

Buy-Side Compliance

Compensation Guide for UK Head of Compliance

Introduction

Sayer Haworth has carried out research on the Chief Compliance Officer's (SMF16) compensation across the buy-side in the UK. This data has been verified through Senior Compliance Officer searches which Sayer Haworth has executed. Under the buy-side umbrella we have drawn data from Institutional Investment Management, Retail Investment, Wealth Management, Private Equity and Hedge Funds.

Executive Summary

- Buy-side Chief Compliance Officer compensation has risen modestly, despite the global pandemic, the premium placed on acting as a Material Risk Taker, under the Senior Managers Regime, continues to be central to compensation considerations.
- To secure a Compliance leader capable of managing team dynamics and working culture in the wake of flexi-working, may require greater incentivisation as competition for such candidates increases.
- Compliance officers with project management experience, digital expertise and a strategic knowledge of outsourcing and technological efficiencies are particularly sought after.
- Permanent base salaries range from £130,000 –£250,000, across the following types of investment firms: Institutional Investment Management, Retail Investment, Wealth Management, Private Equity and Hedge Funds. Salary variance depends on factors including investment strategies, asset class coverage, client base, the Category of the firm. Private Equity firms offer at the top end of the banding, while a single strategy small investment manager would offer at the lower end of the banding.
- For Interim Heads, day rates range from £800 – £1500, however the changes to off-payroll working rules (IR35) have resulted in individuals moving onto FTC PAYE.

Compensation components for Chief Compliance Officer

Pay Structure

The Chief Compliance Officer compensation generally comprises of base salary, annual bonus, long-term incentive scheme and pension. There may be other non-cash related benefits which are detailed in this report - we have seen a rise in organisations offering flexible benefits, where employees can elect to use this allowance to purchase benefits, or the employee can be paid this amount in a cash equivalent.

Material Risk Taker within Senior Managers Regime (SMCR)

The Material Risk Taker component of the Chief Compliance Officer role, under the Senior Managers regime, has intensified the upwards pressure on compensation for second line roles within Financial Services, especially those roles with the personal responsibility of the Senior Managers Regime.

Senior managers are responsible for certifying annually that the staff within their whole department are “fit and proper to perform their role.” This includes anyone who could potentially harm the public or the firm, as well as high-earners and those handling client money. With this increased responsibility for a Chief Compliance Officer, there is a consensus that there also needs to be a financial package that reflects the increased responsibility and consequences of falling foul of the regulator. A Chief Compliance Officer may not intentionally be aware of an action of their company that results in breach, however, under SMCR, they are now responsible and would need to demonstrate reasonable steps they had taken to reduce the risk of a breach.

Salary Range – Permanent and Interim

The general range of a base salary for a Chief Compliance Officer is between £130,000 –£250,000. For Interim Chief Compliance Officers, day rates range from £800 – £1500, however the changes to off-payroll working rules (IR35) have resulted in individuals moving onto FTC PAYE.

The salary, in our findings, forms the largest part of the remuneration for the Chief Compliance Officer, rather than being weighted more equally between bonus and fixed as is common for first line roles.

Base salaries on offer at the lower end of this scale are at investment managers with a branch operation in the UK, typically a lower tier firm, and not a full subsidiary; these investment firms would have on average 25 –50 employees. The median base salary for a Chief Compliance Officers within this segment is £140,000.

At the higher end of the base salary scale, are full subsidiary investment managers with up to 1000 employees - the median base salary for the Chief Compliance Officer in this segment is £230,000.

Short Term Incentives (Annual Bonus)

With the introduction of the PRA and FCA remuneration rules, bonuses are capped at 100% of base salary, or up to 200% with shareholder approval. Bonus payments ranged from 20 – 100% of base salary, with Private Equity firms at providing compensation at highest end.

Pension

The pension arrangements for the Chief Compliance Officer is an average non-contributory range of 9 – 20%, the survey revealed that the majority of the Chief Compliance Officer the individuals that we researched had reached their lifetime allowance to contribute into a pension scheme.

Common practice was for the individual to receive the cash equivalent in contributions within their fixed remuneration and pay standard income tax on the amount.

Benefits

- Most individuals have reached their lifetime allowance caps for pension contributions and subsequently receive a cash equivalent. Ex-patriate contracts usually contain a larger cash benefit.
- Ex-patriate packages – often offered to senior managers brought in from firms with headquarters abroad are provided with significant yearly cash allowances (up to £100,000) to assist with the relocation adjustments.

The benefits offered were the least competitive part of CCO compensation, typically on offer were the following:

- Healthcare Insurance, individual and dependents (occasionally dental and optical included)
- Life Insurance (Average from 4 –6 times annual salary)
- Critical Illness Cover
- Gym Membership
- Flexible Benefits (Child Care Vouchers, Gym Membership, Cycle to Work)
- Holidays (27 –31 Days)

Summary

Our market research has revealed that the majority of the Chief Compliance Officers are content with their compensation and regard the continued elevation of pay as adequately reflective of the increased accountabilities they face on behalf of financial institutions.

The main driver for movement within the market at this level within Compliance, is due to the limited personal development opportunities, with the only upward steps available being Group or Global Head of positions. Hence there is a high attrition rate amongst Heads of Compliance. In a previous study, conducted by the author, looking at movement in the market, there was a 48% turnover in Heads of Compliance at the top 350 investment firms in London over the course of two years. The internal stakeholder management component of senior Compliance roles can often lead to individuals feeling a desire to move on sooner than is typical in Regional level roles.

To attract and retain talent at the Regional Compliance level, firms must provide adequate support and commitment, both financially and culturally. Further retention methods revolve around the provision of educational courses and professional qualifications that are related to their profession and assist in the development of management and leadership skills. The use of Psychometric tools was also highlighted in the research as a contributor to senior management satisfaction.

The Compliance profession is highly candidate driven, there is a constant demand in the market for Compliance professionals that are experienced technicians as well as proven business partners and stakeholder managers. The key priority of Senior Compliance professionals in looking at opportunities is that a prospect firm has an open supportive culture towards the role and its SMF responsibilities.