

# City HR Community Chat

## What's next for Regulatory Remuneration?

Presentation by Jill Townley and Alison Wade  
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# Introduction



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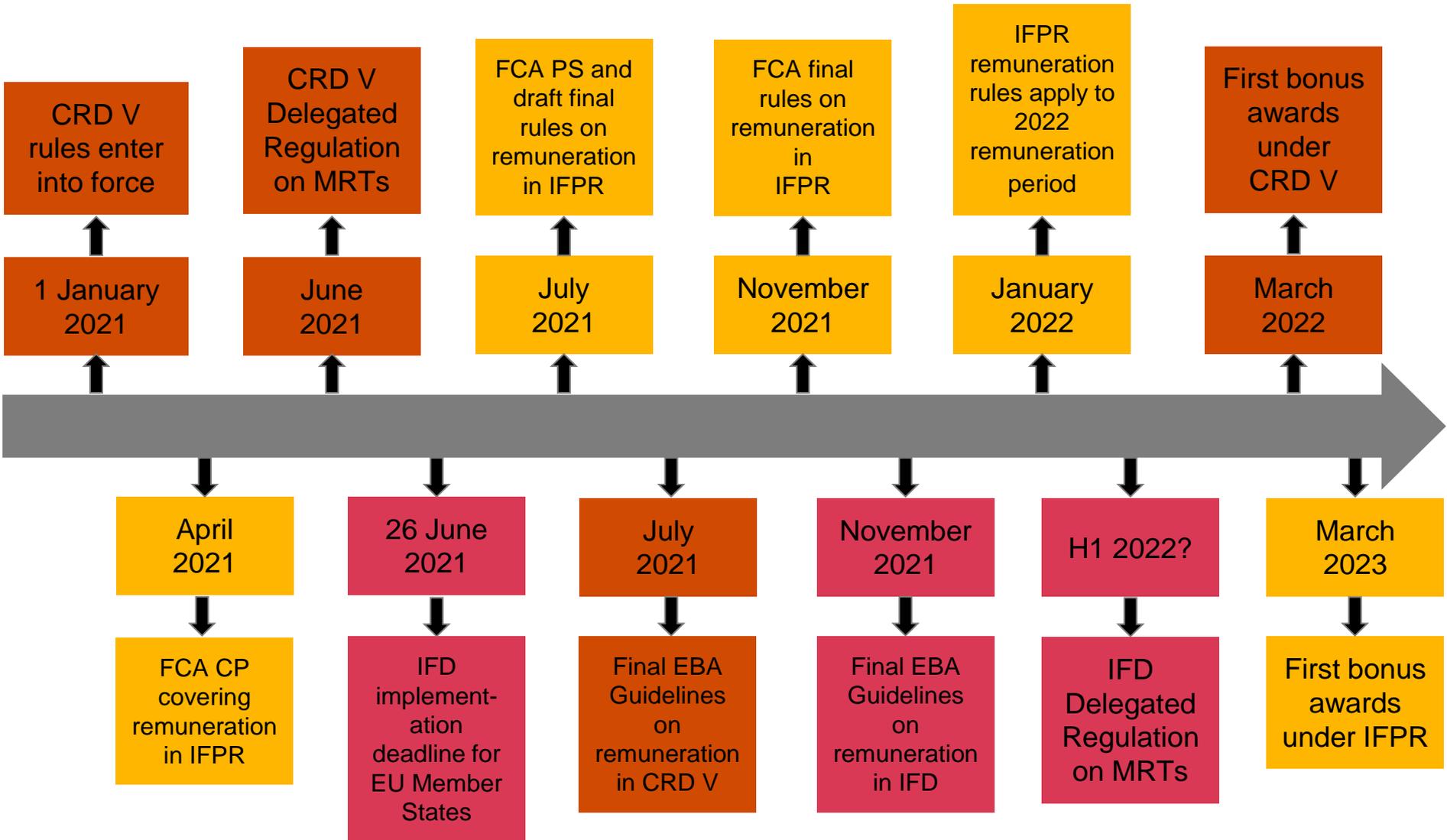
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## Agenda

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1. CRD V, IFD and IFPR: timeline
2. Overview of IFPR remuneration requirements
3. From 2021 into 2022: key remuneration issues
4. What's on the regulatory horizon?

# CRD V, IFD and IFPR: timeline



# Overview of IFPR remuneration requirements

To note: UK IFPR requirements differ in some respects from those of the EU IFD, e.g. MRT definition

**Largest non-SNIs**

## Extended remuneration requirements

- Structural requirements for variable pay:
  - 40% deferral for at least 3 years; 60% if >£500k
  - 50% of deferred remuneration to be paid in instruments
  - Retention required of at least 6 months
  - Restrictions on payment of interest or dividends on deferred instruments
- Remuneration Committee at entity or group level required: 50% non-executives
- Full public disclosure rules

**All MRTs**

(except those with variable remuneration ≤£167k and variable remuneration ≤33% of total)

**All non-SNIs**

## Standard remuneration requirements

- Identify MRTs
- Ex ante and ex post risk adjustment of bonus pools
- Malus and clawback for variable pay
- Restrictions on guaranteed variable pay, retention awards, buyouts and severance pay
- Set ratios of variable to fixed pay
- Some public disclosure rules

**All MRTs**

**All IFPR firms (SNIs and non-SNIs)**

## Basic remuneration requirements

- Remuneration policy, regularly reviewed
- Control function independence and oversight
- Appropriate balance of fixed and variable pay
- Individual performance assessment to include financial and non-financial criteria
- Only basic public disclosure rules

**All staff**

# From 2021 into 2022: key remuneration issues

## IFPR

### Scope and application

Understanding entities in scope of which requirements, including which thresholds are met

### Alternative structures

Carried interest, partnership pay, co-investment

### Risk adjustment, malus and clawback

Proportionate approach, triggers and implementation

### Timing

IFPR applies to first performance period starting on or after 1 January 2022

### MRT identification

Possible changes to governance needed; parent entities in non-EU countries

### Fixed/variable pay ratio

Setting ratios which balance headroom with an appropriate mix

### Compliance with structural requirements

Deferral, instruments, RemCo, mitigation strategies

## CRD V

### Deferral

Changes to MRT identification; complexity of revised deferral and clawback periods in UK

## AIFMD / UCITS V

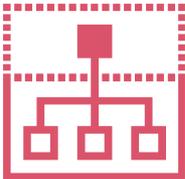
### Proportionality

Shifts in approaches to proportionality under self-assessment post Brexit

# What's on the regulatory horizon?



PRA/FCA work to assess **how firms have implemented CRD V and IFPR** remuneration rules?



PRA interest in **application of remuneration rules to groups** where group entities potentially subject to different regimes - meaning for UK inbounds?



**Diversity and inclusion:** PRA/FCA consultations expected in H1 2022. Linking D&I to variable pay? Expectations for remuneration processes?

## Remuneration in the post-Brexit era:

- EU equivalence - consequences for UK and EU firms?
- HMT work on the Future Regulatory Framework for financial services to be followed by PRA/FCA consultations to bring certain material into PRA Rulebook and FCA Handbook
- Any changes to specific elements of EU-derived rules, e.g. bonus cap for banks?
- Any simplification of overall remuneration framework?

# Thank you

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