving themselves over the last 12–18 months as strong challengers in the market.

The recent events in the digital assets space have changed the way a lot of the market is viewing it. The collapse of FTX has highlighted why many of the market view digital assets as the "wild west". So many failures of governance have soured the overall appeal of this space for a lot of candidates. Many of the more traditional finance firms, such as J.P Morgan have halted their move into digital assets trading. Fundraising and investment in the space have become extremely difficult leading to a range of redundancies and cuts for firms in the space.

The collapse highlights the need for the creation of frameworks for the supervision of the space. This may lead to an increase in hiring compliance professionals.

We have been here before; a decade ago pulling Compliance Officers from banks to hedge funds saw similar candidate concerns about stability, commercial sustainability, and culture. It will be fascinating to see if digital assets look like the now-established alternatives sector in another decade.

As this relatively new market matures and regulation begins to come into effect, it has been interesting to gauge the difference in candidate experiences between working in traditional finance in contrast to a firm operating within digital assets. Reportedly, for a portion of the compliance industry, imbuing a digital asset start-up with regulatory cultural maturity has felt like pushing water up a hill.

Many regulatory professionals and management support lack the authority and backing to make meaningful cultural changes and improve behaviours firm-wide. “Move fast and break things” meets the less catchy “A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.” MiCAR will be the first stepping stone in the evolving direction of the European crypto market, thus encouraging those within it to adhere to specific practices to ensure integrity and consistency.

THE CRYPTO WINTER

TThe term Crypto Winter has been used to describe the poor performance and downturn of the cryptocurrency market. The change in the value of popular cryptocurrency tokens such as Bitcoin, Ethereum and Cardano are key indicators in highlighting the nosedive of the market. The Crypto Winter was upon us in H2 of last year and is emerging into a period of recovery in 2023.

At the backend of 2022, economic instability and global inflation were rising at a persistent rate, affecting the value of the cryptocurrency market. As a result, we saw hiring in the digital assets space slow down.

The lack of recruitment within the crypto industry helped with hiring for the alternative investment sector. The excitement and implementation of digital assets within traditional firms meant hiring crypto professionals quickly became a critical business need for those trading/investing in the space.

Several funds are starting to look at crypto within their offering, which has translated into a strong interest in candidates that have covered it elsewhere. Surveillance and AML professionals from the top exchanges - such as Coinbase, Binance or Kraken - have been in demand, with hedge funds willing to pay top dollar to lure them across.

The impending crypto regulation the FT reported means “The new powers will enable the FCA to oversee crypto more broadly, including monitoring how companies operate and advertise their products” This includes “limits on foreign companies selling into the UK, provisions for how to deal with the collapse of companies and restrictions on the advertising of products.”

Many crypto firms are starting to look light in terms of the depth of their compliance teams and are not yet ready to fully build out the function. We anticipate that these changes will see hiring pick up for the affected firms now that they will be required to meet regulatory standards.

More traditional finance firms such as hedge funds will continue their push for specialists and knowledge in the space, but they will also be competing for talent here against larger brokers and banks.

RECRUITMENT BACKLOG

Due to the backlog of recruitment activity over the pandemic, the last 24 months have seen unmatched levels of hiring, with many professionals waiting for the end of COVID-19 to move jobs. This has largely impacted talent pools as the spike in recruitment has led to a diminished number of candidates for firms looking to recruit at the back end of 2022.

In 2020 a lot of firms cut their workforce back significantly - arguably too much; this led to them doubling down on hiring post-pandemic to keep up with business and market demands.

The remaining professionals that moved during the active segment last year have been understandably reluctant to move again this year.

For a fraction of the market, many have seized the opportunity to jump at large increases in compensation or levels of seniority by making two, occasionally three moves since the start of 2021.

MARKETING & DISTRIBUTION

2022 saw a huge demand for strong Marketing and Distribution professionals. Post-Brexit, the rules for marketing funds into Europe shifted. This meant candidates with language skills, coupled with multi-jurisdictional compliance knowledge, were of high value. The Marketing & Distribution space continues to be a particularly unpredictable and tricky space for firms to recruit in. For specialists, the space is incredibly tight, with many candidates preferring to push for broader positions over continuing to specialise.

TECH-SAVVY TALENT

Tech-savvy Compliance Officers remain highly sought after, specifically coding and comprehending various software languages such as Python and SQL is seen as highly desirable. Candidates with the ability to code and use software languages to make compliance processes more efficient and streamline without the ability to use technology/IT teams at a firm are very attractive to employers.

LOOKING AT THE FUTURE

Looking ahead to 2023, it is challenging to accurately predict the shape of the hiring market. The effects of the political and economic instability the UK faced this year, coupled with external socio-political factors, including the war in Ukraine are perhaps yet to be seen, but the predicted recession is causing a significant downturn in headcount and hiring.

Goldman Sachs recently opined that the UK will be facing a deeper recession than initially anticipated going into 2023 which makes for a rather unappetising read. While governance recruitment is usually resilient in the face of uncertainty, it would be unwise to not tread with an element of caution.

Now is an excellent opportunity to build teams and attract talent with fewer players in the market. Discrepancies in the performance of alternative firms also create opportunities for those who have had good years to leverage that and pick up top talent from their peers.

With an increase in regulation incoming - the need for strong regulatory knowledge/comprehension will be paramount. Upskilling those within your organisation will generate better returns and improve your retention, whilst still giving you the bandwidth to hire should you need to do so.

SALARIES

PRIVATE MARKETS (LARGE)

	basic salary (£)
Compliance Analyst	50 - 60K
Compliance Associate	70 - 90K
Assistant Vice-President	90 - 120K
Vice-President	130 - 160K
Deputy Head of Compliance	150 - 210K
UK Head of Compliance	180- 220K
Global Head of Compliance	220 - 320K

PRIVATE MARKETS (MID/SMALL)

	basic salary (£)
Compliance Analyst/Assistant	30 - 40K
Compliance Associate/Officer	40 - 70K
Compliance Manager/Deputy Head of Compliance	65 - 100K
UK Head of Compliance	130 - 210K
Global Deputy Head of Compliance	170 - 300K

SALARIES

HEDGE FUNDS (LARGE)

	basic salary (£)
Compliance Analyst	40 - 55K
Compliance Associate	50 - 75K
Compliance Officer	85 - 130K
Senior Compliance Officer	120 - 150K
Deputy Head of Compliance	130 - 170K
UK Head of Compliance	140 - 220K
Global Head of Compliance	200 - 320K

HEDGE FUNDS (MID/SMALL)

	basic salary (£)
Compliance Analyst/Assistant	30 - 50K
Compliance Associate/Officer	45 - 100K
Compliance Manager/Deputy Head of Compliance	85 - 120K
UK Head of Compliance	120 - 160K
Global Deputy Head of Compliance	140 - 200K

ABOUT RUTHERFORD

Rutherford is a boutique search firm located in London and New York City. Our consultants are the executive specialists in compliance, financial crime, legal, cyber security and business operations recruitment, all within the financial and professional services sectors in the United Kingdom and United States.

We use our carefully curated relationships, networks and market knowledge to find the best fit for the clients in hand. We work with a wide range of clients, aspanning from advisors, management consultants, corporate and commercial banks, brokers, exchanges, MTFs and financial tech, through to global investment managers, hedge funds, private equity firms, investment banks and technology firms.

Compliance | **In-house Legal** | **Cyber Security** | **Financial Crime**

Risk | **Business Operations** | **Strategy** | **Financial Technology**

THE TEAM

JACKSON BAKER
Director, Legal & Compliance
e: jackson@rutherfordsearch.com
t: 0203 778 0771

JONATHAN SKERRETT
Director
e: jonathan@rutherfordsearch.com
t: 020 3778 0891

TEVIA KRETZMER
Senior Consultant
e: tevia@rutherfordsearch.com
t: 020 7183 0545

JACK MERRIOTT
Consultant
e: jack@rutherfordsearch.com
t: 0203 778 0846

ALI HUGHES
Consultant
e: ali@rutherfordsearch.com
t: +1 332 256 0130

OISIN O'REGAN DOHERTY
Associate Consultant
e: oisin@rutherfordsearch.com
t: 020 3778 0309