

# City HR

## Update on Regulatory Remuneration

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# Introduction



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## Agenda

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1. Key remuneration regulatory issues
2. 5 myths about FCA supervision
3. Cost of living

# Key remuneration regulatory 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, contracts

### Financial / non financial

Ensuring everyone has appropriate non financial considerations

### 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

# 5 myths about FCA supervision

1

The FCA is mainly just concerned with conduct

For 96% of the firms it regulates, it is both the conduct and **prudential regulator**.

2

The FCA looks at each firm regularly and assesses its compliance with the rules

- FCA regulates and supervises **51,000 firms**.
- **Risk-based approach** to decide how to use resources.
- **Supervision is against risks** rather than rules, though is overlap.

3

FCA supervisors have an in-depth understanding of each firm's business and how it operates

- Small number of firm-specific supervision teams; vast majority of firms covered by **portfolio teams**.
- **Assessment model** is used to determine how harm is most likely to occur, supervisory strategy and actions.

4

The FCA will only contact a firm if there is a problem

**Many reasons for contacting a firm**, e.g. thematic work, information requests, knowledge-building, simple query.

5

Interactions with the FCA are always formal

- Supervisory culture in UK is **more informal**, based on **cooperation**.
- Formal statutory powers invoked as last resort.
- Interactions are opportunity for **mutually beneficial dialogue** and **building relationships** with supervisors.

# Cost of living



**Offering financial well-being services**



**Salary budgets centring on 4% (Feb data) - half planning out of cycle increase**



**60% making other interventions (new plans, enhanced benefits)**

## **What are firms considering:**

- Increased salary budgets
- Mid-year pay increases
- One-off payments
- Mid-year bonuses
- Targeted interventions for specific populations
- Additional funding for wellbeing and benefits
- Wider EVP proposition

# Thank you

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