

Disclosure

Chapter 8

Disclosure

8.6 Remuneration policy and practices

Application: general

- 8.6.1 **R** The *rules* in this section apply to all *MIFIDPRU investment firms*, unless otherwise specified.

Qualitative disclosures

- 8.6.2 **R** A *MIFIDPRU investment firm* must disclose a summary of:
- (1) its approach to *remuneration* for all staff ("staff" interpreted according to ■ SYSC 19G.1.24G);
 - (2) the objectives of its financial incentives;
 - (3) the decision-making procedures and governance surrounding the development of the *remuneration* policies and practices the *firm* is required to adopt in accordance with the *MIFIDPRU Remuneration Code*, to include, where applicable:
 - (a) the composition of and mandate given to the *remuneration* committee; and
 - (b) details of any external consultants used in the development of the *remuneration* policies and practices.

- 8.6.3 **G** In complying with ■ MIFIDPRU 8.6.2R(1), a *firm* may consider it appropriate to disclose:
- (1) the principles or philosophy guiding the *firm's remuneration* policies and practices;
 - (2) how the *firm* links variable *remuneration* and performance;
 - (3) the *firm's* main performance objectives; and
 - (4) the categories of staff eligible to receive variable *remuneration*.

- 8.6.4 **R** A *non-SNI MIFIDPRU investment firm* must disclose the types of staff it has identified as *material risk takers* under ■ SYSC 19G.5, including any criteria in addition to those in ■ SYSC 19G.5.3R that the *firm* has used to identify *material risk takers*

8.6.5 **R** A MIFIDPRU investment firm must disclose the key characteristics of its remuneration policies and practices in sufficient detail to provide the reader with:

- (1) an understanding of the risk profile of the firm and/or the assets it manages; and
- (2) an overview of the incentives created by the remuneration policies and practices.

8.6.6 **R** For the purpose of **■ MIFIDPRU 8.6.5R**, a firm must disclose at least the following information:

- (1) the different components of remuneration, together with the categorisation of those remuneration components as fixed or variable;
- (2) a summary of the financial and non-financial performance criteria used across the firm, broken down into the criteria for the assessment of the performance of:
 - (a) the firm;
 - (b) business units; and
 - (c) individuals.
- (3) for a non-SNI MIFIDPRU investment firm:
 - (a) the framework and criteria used for ex-ante and ex-post risk adjustment of remuneration, including a summary of:
 - (i) current and future risks identified by the firm;
 - (ii) how the firm takes into account current and future risks when adjusting remuneration; and
 - (iii) how malus (where relevant) and clawback are applied;
 - (b) the policies and criteria applied for the award of guaranteed variable remuneration; and
 - (c) the policies and criteria applied for the award of severance pay.
- (4) for a non-SNI MIFIDPRU investment firm not falling within **■ SYSC 19G.1.1R(2)**:
 - (a) details of the firm's deferral and vesting policy, including as a minimum:
 - (i) the proportion of variable remuneration that is deferred;
 - (ii) the deferral period;
 - (iii) the retention period;
 - (iv) the vesting schedule; and
 - (v) an explanation of the rationale behind each of the policies referred to in (i) to (iv).

Where the firm's deferral and vesting policy differs for different categories of material risk takers, the information should be presented and sub-divided accordingly.

- (b) a description of the different forms in which fixed and variable remuneration are paid, for example, whether paid in:
 - (i) cash;
 - (ii) share-linked instruments;
 - (iii) equivalent non-cash instruments;
 - (iv) options; or
 - (v) short or long-term incentive plans.

8.6.7

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In complying with ■ MIFIDPRU 8.6.6R(1), a firm is reminded of the rules and guidance in ■ SYSC 19G.4 on categorising fixed and variable remuneration.

Quantitative disclosures

8.6.8

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- (1) Subject to (7), a MIFIDPRU investment firm must disclose the quantitative information required by (2) to (6) for the financial year to which the disclosure relates.
- (2) An SNI-MIFIDPRU investment firm must disclose the total amount of remuneration awarded to all staff, split into:
 - (a) fixed remuneration; and
 - (b) variable remuneration.
- (3) A non-SNI MIFIDPRU investment firm must disclose the total number of material risk takers identified by the firm under ■ SYSC 19G.5.
- (4) A non-SNI MIFIDPRU investment firm must disclose the following information, split into categories for senior management, other material risk takers, and other staff:
 - (a) the total amount of remuneration awarded;
 - (b) the fixed remuneration awarded; and
 - (c) the variable remuneration awarded.
- (5) A non-SNI MIFIDPRU investment firm must disclose the following information, split into categories for senior management and other material risk takers:
 - (a) the total amount of guaranteed variable remuneration awards made during the financial year and the number of material risk takers receiving those awards;
 - (b) the total amount of the severance payments awarded during the financial year and the number of material risk takers receiving those payments; and
 - (c) the amount of the highest severance payment awarded to an individual material risk taker.
- (6) A non-SNI MIFIDPRU investment firm not meeting the conditions in ■ SYSC 19G.1.1R(2) must disclose the following information, split into categories for senior management, and other material risk takers:
 - (a) the amount and form of awarded variable remuneration, split into cash, shares, share-linked instruments and other forms of

remuneration, with each form of *remuneration* also split into deferred and non-deferred;

- (b) the amounts of deferred *remuneration* awarded for previous performance periods, split into the amount due to vest in the financial year in which the disclosure is made, and the amount due to vest in subsequent years;
 - (c) the amount of deferred *remuneration* due to vest in the financial year in respect of which the disclosure is made, split into that which is or will be paid out, and any amounts that were due to vest but have been withheld as a result of performance adjustment;
 - (d) information on whether the *firm* uses the exemption for individual *material risk takers* set out in ■ SYSC 19G.5.9R, together with details of:
 - (i) the provisions in ■ SYSC 19G.5.9R(2) in respect of which the *firm* relies on the exemption;
 - (ii) the total number of *material risk takers* who benefit from an exemption from each provision referred to in (i); and
 - (iii) the total *remuneration* of those *material risk takers* who benefit from an exemption, split into fixed and variable *remuneration*.
- (7) (a) For the purposes of (4), (5)(a), (5)(b) and (6), a *non-SNI MIFIDPRU investment firm* must aggregate the information to be disclosed for *senior management* and other *material risk takers*, where splitting the information between those two categories would lead to the disclosure of information about one or two people.
- (b) Where aggregation in accordance with (a) would still lead to the disclosure of information about one or two people, a *non-SNI MIFIDPRU investment firm* is not required to comply with the obligation in (4), (5)(a), (5)(b) or (6).

8.6.9 **R** A *non-SNI MIFIDPRU investment firm* that relies on ■ MIFIDPRU 8.6.8R(7) must include a statement in the main body of its remuneration disclosure that:

- (1) explains the obligations in relation to which it has relied on the exemption; and
- (2) confirms that the exemption is relied on to prevent individual identification of a *material risk taker*.

8.6.10 **G** The purpose of the exemption referred to in ■ MIFIDPRU 8.6.8R(7) is to avoid *firms* having to disclose information:

- (1) that would enable a *material risk taker* to be identified; or
- (2) that could be associated with a particular *material risk taker*.

8.6.11 **G** (1) When considering the exemptions in ■ MIFIDPRU 8.6.8R(7), the *non-SNI MIFIDPRU investment firm* should apply the conditions to each information item separately. Where the information contained in at

least one of the categories of *senior management* and other material risk takers relates to one or two *material risk takers*, the *non-SNI MIFIDPRU investment firm* is exempt from the requirement to split the information into these categories, and should aggregate the information. Where the aggregated information still relates to only one or two individuals, the *non-SNI MIFIDPRU investment firm* is exempt from the requirement to disclose that information.

- (2) The *guidance* in (1) is illustrated by the following example:
- (a) Firm A does not meet the conditions in ■ SYSC 19G.1.1R(2). It has identified eight material risk takers under ■ SYSC 19G.5.
 - (b) In relation to the information items required in ■ MIFIDPRU 8.6.8R(4), five of the *material risk takers* are *senior management*, and three are other *material risk takers*. Firm A cannot rely on the exemption in ■ MIFIDPRU 8.6.8R(7) because neither of the categories of *senior management* and other *material risk takers* contains one or two individuals. It must disclose the *remuneration* information required at ■ MIFIDPRU 8.6.8R(4) broken down into the categories of *senior management*, other *material risk takers*, and other staff.
 - (c) In relation to the information items required in ■ MIFIDPRU 8.6.8R(5)(a), Firm A has awarded guaranteed *remuneration* to two material risk takers. Both are also *senior management*. The information in the category of *senior management* therefore relates to only two individuals. If Firm A aggregates the information from the *senior management* and other *material risk taker* categories in line with ■ MIFIDPRU 8.6.8R(7), the figure is still two. Therefore, Firm A can rely on the exemption in ■ MIFIDPRU 8.6.8R(7). It is exempt from the requirement to disclose the information on guaranteed *remuneration* required at ■ MIFIDPRU 8.6.8(5)(a).
 - (d) In relation to the information items required in ■ MIFIDPRU 8.6.8R(5)(b), Firm A has awarded severance payments to four *material risk takers*, of which three are members of *senior management* and one is another *material risk taker*. Because the category of other *material risk takers* relates only to one individual, Firm A can rely on the exemption in ■ MIFIDPRU 8.6.8R(7). It should aggregate the total for both categories and disclose the information on severance payments required at ■ MIFIDPRU 8.6.8(5)(b) as a single item. Firm A cannot rely on the exemption in ■ MIFIDPRU 8.6.8R(7) because the aggregated total of *senior management* and other *material risk takers* is more than two.
 - (e) Firm A is not in scope of the disclosure requirements in ■ MIFIDPRU 8.6.8R(6) because it meets the conditions in ■ SYSC 19G.1.1R(2).