

# LEGAL & COMPLIANCE MARKET UPDATE 2019

## RAPID REFORM AND VUCA CREATES A DEMAND FOR ROBUST LEGAL & COMPLIANCE TEAMS

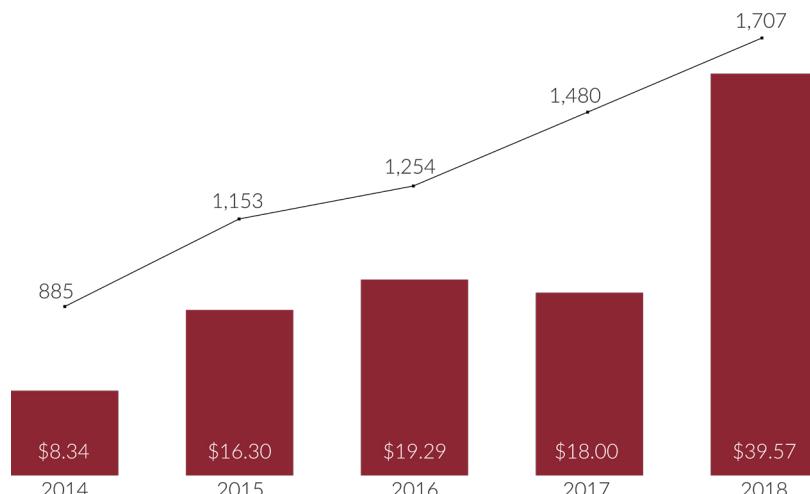
VUCA – Volatility, Uncertainty, Complexity and Ambiguity is the acronym all businesses are grappling with now. The exponential growth of innovative technology has disrupted the way businesses operate. In addition, the rapid pace of reform in China, paired with ever-changing regulatory and compliance rules, calls for a continued need for robust team structures. Not only do organisations need to understand what is required to keep pace with local and global regulatory change, they need to be able to implement that within existing infrastructure, and monitor it on a consistent basis.

**“How firms prioritise their staffing going forward will be crucial to their preparedness for such an environment.”**

As the international reach of US, European and UK regulators widens, the pressures of site inspections, investigations, and fines have all impacted organisational costs, and consequently, the view on culpability. Human capital is a key tool for organisations seeking to shore-up their businesses against a regulated and uncertain future impacted by trade wars, market volatility and disruption from smaller, more nimble innovators.

How firms prioritise their staffing going forward will be crucial to their preparedness for such an environment. This report details the forces driving hiring in 2019 and considers where organisations need to focus their attention in order to fill the region's human capital shortage.

ANNUAL GLOBAL FINTECH DEALS AND FINANCING,  
2014 – 2018 (\$B USD)



Source: CB Insights

# FIVE FORCES DRIVING HIRING IN 2019

## 1. FUND MANAGEMENT

Selective legal and compliance hiring will continue to be a priority for the fund management industry in 2019. This is driven by a mix of increased regulatory pressure (including onsite inspections) as well as the rush to expand into China. The associated regulatory requirements via wholly foreign-owned enterprises (WFOEs) and licences for Qualified Domestic Limited Partnerships (QDLPs), private fund management (PFM), for example, have led to growing demand for increasingly-senior compliance talent throughout the region. In China, once the initial infrastructure and team is in place, we expect legal hires to be a hot trend in 2019.

## 2. INSURANCE COMPANIES

Insurers in Asia face a period of continued growth in line with expanding middle classes in China, India and other South-east Asian countries. Greater regulatory scrutiny throughout the region, including Hong Kong's new Insurance Authority, and more competition from nimble start-ups are creating certain challenges. We are seeing a shake-up in this industry and the resultant innovations as to how insurance products will be marketed and sold have all had a knock-on effect to their hiring. Legal and compliance staff with specialised IT/digital and data protection experience will be sought after as are candidates with bancassurance experience. We also see insurance firms poaching key staff and talent from more regulated environments such as investment banks and asset managers. Candidates, in turn, are attracted to a stable (and profitable) environment, fewer regulations and an increasingly innovative industry.

## 3. CHINESE-BACKED ENTITIES

State-owned enterprises as well as PRC domestic companies are expanding their footprint across Asia. In a report from professional services firm JLL in the first half of 2018, Singapore was highlighted as one of the top destinations for Chinese firms expanding overseas. This included pioneers like Baidu, Alibaba and Tencent. These employers are specifically looking for talent with an international background coupled with fluency in Mandarin, comfort in dealing with senior stakeholders in China and the ability to bring knowledge of well-established compliance frameworks, including corporate, private equity and banking.

## 4. FINTECH / REGTECH

Committed investment for technological and digital innovation is becoming an important focus for many CEOs and, as a result, digital, IP and data privacy lawyers are increasingly sought after. Solution-oriented candidates who can apply their understanding of an existing, more traditional financial services framework to a new solution are in high demand. We anticipate a spike in start-ups that will bring with it an increase in hiring in this area. However, these more cash-strapped employers tend to offer lower base salaries that are more 'back-ended'. Established organisations are fighting back though – see the recent JPMorgan coin launch.

## 5. SPECIALIST ROLES

Specialist experience is increasingly important in tackling the wave of challenges that organisations face today. The #metoo movement and the rising number of conduct investigations will keep in-house employment teams busy for some time. Digital and data privacy lawyers are in demand following the EU General Data Protection Regulation (GDPR) getting tougher on all entities that hold customer information (which pretty much includes everyone!).

## IN-HOUSE LEGAL

In-house lawyers with specialist experience continue to be in demand. We have seen increased hiring in specialist functions such as:

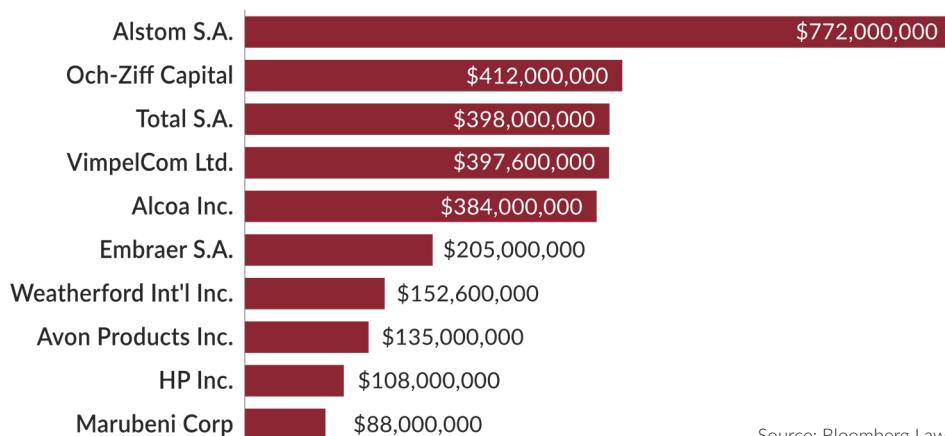
- **Employment.** Increased focus on conduct issues, in-house training and a need to uniform employment contracts across the region.
- **Litigation.** Bringing large-scale litigation ‘in-house’ can be an effective cost management tool.
- **Regulatory Affairs.** As regulators become more sophisticated in the region, many organisations have hired lawyers to act as ‘influencers’ and liaise with relevant regulatory bodies.
- **IT/Digital.** Increased regulation and competition from fintech firms have led to a wave of innovation within established industries. In the rush to digitalise and make use of A.I., tech savvy lawyers have been in high demand.
- **Data Privacy & Protection.** Companies have already been hit hard by increased fines for breaches of data protection but this is only the tip of the ice-berg. Increased regulatory scrutiny by the EU Regulator GDPR, the Hong Kong Commissioner for Privacy and the Singapore Privacy Commissioner have all placed a higher burden on companies to ensure their risk in this area is covered.

**“Law firms have needed to adapt in order to fight back from active poaching from in-house employers. Increased compensation, career mentorship, varied workloads and flexible hours are increasingly being offered to mid-level associates in a bid to retain key talent.”**

- **Funds.** The relaxation of regulations for foreign owned asset management and securities firms in China has resulted in lawyers with funds experience and fluent Mandarin language skills to be highly sought after in Hong Kong and Shanghai. Knowledge of setting up WFOE, PFM and QDLP licences are at a premium. This trend will continue well into next year. In Singapore, the MAS announcement in November 2018 to launch a \$5 billion fund for private market investments requires those global private equity and infrastructure fund managers wanting to pitch for mandates to be committed to either deepen their existing presence in Singapore or establish a significant one. We have seen this activity grow; it now accounts for more than 50% of our hires in legal and compliance within the local fund management industry. On the flipside, for a number of law firms, the upshot of the ‘poaching’ trend is shrinkage in their mid-tier ranks.

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### TOP CORPORATE FCPA SETTLEMENTS SINCE 2013



Source: Bloomberg Law

- **China.** Corporate lawyers continue to be high on the hiring list in China as more companies look to grow their businesses, both organically as well as via M&A deals within the lucrative China market. Retail, manufacturing, insurance and branded luxury goods sectors all eye the domestic market with strong growth potential. This has put the spotlight on legal professionals with strong in-bound and cross-border experience, and the ability to advise businesses seeking to attain a foothold or grow generally within the domestic market. IP and digital/e-commerce lawyers are also in demand.
- **Investment Banks.** Within i-banks, lawyers within M&A and capital markets remain in demand; derivatives/structured products lawyers and regulatory lawyers are also sought after, although usually at AVP to VP level. Budget-driven cost-cutting in this area dictates 'juniorisation' trends and a preference for language skills. We anticipate a sharp increase in demand in China for these skills as international securities firms seek to expand in line with relaxation of regulations.
- **Private Equity.** Private equity firms have been busy in the region over the past 18 months with credit funds and special situation funds enjoying growth. As a result, legal and compliance teams have been quietly growing in line with business needs. Generally, we are seeing compliance teams 'up-skilling' in these organisations, with candidates with experience from more regulated environments becoming attractive. The increase in PRC firms in this area has increased the demand for Mandarin-speaking lawyers and compliance staff. Candidates with Credit/NPL and special situations experience are in particular demand.

This has all resulted in a wider set of opportunities for lawyers with specialist skills and knowledge and in some cases, real shortages. Poaching from the mid-tier associate ranks in law firms has become commonplace, resulting in law firms becoming more competitive in how they retain staff.

Having a certain experience skillset alone does not ensure success in a career in-house. Being able to react to situations quicker to help resolve a real business issue is vital. The ability to influence key stakeholders is an asset in certain roles, as is the confidence and capability to lead an internal investigation where one of the parties involved is a senior executive.

The importance of the China market is so strong in Hong Kong that few roles come without the pre-requisite for fluent (and sometimes native) Mandarin language capability. This makes it difficult to look to traditional overseas markets such as London, New York and Sydney for potential legal and compliance staff. Home-grown talent inevitably has a keen advantage.



## FINTECH: A NEW CAREER PATH?

MAS' recent Singapore FinTech Festival 2018 was evidence of the potential in this sector; the event brought in more than 30,000 attendees from over 100 countries, leading to numerous partnerships and over \$6.2 billion invested. The regulator also announced a fast-track approval programme for fintechs to register locally. In Hong Kong, the SFC has signed several fintech cooperation agreements with other regulators, and the HKMA has launched the Fintech Supervisory Sandbox (FSS) and Fintech Facilitation Office (FFO).

Today, crypto funds and mobile apps have replaced the Googles, Facebooks and Amazons of the world as employers of choice for rising stars. We see lawyers in their 20s opting out of the traditional route of working their way up the career ladder in a bricks-and-mortar firm. Instead, younger practitioners, without the ties of families or mortgages are increasingly attracted to the start-up sector; they will even take pay-cuts to get there. Competition for these roles is also growing as fintechs hire lawyers with experience in a range of areas, including banking and lending, IT, corporate, employment and commercial.

# COMPLIANCE

Across the region, there has been a pivot towards solution oriented compliance candidates. As both start ups and traditional companies start to focus on the digital economy, compliance candidates have to be able to apply their subject matter expertise to new online products and processes.

For example, digital/fintech start-ups that are hiring for roles that didn't exist 2 years ago – candidates from traditional AML and regulatory compliance functions from large financial institutions are now applying their subject matter expertise in the new digital economy framework.

At the same time, as large multinational organisations look to add to their digital/online capabilities, they are starting to hire candidates from outside their own industry. This might include, for instance, hiring a technology/data privacy compliance specialist from a technology company for a newly-created position.

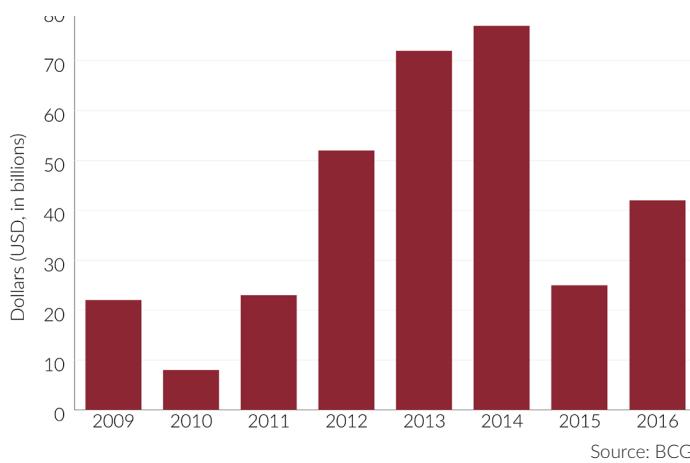
We have also seen continued demand in the following areas:

- Digital and data privacy compliance
- Fund management compliance
- Regulatory compliance (across all industries)
- Anti-fraud/Anti-bribery/Corruption (especially in fast growing technology and consumer companies in emerging markets)
- Compliance monitoring
- Global markets compliance

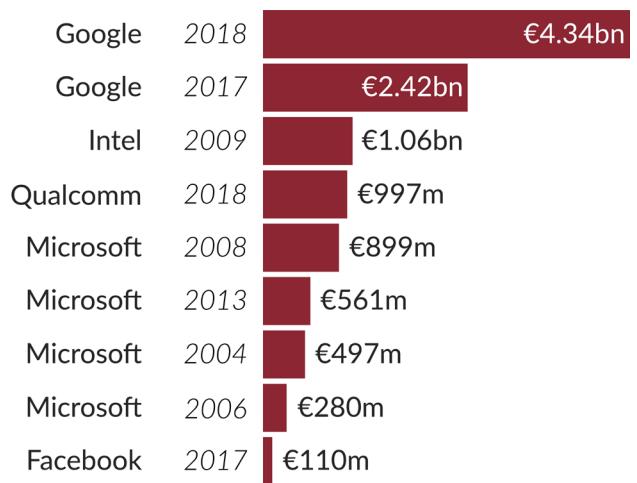
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**“‘Double Hatting’ in an effort to make hiring budget stretch further, we have seen a number of combined legal roles where GC’s aim to hire a lawyer who can add value to a number of businesses/geographies.”**

BANK PENALTIES SINCE THE FINANCIAL CRISIS



ANTITRUST FINES IMPOSED BY THE EUROPEAN COMMISSION AGAINST US TECH COMPANIES



Automation and various artificial intelligence processes are reducing the operational aspects of the compliance function. For example, AML transactional surveillance is another area being automated and offshored. We are also seeing “juniorisation” across the banking industry as cost cutting measures are implemented.

As a result of these trends, candidates see these areas as undesirable given the potential for career instability. Candidates currently in organizations where “juniorisation” is being practiced look externally out of their industry. In the last 12 months, we have moved more banking candidates to other industries than in the previous 5 years.

The impact of the vast ongoing fines being imposed on companies for various breaches across data privacy, anti-money laundering and FCPA, for example, has shone a spotlight on the importance of the compliance function.

In line with this, regional heads of compliance continue to have a significant say in strategic decisions, given their need for a ‘seat at the table’.

As a result, compliance candidates are expected to be able to advise and influence senior management and business heads. This involves a ‘softer’ side – strong communication, influencing skills and gravitas. In particular, governance teams must be solution-oriented and business focused. Increasingly, senior compliance managers must also prove significant and established contacts and connections with the relevant regulatory bodies, such as MAS, HKMA and CBRC.

#### WHY ARE YOU CONSIDERING LEAVING YOUR CURRENT ORGANISATION?

In 2018, Profile Search & Selection conducted a study in conjunction with Roffey Park on working life in Asia. The study found that more than two-thirds of survey respondents reported wanting to leave their organisations. Three of the top reasons were a lack of career growth and development, poor leadership and lack of promotion opportunities.



# CHARTING A LEGAL AND COMPLIANCE CAREER IN CHINA

Within China, game-changing developments in the regulatory landscape over the past 12 to 24 months across securities, banking and insurance to open the domestic financial services landscape to foreign investment, are creating a frenzy of hiring activity. In addition to the WFOE-related talent, three other sectors need more human capital within the legal and compliance fields.

## **SECURITIES JOINT VENTURES**

The roadmap for opening the China market that was put in place in April 2018 shows a clear timeline for securities business, with global houses planning their entries. With the complex business structure, given that there are eight major licenses in place with which companies can apply, firms with this vision need to recruit for compliance and legal functions. In compliance, the process is top-down; the priority is experience. In legal, unlike for fund houses, securities firms will hire legal talent as early as they do compliance practitioners.

## **PRIVATE EQUITY AND VENTURE CAPITAL FUNDS**

The turbulence in China's capital market since late 2017 has led the central government to place restrictions on cross-border M&A. In turn, investment firms are looking to recruit individuals in supporting functions. Amid this trend, there is a healthy turnover of legal practitioners in the market, although many private equity and venture capital firms continue to be somewhat conservative in terms of talent acquisition.

## **ALTERNATIVE INVESTMENT FIRMS**

The Chinese government's "Belt & Road" project has been another driver for global asset managers to target the real estate, infrastructure and new energy sectors as part of a long-term investment strategy. As they create onshore teams to capitalise on these opportunities, the compliance role is essential to meet the regulatory demands of the local industry association as well as the securities watchdog. Legal professionals, however, do not yet see the same demand, although this is a trend that we expect to emerge in time.

## **GROWTH IN CHINESE HEADQUARTERED ENTITIES AS WELL AS INTERNATIONAL MULTINATIONALS EXPANDING THEIR FOOTPRINT IN CHINA**

China continues to be a growth market for us – both in domestic Chinese companies as well as multinational clients. Our multinational clients have expanded their sourcing scope in China to include hiring outside of specific industries as well as identifying bilingual talents outside of China who may be open to relocate to China. Outside of specific functions that require interactions with financial regulators, there is a lot more flexibility from clients in their hiring processes in China. For example, we have moved legal candidates from gaming to retail and practice to various in-house roles. This is largely driven by the shortage of good bilingual candidates.

## **WHAT DO CANDIDATES WANT IN CHINA?**

Legal and compliance candidates in China have their choice of employers and generally look for:

- Empowerment – does their role influence business development?
- Company culture – is there a collaborative culture?
- Career development

# WHAT DO CURRENT TALENT TRENDS MEAN FOR YOU IN 2019?

For the year ahead, we expect all the key trends we are seeing to keep us busy across legal and compliance hiring within Asia Pacific. More specifically, based on the five factors we identified as shaping hiring decisions in 2019, there are three main trends that clients and individual candidates should bear in mind, and where we are increasingly focusing our attention in helping to fill the region's human capital shortage:

## THINKING OUTSIDE THE BOX

As businesses evolve generally, clients have had to become more agile in their hiring rather than going down the traditional route of poaching from a direct competitor. For example, we have moved in-house counsel from investment banks to fund managers, from technology firms to insurance companies, and from retail banks to fintechs. As a result, flexibility is key when sourcing within a candidate-led market that also has a shortage of skills. Offers of flexible hours and working conditions can be effective against this backdrop. We have also seen return-to-work schemes be successful, as well as recruiting from other Asian centres.

## BEING COMMITTED TO HIRING

More and more, employers need to move quickly when they find the right candidate. Part of this is them accepting that in many situations, especially given the demands of today's environment, a "perfect" candidate doesn't exist. We see this in China, for example. In this highly-buoyant market that is still evolving at breakneck speed, candidates can often be holding multiple offers. Speed and being committed to the process is key.

## ADVOCACY AND EXTRACTION

Recruitment of senior legal and compliance practitioners in Asia is moving away from purely being a task of identifying potential candidates to one of advocacy and extraction. In-house counsel and compliance officers are paid to be the most risk-averse people in their organisation. As a result, we are increasingly finding that the depth and length of our relationships with our candidates have been instrumental in helping our clients advocate their role to this passive population. We spend most of our time 'extracting' while social media-led recruiters are still focused on just 'identifying'. Guiding candidates through the offer and resignation process is increasingly important – many sought after candidates find themselves with multiple offers and a counter-offer from their employer.



## IN NEED OF SPECIALISTS TO FIND TALENT

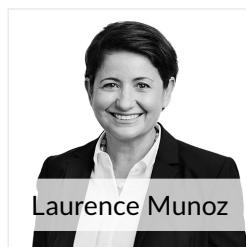
It's no secret that the move within many financial institutions towards an 'internal recruiter' model has changed how banks are hiring lawyers and compliance staff. Internal referral schemes, back-to-work initiatives and social media platforms like LinkedIn have all had an impact on hiring strategies and processes. Yet we constantly hear frustrations from clients – the internal recruiter often lacks the network or bandwidth to successfully attract the right type of candidate. This highlights the importance for recruiting within this sector and having intimate knowledge of the market and the professionals who work within it.

## RECENT PLACEMENTS BY PROFILE

ROLE	ORGANISATION	LOCATION
APAC General Counsel	Private Equity Firm	Hong Kong
APAC General Counsel	Global Insurance Firm	Hong Kong
Head of Employment Legal	European Investment Bank	Hong Kong
Regional Head of Compliance	US Investment Bank	Hong Kong
Head of Compliance, Greater China	Global Asset Manager	Hong Kong
Regional Head of Legal & Compliance	Global Asset Manager	Hong Kong
Senior Funds Lawyer	European Asset Manager	Hong Kong
Derivatives Lawyer	Global Investment Bank	Hong Kong
Corporate Secretary	Global Investment Bank	Hong Kong
Regional Legal Counsel	Multinational Construction Firm	Hong Kong
Senior Legal Counsel	Global PE Fund	Singapore
SG Head of Compliance	Global Fund Manager	Singapore
VP, Compliance	Global Fund Manager	Singapore
VP, Compliance	Global Renewable Energy Fund	Singapore
Manager, KYC	Global Fintech Firm	Singapore
Director, Head of AML	Global Corporate Bank	Singapore
APAC Legal Counsel	Global Engineering Services Firm	Singapore
Contracts Counsel	Global Management Consulting Firm	Singapore
China Legal Counsel	Professional Sports League	China
Chief Compliance Officer, China	US Asset Manager	China
Senior Compliance Manager	US Asset Manager	China
Compliance Manager	Global Venture Capital Firm	China
Chief Compliance & Risk Manager, China	US Asset Manager	China
Chief Legal Counsel	UK Asset Manager	China
Associate Director, Compliance	Global Asset Manager	China
Chief Compliance Officer, China	US Asset Manager	China
Compliance Manager	UK Asset Manager	China
Chief Compliance Officer	US Asset Manger	China

## KEY CONTACTS

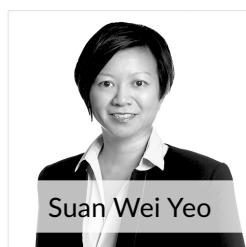
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