



PRA/FCA Consultation Paper on changes to remuneration rules for banks

On 26 November 2024, the PRA and FCA published a joint [consultation paper](#) with proposals for significant changes to the remuneration requirements applicable to banks and building societies in the UK, including third country branches.

The regulators note that some aspects of the remuneration rules are stricter in the UK than elsewhere and may be damaging for competitiveness. Their proposals therefore aim to support UK growth and to make the remuneration regime more competitive and more proportionate.

Changes are proposed in a number of **key areas**:

- **Identification of MRTs:** Replace the quantitative criteria with an expectation to consider identifying the highest earners as MRTs; no need to apply to the regulators for the exclusion of individuals identified under quantitative criteria only; more detailed rules and guidance on the MRT identification process and its governance.
- **De minimis threshold:** Increase from £44,000 variable remuneration to £660,000 total remuneration.
- **Percentage of variable pay subject to deferral:** Raise the threshold at which at least 60% of variable pay must be deferred from £500,000 to £660,000.
- **Deferral periods:** Reduce the 7-year deferral period for the most senior executives to 5 years; most other MRTs to have 4-year deferral.
- **Vesting schedules:** Pro-rata vesting from the first anniversary of grant to be possible for all MRTs.
- **Retention periods:** Remove the requirement to set a retention period for deferred instruments.
- **Payment of dividends and interest:** Remove the ban on paying interest or dividends on deferred instruments.

In addition:

- The FCA proposes to delete its rules and guidance which duplicate those of the PRA.
- The PRA proposes to more closely link the accountability and remuneration regimes, especially in the context of variable pay adjustments.

Timeline and next steps: The consultation period runs until 13 March 2025. The PRA and FCA aim to publish the final rules in H2 2025. They propose that the new rules would apply to a firm from its first performance period commencing after the new rules are published (for firms with a 31 December year-end, this would be the performance year beginning in January 2026).

For further information, help or to discuss the implications of these proposals for your firm, please contact Alison Wade: alison.c.wade@pwc.com