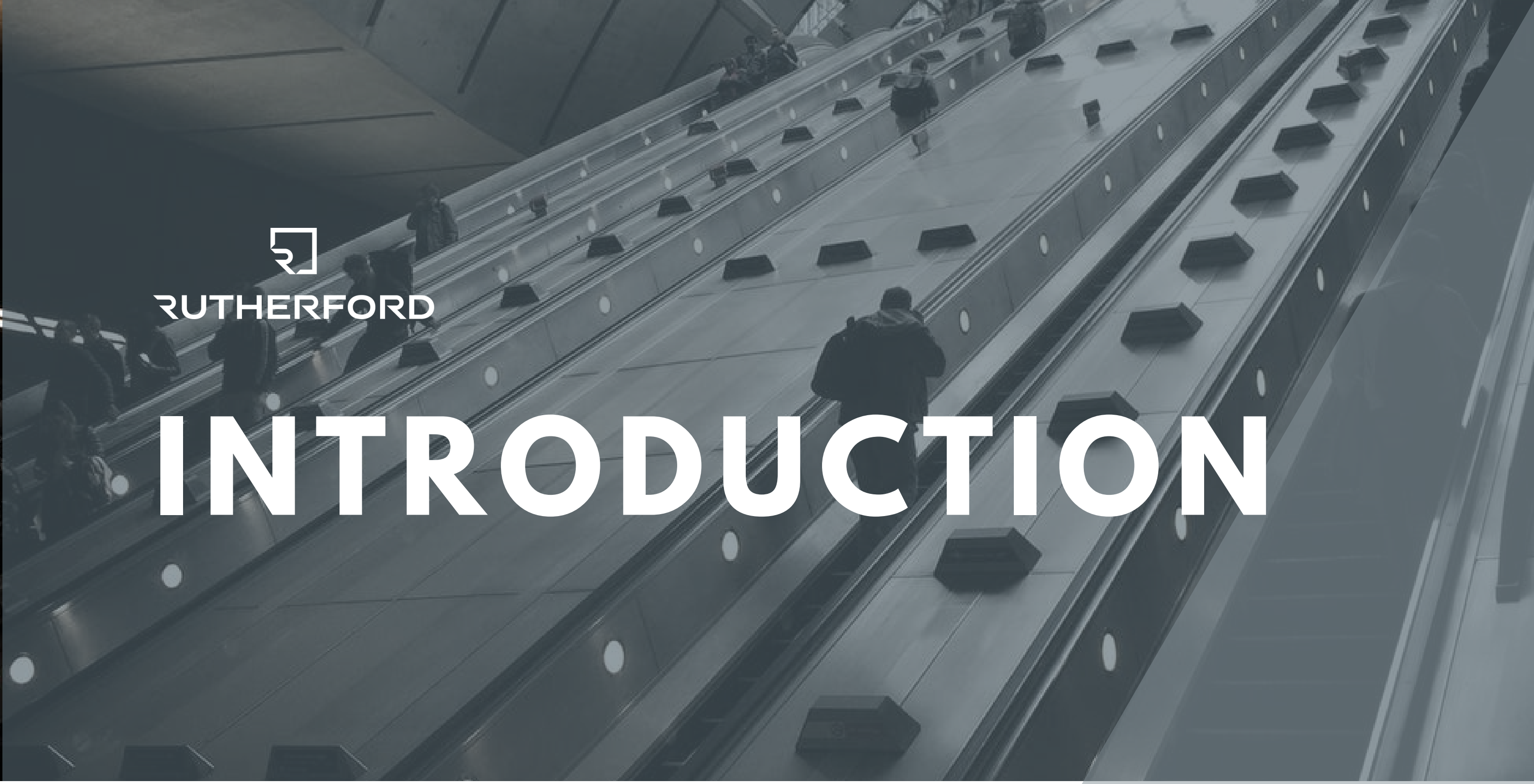
# COMPLIANCE MARKET REPORT

ALTERNATIVE INVESTMENTS

## 2021/2022

RUTHERFORD




# INTRODUCTION

Coming into 2021, lingering pandemic uncertainty caused many sectors in the financial services industry to keep their recruitment strategies cautious: companies were largely preoccupied by returning their remaining employees to the office and revising existing infrastructure whilst they considered their next moves. In H2 2021, the outlook could not have been more different. Overall, the global economy rebounded strongly and financial firms were proactively and competitively hiring — especially within the regulatory services field.

Across the board organisations were recruiting compliance professionals to build resilience to complex regulatory changes and to enable business growth. On the whole, the market became candidate-led with talent shortages inflating starting salaries and counter-offers becoming more common as the competition for recruitment and retention intensified.

This compliance market report — covering alternative investments, investment management and digital assets — draws on Rutherford's extensive market knowledge to summarise and analyse key hiring trends within the regulatory resourcing space, supplemented by a salary survey.

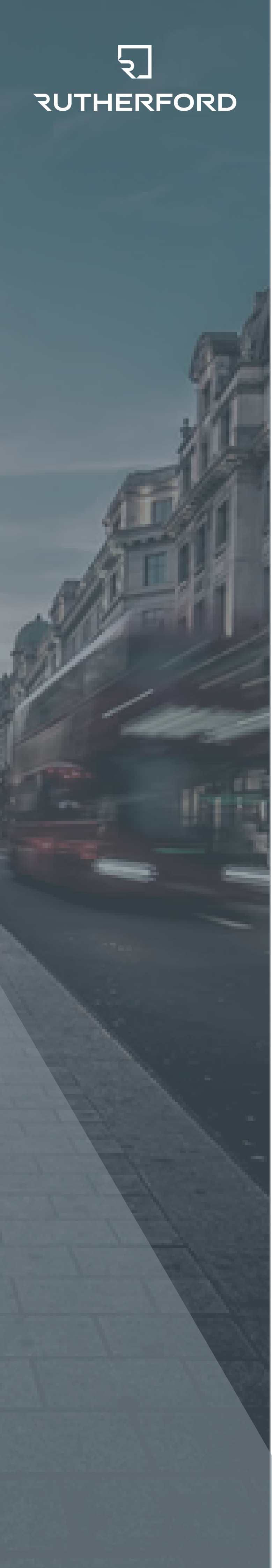
# MARKET OVERVIEW

Despite hangovers from the global pandemic and Brexit threatening to undermine growing market confidence in H1 2021, banking vacancies in the UK have exceeded pre-pandemic hiring rates reaching record levels during the summer months. Candidates to fill compliance and risk services jobs were most in demand, as vacancies in these fields were projected to rise by 61% by the end of 2021 versus 2019 and 2020 levels.

This trend was equally reflected on the buy-side, with profitable macro-economic conditions enabling this sector to strengthen their regulatory agility through the onboarding of compliance teams. The events of 2020 challenged the capacity of compliance systems within investment firms, and as a result companies in this space have sought to reinforce their regulatory monitoring and operational risk programs during the course of 2021 — focussing on code of conduct violations, insider trading and data protection. Further, with the regulatory initial margin (IM) requirements set to change again in early 2022, buy-side firms have been encouraged to act quickly to avoid legal setbacks; the Internal Swaps and Derivatives Association (ISDA) estimated that as many as 775 entities will be caught in Phase 6.

Post-pandemic there has been a greater emphasis on ESG and financial organisations are beginning to conscientiously adopt these non-financial factors throughout their operations. This has led to a demand for compliance professionals with experience in monitoring and reporting on responsible investments, so companies can address risk efficiently and create long-term value.

Compliance specialists in this field are required to assess social accountability and risk governance, while aligning these demands with stakeholder expectations and trust. Further, the increased focus on ESG has meant more firms are seeking diversified candidate lists when recruiting, in an effort to create a culture that reflects their larger operational agenda.




# PROACTIVE HIRING

The latest KPMG and REC Report on Jobs Survey signalled a further marked rise in hiring activity at the start of the final quarter of 2021. As the financial services industry looked to keep up with ongoing digital transformation in addition to managing the new working environment, firms were - and still are - actively recruiting. Candidates who have technological skills, especially in coding, continue to be desirable in the compliance recruitment market. More employers are seeking professionals with the ability to build regulatory systems to enhance the interface between front and back office and streamline processes. In addition, commerciality remains a key trait employers look to see in a candidate throughout the interview phase.

# CANDIDATE SHORTAGES

Competition for experienced compliance professionals has been compounded by talent shortages, especially for C-suite positions. There was a general consensus among recruiters that a lack of movement in senior placements in 2020, owing to pandemic insecurity, has resulted in a paucity of available senior compliance and risk professionals last year — with many reluctant to vacate current positions for a slight pay rise. This has been exacerbated by a notable decrease in European candidates, with a high proportion returning to the EU, as well as new visa requirements making it much more difficult to recruit outside the UK.

# THE VELOCITY OF VIRTUAL PROCESSES

With a portion of the market still predominantly hiring through video call, a significant majority of, if not all, active candidates are now in multiple processes at any given time. As a result, jobseekers are able to get through 2-3 stages of interviewing in a week. Comparably, junior level candidates are often able to get through an entire process in the same amount of time. This means firms are having to anticipate their internal demands and move quickly — with later stage physical meetings taking place onsite. A 'combination of candidate scarcity and robust demand for staff' has caused an inflation in starting pay and a shift in preference to fixed term contracts; a trend that has been aggravated by the IR35 requirements introduced in early 2021. Notably, 'both starting salaries and temp wages increased at the quickest rate seen in over 24 years' as companies offered higher pay to attract the talent they needed.


# REMOTE WORKING AND FLEXIBILITY

The debate over remote working has continued within financial services: if people are being forced to go back to the office full-time later in 2022 we may see more job-seekers on the market in response to this if firms refuse to offer flexibility. Some sectors have demonstrated a greater amount of adaptability than others, such as digital assets, which have largely allowed their employees to choose if and when they work from home. On the other hand, hedge funds and buy-side firms have generally adopted a hybrid approach with differing levels of flexibility and requirements. Rutherford has noted a higher proportion of women stating a preference for stronger flexibility than men: this becomes problematic when firms are trying to improve gender diversity within their teams while simultaneously encouraging employees to return to the office full-time. As Todd Ehret states, ‘companies face challenges finding the right fit for a candidate, with a need to balance experience, skills, remote working and culture’.

## REMOTE WORKING AND GENDER DIVERSITY

Rutherford has noted a higher proportion of women stating a preference for stronger flexibility than men. This becomes problematic when firms are trying to improve gender diversity within their teams while simultaneously encouraging employees to return to the office full-time.

RUTHERFORD

# ALTERNATIVE INVESTMENTS

In the alternative investment space, private equity funds experienced an especially busy period in H1 and H2. This has mainly been driven by a large uptick in mergers and acquisitions activity in late 2020. Private investing firms have continued to perform well, especially companies focussed on technology, real assets and life sciences. A strong year from funds should mean bonuses and uplifts are to be expected in the new year.

Rutherford has noted an increasing amount of compliance candidates with a background in the traditional alternative investment space being swayed by roles in digital assets. A number of compliance professionals with hedge fund or private equity experience have shown a desire to move into this evolving area, particularly for firms focused on ESG and sustainability. Good candidates entertaining a move have generally had multiple options to weigh-up and benchmark against each other, often with competing offers. Further, due to the recent surge in clients seeking to recruit compliance professionals and the finite amount of active job-seekers, the pool appears far more scarce than pre-pandemic levels.

A number of hedge funds have been growing rapidly, rallying after a strong 2020. Hedge fund industry assets reached an all-time high in 2021 due to large positive net inflows and renewed investor confidence. In 2021, we have witnessed several macro hedge funds add compliance officers to their London-based teams. Rutherford continues to see candidates with equities compliance experience, specialising in areas such as conflicts and material non-public information (MNPI), seeking to join investment funds. A high proportion of the market in QA 2021appeared to be remaining in their current roles due to performance and bonus considerations  — especially within the boutique and SME space.


# INVESTMENT MANAGEMENT

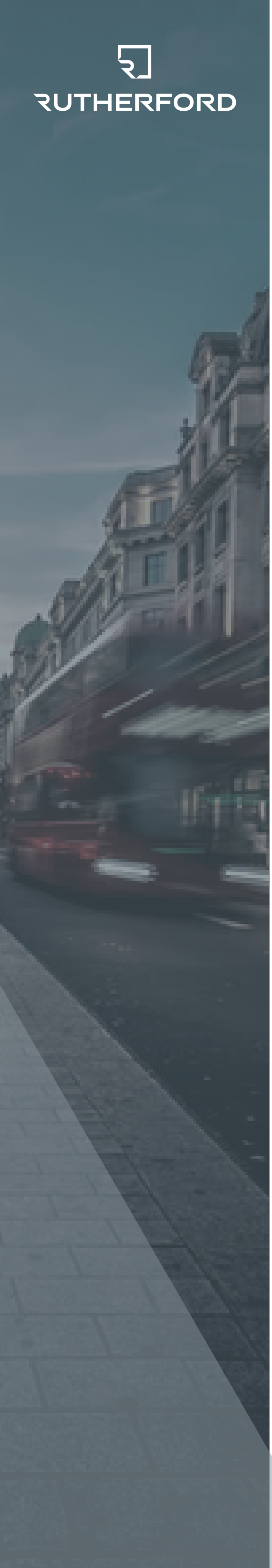
The focus within investment management has been on ESG, with a notable increase in candidates interested in a move into this space or at least looking for the opportunity to gain exposure. Equally, firms are actively seeking talent that can help them build out their ESG frameworks and governance policies, with this trend expected to continue into 2022. With regulators gaining a firmer grasp on ESG considerations, most financial institutions have begun to prioritise putting in place the governance element first in expectation of more exacting standards and benchmarks in the coming months.

Within the investment management recruitment market candidates have been more likely to take pay cuts for greater flexibility, with most large asset managers offering a hybrid model. Notably, there has been a higher demand for languages within the compliance sector, particularly within marketing and distribution teams. Otherwise, an increasing number of regulatory teams have been merged with operational risk within buy-side firms, in order to bring greater transparency and evaluate current controls for more efficient reporting.


# DIGITAL ASSETS

As regulatory frameworks for digital assets continue to evolve, firms are fervently hiring to keep pace, both for entry level and senior positions. The overall increase in demand exerted by these digital assets firms is probably a 'net positive' for compliance and risk professionals in traditional financial services organisations, by driving overall compensation higher. For those with niche regulatory skills in this field, particularly within payments and settlements, trading and securitisation, there is an opportunity to build the compliance function from the ground-up. However, the opacity of the regulatory landscape and the potential for fewer personnel or financial resources at start-ups makes digital assets an often challenging sector for compliance and risk professionals.

There have been in the past few months several notable moves in the regulatory digital asset sector. Jay Clayton, who was formerly the SEC Chairman joined cryptocurrency custody platform Fireblocks Inc. as an advisor. Whilst C.J. Rinaldi has been hired as blockchain.com's first ever Chief Compliance Officer, reporting to the Chief Legal Officer, Lindsay Haswell, who stated that the company is looking to double its compliance headcount in the near future. Additionally, the Digital Asset Platform GSR has recently appointed their first Chief Legal Officer, Eva Sanchez, whose previous role was General Counsel and Chief Compliance Officer at AQR Capital Management.




# LOOKING AHEAD

The competition for recruitment and retention in the regulatory services space should continue into early 2022. As many financial services firms might proceed with their plans to move employees back to the office full-time later this year and many business sectors expanding, the robust hiring levels Rutherford has witnessed in H2 2021 are expected to persist into the new year. Further, we should see some movement post-bonus which may lead to continued growth in the recruitment market for regulatory specialists.

The digital assets sector has grown considerably during the course of the last year and we have witnessed more candidates considering a move into this space. Experienced compliance professionals should continue to have multiple options and potentially lucrative offers to consider, as the war for talent between traditional and innovative financial services firms intensifies.

This positive outlook is however tempered with some uncertainty — recruitment activity is high, but this is largely because most market sectors are playing catch up from having to stall their hiring plans in the early to middle of 2021.

RUTHERFORD

# SALARY SURVEY - 2022

## PRIVATE EQUITY (LARGE)

*basic salary (£)*

| | |
|---|---|
| **Compliance Analyst** | 40 - 60K |
| **Compliance Associate** | 55 - 70K |
| **Associate Vice-President** | 65 - 110K |
| **Vice-President** | 110 - 160K |
| **Deputy Head of Compliance** | 150 - 220K |
| **UK Head of Compliance** | 220 - 275K |
| **Global Head of Compliance** | 240 - 420K |

## PRIVATE EQUITY (MID)

*basic salary (£)*

| | |
|---|---|
| **Compliance Analyst/Assistant** | 35 - 50K |
| **Compliance Associate/Officer** | 45 - 85K |
| **Compliance Manager / Deputy Head of Compliance** | 80 - 145K |
| **UK Head of Compliance** | 140 - 210K |
| **Global Head of Compliance** | 160 - 260K |

## PRIVATE EQUITY (SMALL)

*basic salary (£)*

| | |
|---|---|
| **Compliance Analyst/Assistant** | 27 - 40K |
| **Compliance Associate/Officer** | 40 - 70K |
| **Compliance Manager / Deputy Head of Compliance** | 65 - 100K |
| **UK Head of Compliance** | 110 - 140K |
| **Global Head of Compliance** | 130 - 180K |

# SALARY SURVEY - 2022

## HEDGE FUND (LARGE)

*basic salary (£)*

| | |
|---|---|
| **Compliance Analyst** | 40 - 55K |
| **Compliance Associate** | 50 - 70K |
| **Associate Vice-President** | 70 - 100K |
| **Vice-President** | 90 - 150K |
| **Deputy Head of Compliance** | 110 - 160K |
| **UK Head of Compliance** | 140 - 220K |
| **Global Head of Compliance** | 200 - 320K |

## HEDGE FUND (MID)

*basic salary (£)*

| | |
|---|---|
| **Compliance Analyst/Assistant** | 30 - 50K |
| **Compliance Associate/Officer** | 45 - 85K |
| **Compliance Manager / Deputy Head of Compliance** | 70 - 115K |
| **UK Head of Compliance** | 120 - 160K |
| **Global Head of Compliance** | 140 - 220K |

## HEDGE FUND (SMALL)

*basic salary (£)*

| | |
|---|---|
| **Compliance Analyst/Assistant** | 28 - 40K |
| **Compliance Associate/Officer** | 40 - 70K |
| **Compliance Manager / Deputy Head of Compliance** | 60 - 100K |
| **UK Head of Compliance** | 100 - 125K |
| **Global Head of Compliance** | 120 - 160K |

RUTHERFORD

# 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, spanning 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 Recruitment

Legal Recruitment

Financial Crime Recruitment

Cyber Security Recruitment

Contact Us