

Senior Management Arrangements, Systems and Controls

Chapter 19G

MIFIDPRU Remuneration Code

19G.3 Governance and oversight

..... Oversight of remuneration policies and practices

- 19G.3.1** **R** A MIFIDPRU investment firm must ensure that its *management body in its supervisory function* adopts and periodically reviews the *remuneration policy* and has overall responsibility for overseeing its implementation.
- 19G.3.2** **G**
- (1) Each *firm* should assess the most appropriate frequency for the periodic reviews referred to in **■ SYSC 19G.3.1R**, taking into account all relevant factors.
 - (2) The development and review of the *remuneration policy* should be supported by the *control functions*, including (where they exist) risk management, compliance, internal audit and human resources, and by *business units*.
 - (3) The processes and decision-making around the development, review and amendment of *remuneration policies and practices* are subject to the general record-keeping requirements set out in **■ SYSC 9**.
- 19G.3.3** **R** A *firm's remuneration committee*, where it has one, must oversee the implementation of the *firm's remuneration policies and practices* established under **■ SYSC 19G.2.1R**.
- 19G.3.4** **R** A *non-SNI MIFIDPRU investment firm* must, at least annually, conduct a central and independent internal review of whether the implementation of its *remuneration policies and practices* complies with the *remuneration policy and practices* adopted by the *management body in its supervisory function*.
- 19G.3.5** **G**
- (1) The *FCA* would expect the central and independent internal review to assess whether the implementation of the *remuneration policies and practices*:
 - (a) results in *remuneration awards* that are in line with the *firm's business strategy*;
 - (b) reflects the risk profile, long-term objectives and other relevant goals of the *firm*; and
 - (c) complies with all relevant legal requirements.
 - (2) A *non-SNI MIFIDPRU investment firm* may outsource part or all of the independent review in **■ SYSC 19G.3.4R**. The *management body in its*

supervisory function remains responsible for ensuring the review is carried out and any necessary follow up actions are taken.

- (3) A *non-SNI MIFIDPRU investment firm* should document appropriately the results of the review and the actions taken to remedy any findings.

Control functions

19G.3.6 **R** A *MIFIDPRU investment firm* must ensure that staff engaged in *control functions*:

- (1) are independent from the *business units* they oversee;
- (2) have appropriate authority; and
- (3) are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

19G.3.7 **R** A *MIFIDPRU investment firm* must ensure that the *remuneration* of the senior officers in risk management and compliance functions is directly overseen by the *remuneration committee*, or, if such a committee has not been established, by the *management body in its supervisory function*.

19G.3.8 **G** ■ SYSC 19G.3.6R and ■ SYSC 19G.3.7R are designed to manage the conflicts of interest which may arise if other business areas had undue influence over the *remuneration* of staff in *control functions*. Conflicts of interest can easily arise when staff members are involved in the determination of *remuneration* for their own business area. Where these could arise, they need to be managed by having in place independent *control functions* (in particular risk management, compliance and human resources functions).