

Chapter 19A

IFPRU Remuneration Code

19A.2 General requirement

Remuneration policies must promote effective risk management

19A.2.1

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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]

19A.2.2

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- (1) [deleted]
- (2) The *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.
- (3) As with other aspects of a *firm's* systems and controls, in accordance with **SYSC 4.1.2 R** *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 *Remuneration Code* will therefore vary. For example, while the *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.
- (4) [deleted]
- (5) The *FCA* may also ask *remuneration* committees to provide evidence of how well the *firm's remuneration* policies meet the *Remuneration Code's* principles, together with plans for improvement where there is a shortfall. The *FCA* also expects relevant *firms* to use the principles in assessing their exposure to risks arising from their *remuneration* policies as part of the *internal capital adequacy assessment process (ICAAP)*.

19A.2.3

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- (1) [deleted]
- (2) [deleted]

- (3) The *FCA* would also expect *firms* to apply, on a *firm-wide* basis, at least the 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) 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))

Record-keeping

19A.2.4 **G** In line with the record-keeping requirements in ■ SYSC 9, a *firm* should ensure that its *remuneration* policies, practices and procedures are clear and documented. Such policies, practices and procedures would include performance appraisal processes and decisions.

Interpretation of references to remuneration

19A.2.5 **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*.

19A.2.6 **G** *Remuneration* includes, for example, payments made by a seconding organisation which is not subject to the *Remuneration Code* to a *seconded* in respect of their *employment* by a *firm* which is subject to the *Remuneration Code*.