

2017 salary survey: Uncertain times ahead for compliance market in Hong Kong

Apr 20 2017 Ajay Shamdasani and Trond Vagen, Regulatory Intelligence

Compliance officers in Hong Kong received modest salary increases in the past year as market conditions continue to weigh on remuneration in the financial services sector, the Thomson Reuters Regulatory Intelligence 2017 salary survey found.



Most roles have only seen pay rises of between two and six percent, except at the top level, while those moving between roles or employers have been able to secure 10-15 percent pay rises.

"We have not noticed any significant increment in salary ranges across all the job level ranges, except at the top-end senior positions," said Ed Chen at Harbridge Partners in Hong Kong.

"However we have found that there are less new permanent vacancies and more requirements for temporary or contract-to-permanent requirements at the junior/analyst to even AVP/VP levels. This may be a reflection of the economic conditions and a tightening of budgets where it is now harder to secure a permanent headcount."

In the latter half of 2016, some top-tier firms even implemented hiring freezes, he said.

Amid a saturated compliance recruitment market, a large number of the hires that were made in international firms were for replacement purposes. Few new roles have been approved by head offices of banks, and to the extent that any new roles were created, they were mostly in mainland Chinese firms looking to meet regulatory requirements for setting up in Hong Kong, recruiters said.

Many Chinese securities brokers or asset managers are seeking compliance professionals familiar with securities, futures or asset management licences (1, 4, and 9) from the Securities and Futures Commission (SFC), they said.

"Experience from Chinese firms, especially from a wealth management, securities, asset management business, is very sought after," said Venus Ip of Morgan McKinley in Hong Kong.

One significant difference between Chinese firms and international firms in Hong Kong is that the former are still hiring, said Reshma Gope from Eximius Group. "Insurance and wealth management firms can expect to get more bonuses due to a surge in business from mainland China, but rising costs for human capital and compliance risk will affect the result. For job movers, I don't predict any huge jump for lateral moves. We would expect candidates achieving a 10 to 20 percent increment across compliance," she said.

Anti-money laundering (AML) knowledge continues to be a sought-after skill set, although the roles on offer are less senior and are paying lower salaries than in recent years.

AML experience has been a fixture of the compliance hiring market for most of the last decade, and has shown little sign of becoming less important. The latest flurry of AML-related enforcement actions from the SFC and the Hong Kong Monetary Authority (HKMA) has only reinforced the importance of having strong knowledge in the compliance department.

Trends

With compliance costs rising, a growing number of firms are turning to less traditional solutions to help them remain compliant while keeping costs in check. One of those is the use of technological solutions for regulatory compliance, such as the use of process automation for labour-intensive manual tasks.

Such "regtech" solutions are becoming more popular for operational and routine work in the AML/KYC areas, and may over time affect the job market for both locally-based junior-level work and offshored locations (such as mainland China, India, Philippines and Malaysia) where most such jobs are based, said Amy Ho at Ambition in Hong Kong.

Fintech and offshoring will remain important for compliance hiring in the future, with local headcount for KYC and onboarding tasks expected to dwindle as the development of innovative technologies takes over, Gope said.

Demand remains strong for compliance professionals for the buy side, Chen said. These include portfolio fund management, surveillance and monitoring, direct investment and private equity mergers and acquisition specialists; in particular those with strong listing rules knowledge.

A growing number of compliance professionals from the sales side are looking to move to the buy side, which is seen as more stable, less risky and generally more compliant with regulations, he said. In terms of salaries, there is little difference between the two sides on the senior level, although for junior positions the sales side still tends to pay more, he said.

Mainland angle

As the financial markets of Hong Kong and mainland China become increasingly intertwined, a growing number of mainland

banks and firms have in recent years set up in Hong Kong. This has driven an explosive growth in demand for compliance personnel with strong Mandarin skills in addition to local Hong Kong regulatory knowledge.

Mainland firms have traditionally offered lower salaries than their international counterparts but the gap is narrowing, with more generous pay rises and bonus payouts this year at Chinese firms.

"For many mainland-owned firms, compliance and regulation are starting to be taken seriously, and salaries reflect this: particularly for mid- to senior-level compliance professionals with relevant experience," Chen said.

For hires from competing firms, it is not uncommon for 20 to 30 percent increments to be granted, plus in some cases a bonus guarantee or "gentleman's promise" on the number of months of bonus for the first year, he said.

"One reason for mainland firms in Hong Kong to hold compliance and regulatory professionals in high regard is because of the ongoing central government crackdown on corruption, bribery and misdoing by government officials," he said.

When comparing candidates on a like-for-like skill set or years of experience basis, there are more jobs available in Hong Kong for fluent Mandarin-speaking compliance and regulatory professionals, particularly those that are qualified lawyers, Chen said.

Several mainland firms are paying at almost Western tier one bank level in terms of base salary for senior-level, experienced compliance professionals with fluent to native Mandarin skills, he said.

"Qualified lawyers, and also those with prior experience from the regulators such as the SFC, HKMA or Hong Kong Stock Exchange, are still in high demand," he said.

This was partly due to the recent growth in mainland financial services firms setting up new branches in Hong Kong, or mainland institutions, conglomerates and industrial groups looking to diversify into financial services or to set up private equity or SFC-licensed financial services businesses in Hong Kong as part of an overseas expansion, he said.

Skills in demand

In general, strong AML and KYC due diligence, and broader financial crime compliance experience, remain much sought-after. Expertise in securities regulation is also important, such as the Dodd-Frank Act, particularly the Volcker Rule, as well as tax matters concerning the U.S. Foreign Account Tax Compliance Act, and the common reporting standard for the automatic exchange of information on taxpayers, Ip said.

"We are seeing local and international retail and commercial banks adding staff to this area, at rather low salary levels or on

a "rolling" contract basis or a contract that could convert into a permanent role," Chen said.

Additionally, concerns about the further ratcheting up of sanctions against states such as Iran, North Korea and Russia by the United States also means that sanctions professionals may be desired in the future.

Among the most sought-after compliance positions in Hong Kong at the moment are those of money laundering reporting officer, compliance officer, general compliance manager, regulatory compliance, and compliance monitoring and surveillance, said Sid Sibal at Hudson in Hong Kong.

Meanwhile, Ho said some banks were hiring in large volumes for financial crime compliance-related roles, particularly in transaction monitoring and investigation. She said there was "big demand for candidates with law enforcement backgrounds who have moved into financial institutions".

There is always a huge interest in KYC and AML in the financial institutions, but "we are also seeing this grow in other areas like law firms", said Rob Green, at GRMSearch.

AML investigation and reporting skills are in demand, particularly for junior to middle-level compliance, and candidates with operational KYC and CDD experience or from compliance consulting backgrounds are tending to be considered for some junior compliance roles.

"Financial crime remains a hot area, with a number of firms increasing their headcount in this space. There is [also] an increasing demand for compliance candidates with technology as well as project and change management experience," said Mark Moorby of Danos Associates.

Professionals with SFC and HKMA experience were in high demand, said Pathay Singh of The Compliance Grid. "This is due to the constant pressure applied by new rules and standards that create a gap between existing internal policy and procedures and the regulators' requirements."

Warwick Pearmund, of Harvey Nash, was keen to point out that with the implementation of the Markets in Financial Instruments Directive II (MIFID II) approaching, compliance staff at locally affected institutions needed to ensure that they were familiar with its requirements as EU rules started to encroach upon Asian markets.

Outlook

While recruiters saw little sign of salary increases this year, there was some hope that demand for compliance professionals with the right skill sets would pick up in the wake of the recent spate of AML-related enforcement actions by the HKMA and the SFC.

"There remains a demand for in-house lawyers and compliance professionals across the board, but the rate of growth has slowed in most industries," said Megan Craighead at Robert Walters in Hong Kong. "Compliance will remain the most candidate-short market, and accordingly, professionals who specialise in areas such as AML may be able to command increments as high as 30 percent when changing jobs."

Others saw a relatively lower rate of salary increments than in previous years, with a general expectation of anything from five to 20 percent for 2017, depending on the supply and demand in niche regulatory areas such as product compliance or AML.

With employers taking a cautious stance on hiring, obtaining approval for hiring decisions and recruitment processes will take longer than usual, leading employers to focus more on developing retention programmes to hold on to their most valued talent, said Dean Stallard at Hays in Hong Kong.

Some also pointed to the high level of compliance hiring activity in Hong Kong during the past three to five years, predicting a slight decline in salaries offered as the market normalises.

"A lot of fresh graduates in the market have been paid higher than graduate level for manual compliance work," Sibal said. "In the last two years, a lot of bulge bracket investment banks have invested in fintech to automate a lot of their existing compliance systems, reducing the need for manual work. Cost cutting has become the number one agenda for most financial institutions and salary increments are expected to see a decline."

Despite the appearance of a busy compliance hiring market, many financial services firms have not generated the requisite income and profits to sustain such hiring, Chen said. "The result is that budget and salary levels have been constant and even decreasing per vacancy," he said.

Still, financial institutions remain switched on to the fact that good, experienced compliance professionals are worth their weight in gold, Green said, especially given the "ever-changing compliance and regulatory environment which seems to get more and more intense every year".

Hong Kong Compliance Salary Survey 2017

Banking and Securities

Years of experience	0-5		5-8		8-15		15+	
	Local	Global	Local	Global	Local	Global	Local	Global
	\$260k		\$660k		\$950k		\$1.55m	

Eximius Group	\$500k- \$660k	-	\$600k- \$950k	\$950k-	\$950k- \$1.55m	\$1.55m- \$2.4m
Harbridge Partners	\$130k- \$500k	\$130k- \$550k	\$400k- \$1m	\$550k- \$1.4m	\$500k- \$1.5m+	\$1.2m-\$3m+
GRMSearch	\$150k- \$500k	\$250k- \$630k	\$450k- \$770k	\$550k-\$1m	\$850k- \$1.2m	\$1.2m-\$2m+
Hays	\$260k- \$380k		\$380k- \$650k		\$650k- \$900k	\$900- \$1.1m+
Morgan McKinley	\$300k- \$480k		\$500k- \$850k		\$900k- \$1.5m	\$1.6m-\$2m+
Ambition	\$170k-\$420k		\$420k-\$840k		\$950k-\$1.6m	\$1.8m-\$2.5m+
Compliance Grid	\$240k-\$480k		\$480k-\$840k		\$1m-\$1.7m	\$1.7m-\$2.5m
Hudson	\$240k-\$540k		\$540k-\$1.2m		\$1.2m-\$2m	\$2m - \$3m
Harvey Nash	\$300k-\$500k		\$500k -\$900k		\$950k-\$1.4m	\$1.1m-\$1.6m+
Asset management						
Harvey Nash	\$320k- \$450k		\$450k- \$700k		\$700k- \$1.1m	\$1.1m- \$1.6m+
Harbridge Partners	\$120k- \$500k	\$130k- \$550k	\$400k- \$1m	\$550k- \$1.4m	\$500k- \$1.5m+	\$1.2m- \$2.3m+
GRMSearch	\$125k- \$450k	\$200k \$550k	\$500k- \$850k	\$600k- \$1.3m	\$850k- \$1.6m+	\$1.5m+
Morgan McKinley	\$300k - \$500k		\$500k-\$700k		\$900k-\$1.8m	\$2m+
Insurance						
Robert Walters	\$300k- \$400k		\$400k- \$780k		\$900k- \$1.5m	
Harbridge Partners	\$120k- \$500k	\$130k- \$550k	\$400k- \$1m	\$550k- \$1.4m	\$500k- \$1.5m+	\$1.2m- \$2.3m+
GRMSearch	\$125k- \$370k	\$180k- \$500k	\$400k- \$800k	\$550k- \$1.1m	\$900k- \$1.5m+	\$1.2m-\$2m+
Hays	\$250k-\$420k		\$420k-\$840k		\$840k-\$960k	\$900k-\$1.6m

Sources: Ambition, Eximius, GRMSearch, Harbridge Partners, Harvey Nash, Hays, Hudson, Morgan McKinley, The Compliance Grid. Currency:
Hong Kong dollars

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