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**compliance reporter**

**Impending Hedge Fund Rule Adding To CCO Salary Spike**

by Nathaniel Baker

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**A**nticipated regulation of hedge funds is adding to growing salaries for investment adviser chief compliance officers, according to recruiters. They said the salary spike that was anticipated as a result of Securities and Exchange Commission Rule 206(4)-7 (CR, 12/6), which requires investment advisers to appoint CCOs by Oct. 5, is playing out as well. "Salaries have exploded for investment adviser COs," said David Claypool, principal of Parks Legal Placement in Summit, N.J. "I'm seeing salaries I never thought I would see."

CCO compensation rose by 15-20% since the start of the year, from \$150-300,000 to their current levels of \$200,000-400,000, including bonuses, said Michael Lord, principal at Michael Lord & Co. in New York. Lord expected another 15-20% increase by the start of 2005, which would push the top compensation packages to the half million-dollar range. He explained the increase as "economic supply and demand. The number of CCOs with experience has remained the same while the number of vacancies has increased."

Andrea Stern, V.P. of legal and compliance at Solomon Page Group, an executive search firm in New York, said she was seeing compensation packages for investment adviser CCOs range from \$400,000 to \$1 million annually depending on the size of the firm and what type of funds they advise. "The high end of this range includes very large institutions with

several billion dollars under management — not only hedge funds," Stern said. Stern said she had seen salaries increase 10-15% since the start of the year, but was the only recruiter who didn't anticipate any additional increases. Another New York-based recruiter reported similar numbers as Stern; total annual compensation in the \$400-\$500,000 range, up about 20-25% from the beginning of the year.

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