Lenders Bolster Risk and Compliance Staff

By Rachel Louise Ensign

Crackdowns and new rules on banks are creating a hot employment market in one corner of Wall Street: risk and compliance.

Due to stepped-up regulatory oversight and some high-profile lapses, banks are boosting hiring of workers who evaluate risks and make sure their firms comply with laws and regulations.

J.P. Morgan Chase & Co. has been the most aggressive of late, with plans to add more than 13,000 people to its staff tasked with bolstering controls. The flurry of hiring has in some cases sent compensation soaring, with pay for some consultants at J.P. Morgan rising to more than $100 an hour compared with $60 an hour or less at some smaller banks.

The number of risk and compliance jobs on Wall Street isn't tracked, but recruiters say the increase recently has been sharp.

The hiring effort is creating a "war for talent" among large banks and a "vacuum" at smaller banks, said Destree Rickard, managing director and head of the compliance practice at recruiter BarkerGilmore. Even if a job seeker isn't necessarily willing to go to J.P. Morgan or another big bank, they may use the larger bank's interest to get more money at a current employer, she added.

One of J.P. Morgan's most-notable hires was Pamela Johnson, financial-crimes compliance managing director, who joined from **Citigroup** Inc. in 2012. Citigroup declined to comment on her move.

While J.P. Morgan doesn't disclose its total number of compliance employees, it is expected to have 8,000 people focused on anti-money-laundering efforts alone, according to the bank.

The hiring trend comes as banks face increased regulatory demands to monitor their far-flung operations. Lenders are adding compliance staff as authorities ramp up scrutiny of their procedures for complying with various regulations and slap penalties on banks they believe have inadequate controls.

J.P. Morgan recently has posted about twice as many compliance jobs as any other bank, according to Christian Focacci, founder of AML-Source.com, an online job board and recruiting service for financial-crimes compliance jobs. "People are leaving every other bank for J.P. Morgan," he said.

The New York-based bank agreed to more than $20 billion in legal settlements last year, about $2 billion more than its 2013 net income. Among recent settlements, the bank agreed in January to pay $2.6 billion to resolve charges it failed to police Bernard Madoff's activities.

Other banks, including Citigroup and **HSBC Holdings** PLC, have stepped up compliance hiring in recent years. Citigroup planned to add 6,000 jobs in risk management, compliance and anti-money laundering between 2011 and the end of 2014, while HSBC added about 1,800 compliance people in 2013. Both banks recently have trimmed staff elsewhere.

In late 2013, J.P. Morgan hired Lori Richards, a former **PricewaterhouseCoopers** LLP principal who previously worked as the compliance-examinations chief at the Securities and Exchange Commission, as chief compliance officer for its asset-management unit. The bank also tapped Tom Anderson, a former banking head at **American Express** Co., to fill the top compliance role at its consumer and community banking unit. The two declined to comment through a bank spokeswoman.

Smaller banks looking to hire consultants at the same rates they paid a year ago will now typically find it harder to find someone to fill the role, according to Alex Pole, a partner at New York compliance recruiting firm MJ Boyd Consulting.

Annual compensation for compliance staffers has been rising across the board. For bank legal and compliance workers, total compensation increased about 5% last year, on average, according to executive search firm Options Group. By comparison, bankers and traders on average saw an increase of 3%, the firm estimated late last year. About 60% of legal and compliance workers saw total compensation rise year-over-year, Options Group added.

Despite the increases, most compliance workers don't pull in the incomes of bankers and traders. For vice president-level employees at banks in New York, compliance employees typically earned between $100,000 and $150,000 in total compensation in 2013. Some equity traders pulled in between $200,000 and $300,000, and mergers-and-acquisitions bankers earned between $300,000 and $400,000, Options Group said.

J.P. Morgan Chairman and Chief Executive James Dimon wrote in his annual letter in April that the 13,000 new hires from 2012 through the end of 2014 would include employees in risk, compliance, audit and other areas. A chunk of those employees are moving from other departments within the bank, officials said. In addition, the bank typically has between 1,000 and 2,000 outside consultants working in these areas.

Compliance-consulting jobs focused on preventing financial crimes typically pay between $70 and $110 an hour at J.P. Morgan, people with knowledge of the rates said, higher than many other banks pay.

Buffett Connects With Berkshire Shareholders in Omaha

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Mr. Matthews said his takeaway was that "shareholder votes are a nuanced, political device to be exercised carefully without publicly offending the companies in which you're a part-owner."

That is a somewhat different message from what shareholders heard at the 2009 annual meeting, when Mr. Buffett said large shareholders in companies should "speak out on the most egregious cases" of CEO compensation abuses.

"The way to get big shots to change their behavior is to embarrass them," he said then. "It would act as a restraining factor that might set in corporate America...The restraining factor isn't there right now."

Many shareholders said the issue was a distraction or that they were willing to make their peace with Mr. Buffett's decision.

Shareholders and analysts also peppered Messrs. Buffett and Munger with questions about where Berkshire's weaknesses lie, and whether Mr. Buffett's eldest son, Howard Buffett, is the right man to be Berkshire's future nonexecutive chairman.

Asked about Berkshire's weaknesses, Mr. Buffett said he probably could be more aggressive in taking cash from some units. He also said he has "a clear weak point" in that "I am slow to make personnel changes." The lack of supervision over subsidiaries will also mean that, at times, "we'll miss something."

But it also helps the managers accomplish a lot. Mr. Buffett predicted that someone will do something wrong in the future that will prompt outsiders to criticize the system and say he needs more oversight. "What they won't be able to measure is how much we've been able to achieve with dozens and dozens of people because we gave them that leeway."

He also defended his choice of his son Howard as Berkshire's future chairman. "He's the perfect guy" to carry out the job of preserving Berkshire's culture and values, Mr. Buffett said of his son, who is a director of Coca-Cola and Berkshire.

Answering a shareholder's question on how the younger Mr. Buffett could be trusted to preserve Mr. Buffett's principles on pay given that he voted in support of Coca-Cola's compensation plan, he said: "The nonexecutive board chairman is not there to set compensation, he's there to facilitate a change if the board decides a change is needed."

There were other probing questions seeking information on recent challenges at Berkshire's railroad, how much the company pays certain top executives and plans to use its cash hoard.

Mr. Buffett conceded that Berkshire's cash, which stood at more than $48 billion at the end of the first quarter, was increasing at such a fast clip that the day may not be too far off when they would run out of ways to "intelligently invest" the cash.

He added they would entertain future stock buybacks. He has said Berkshire will repurchase shares if they fall below 1.2 times book value.

Reuters

Attendees lined up for Heinz ketchup bottles bearing likenesses of Warren Buffett and Charles Munger.