



# The Spotlight

The Spotlight is a regular Q & A feature that showcases our people, their expertise, and trending topics that are on top of our clients' minds directly from the voices of our business leaders.



## Joel Davies, Partner, European Asset Management and Banking

Joel Davies is a Partner in McLagan's European Asset Management and Banking practice, providing reward consulting services to the management and boards of banking and asset management organizations. His particular areas of focus include reward strategy, executive compensation, and remuneration regulations. Joel has acquired extensive experience across compensation, benefits, and performance management through leadership roles in consulting and corporate environments in both the UK and U.S.

### Questions and Answers

#### **Are the reward challenges of banks and asset managers similar?**

In many ways, yes. Both face challenges in balancing the requirements of the major stakeholder groups—owners, employees, regulators, clients—within a disrupted and uncertain business environment. Client expectations on services, how they're delivered, and what they cost are changing rapidly. Firms have a lot to contend with regarding how to respond and how to identify, attract, motivate, and retain the talent they need to be successful now and in the future.

#### **Is pay regulation still a major influence in Europe?**

While both banks and asset managers have amended approaches due to regulations, the impact on banks has been more significant—largely due to the application of the banking bonus cap that most asset managers were able to avoid. Regulation will continue to be a major influence on pay design, however, the emergence of new rules at an EU level has slowed significantly. The focus now lies on the refinement of existing rules and ensuring consistency of application across member states, which will be evident this year with the finalization of the CRDV text (an update on CRDIV) and a new prudential regime for investment firms. It is at the national level that we continue to see new rules and requirements emerge. For instance, the UK has already introduced mandatory gender pay gap reporting and consultation on ethnicity pay gap reporting, and later in 2019, the FCA will extend the application of the Senior Manager and Certification Regime (SM&CR), which will change the way people who work in the UK financial services industry are regulated.

#### **How is technology shaping compensation trends in Europe?**

Put simply, we see firms focused on leveraging technology to do things better. The impact on the banking sector has been particularly significant, as the convergence of the technology and financial services industries is forcing banks to re-visit their entire employee value proposition. So far, the asset management industry has been less significantly affected. With much of the technology focus on gaining operating efficiencies to offset falling fee rates, only in the largest asset management firms have we seen more transformational change.

#### **What are the major areas of focus for reward teams in 2019?**

HR and reward teams remain under significant pressure with a long list of demands and challenges, such as maintaining focus and building capability and capacity. High on the list for many will be: improving pay transparency, demonstrating and communicating total reward value, and pay differentiation. The concept of pay differentiation is an important one that no longer focuses just on performance alignment, but also on identifying critical functions and talent for long-term firm success.

#### **If you could describe the European financial services industry in three words, what would they be?**

Disrupted, responding, evolving.