

# City HR Compensation Forum

## Remuneration regulatory update

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# Introduction



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## Agenda:

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Recent rule changes

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Coming up in 2024...

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# Removal of the bonus cap

Final rules and guidance in [PRA PS9/23 / FCA PS23/15](#) of 24 October 2023

## What has changed?

- MRTs' variable pay **no longer limited to 100%** of their fixed pay (or 200% with shareholder approval).
- Instead, each bank to **set its own 'appropriate ratio'**.
- Expectation that a **lower ratio for MRTs in control functions** will usually be appropriate.
- **Guidance** provided on what to take into account when setting ratio/s.

## When?

- New rules apply from the **performance year that was ongoing on 31 October 2023**.
- But firms **may decide to wait until a later date**, e.g. the start of their next performance year.

## What should firms be considering?

- What **ratio** to set.
- Whether to **set different ratios** for different types of MRTs, especially for those in control functions. What about non-MRTs?
- What **governance** would be necessary if a higher ratio were set?
- Any **rebalancing** of fixed and variable pay (in the short or longer term) and what would the impacts be?

# Greater proportionality for smaller firms

Final rules and guidance in [PRA PS16/23 / FCA PS23/17](#) of 5 December 2023

## What has changed?

- **Definition of ‘small CRR firm’ and ‘small third country CRR firm’** (i.e. a branch) have been amended by:
  - increasing the total assets threshold from £13bn to £20bn; and
  - changing the additional criteria firms with assets between £4bn and £20bn must meet.
- All ‘small CRR firms’ are **exempt from the existing rules on malus/clawback and buy-outs.**

## When?

- New rules apply to **performance years starting on or after 8 December 2023.**

## What should firms be considering?

- **Firms with total assets of £4bn to £20bn** should check whether they meet the revised **additional criteria** to qualify as a ‘small CRR firm’.
- Firms which qualify as ‘**small CRR firms**’ under the new definition should consider their future approach to **malus/clawback.**

There is no direct impact on banks with assets over £20bn.

# Changes to Pillar 3 remuneration disclosures

Final rules and guidance as part of [PRA PS15/23](#) of 5 December 2023

## What has changed?

- Firms which qualify as '**small CRR firms**' under the new definition will no longer have to disclose as much qualitative or quantitative information on remuneration.
- If a firm is a '**small CRR firm**' **and** **has not issued any securities** that are admitted to trading on a regulated market, it will be **exempt** from all remuneration disclosures.

## When?

- **New rules** apply to disclosures made after 31 December 2023 and relating to a **performance period ending after 31 December 2023**.
- **Old rules** continue to apply to disclosures relating to a **performance period ending on or before 31 December 2023**.

## What should firms be considering?

- '**Small CRR firms**' should:
  - check whether they - or any entity within the consolidation group - have issued **any securities**; and
  - be clear about the **timing** of when the old/new rules apply.
- All firms (except those exempt) will need to **disclose their variable to fixed pay ratio or ratios**. Firms should take the internal and external aspects of this into account **when setting their ratio or ratios**.

# Coming up in 2024...

UK

- FCA Feedback Statement on the Discussion Paper on ESG-related **governance, remuneration, incentives** and training **(H1)**
- PRA/FCA Consultation Papers on improvement and reform of the **SM&CR (Q2)**
- PRA/FCA Policy Statements on **diversity and inclusion (H2)**

EU

- Several **EBA reports on pay-linked topics** under CRD V and IFD, e.g.:
  - Application of *gender-neutral remuneration policies* in banks and investment firms **(Q2)**
  - Use of firm and individual *proportionality* by banks **(Q3)**
  - *Gender pay gaps* in banks and investment firms **(Q4)**
  - Remuneration *benchmarking and high earners* in banks and investment firms **(Q4)**
- More clarity on how and when individual Member States are intending to implement **Pay Transparency Directive**



**Watch this space for any further developments...**

- Broader reforms of the remuneration regime for banks?
- Any movement towards more proportionality for investment firms?



# Thank you

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