

## Chapter 19D

# Dual-regulated firms Remuneration Code

**19D.2 General requirement**

**Remuneration policies must promote effective risk management**

19D.2.1

**R**

A *firm* must establish, implement and maintain *remuneration* policies, procedures and practices that are consistent with, and promote, sound and effective risk management.

[Note: article 74(1) of CRD]

19D.2.2

**G**

- (1) The *dual-regulated firms Remuneration Code* covers all aspects of *remuneration* that could have a bearing on effective risk management, including salaries, bonuses, long-term incentive plans, options, hiring bonuses, severance packages and pension arrangements.
- (2) As with other aspects of a *firm's* systems and controls, in accordance with **SYSC 4.1.2R** (general organisational requirements) *remuneration* policies, procedures and practices must be comprehensive and proportionate to the nature, scale and complexity of the *common platform firm's* activities. What a *firm* must do in order to comply with the *dual-regulated firms Remuneration Code* will therefore vary. For example, while the *dual-regulated firms Remuneration Code* refers to a *firm's remuneration committee* and risk management function, it may be appropriate for the *governing body* of a smaller *firm* to act as the *remuneration committee* and for the *firm* not to have a separate risk management function.
- (3) The *FCA* may also ask *remuneration committees* to provide it with evidence of how well the *firm's* remuneration policies meet the *dual-regulated firms Remuneration Code's* principles, together with plans for improvement where there is a shortfall.
- (4) The *FCA* would also expect *firms* to apply, on a *firm-wide* basis, at least the following principles relating to:
  - (a) risk management and risk tolerance (Remuneration Principle 1);
  - (b) supporting business strategy, objectives, values and long-term interests of the firm (Remuneration Principle 2);
  - (c) avoiding conflicts of interest (Remuneration Principle 3);
  - (d) governance (Remuneration Principle 4);
  - (e) risk adjustment (Remuneration Principle 8);
  - (f) pension policy (Remuneration Principle 9);

- (g) personal investment strategies (Remuneration Principle 10);
- (h) payments related to early termination (Remuneration Principle 12(e)); and
- (i) deferral (Remuneration Principle 12(g)).

**Gender neutral policies and practices**

**19D.2.2A** **R** A firm must ensure that its *remuneration* policy is a *gender neutral remuneration policy* and the practices referred to in **SYSC 19D.2.1R** are gender neutral.

[Note: articles 74(1) and 92(2)(aa) of CRD V]

**19D.2.2B** **G** Firms are reminded that the Equality Act 2010 prohibits discrimination on the basis of an individual’s protected characteristics both before and after employment is offered. The Act applies to pay and all other contractual terms, including variable *remuneration*. A firm should ensure that its *remuneration* policy complies with the Equality Act 2010.

**19D.2.2C** **G** Firms should ensure that when they assess individual performance, the assessment process and any variable *remuneration* awarded in accordance with **SYSC 19D.3.39R** does not discriminate on the basis of the protected characteristics of an individual.

**Record keeping**

**19D.2.3** **R** In line with the record-keeping requirements in **SYSC 9**, a firm must ensure that its *remuneration* policies, practices and procedures, including performance appraisals processes and decisions, are clear and documented.

**Interpretation of references to remuneration**

**19D.2.4** **R** (1) In this chapter, references to *remuneration* include *remuneration* paid, provided or awarded by any person to the extent that it is paid, provided or awarded in connection with *employment* by a firm.

(2) Paragraph (1) is without prejudice to the meaning of *remuneration* elsewhere in the Handbook.

**19D.2.5** **G** For example, *remuneration* includes payments made by a seconding organisation which is not subject to the *dual-regulated firms Remuneration Code* to a secondee in respect of their *employment* by a firm which is subject to the *dual-regulated firms Remuneration Code*.