

Chapter 19C

BIPRU Remuneration Code

19C.1 General application and purpose

Who? What? Where?

- 19C.1.1** **R** (1) The *BIPRU Remuneration Code* applies to a *BIPRU firm* and a *third country BIPRU firm*.
- (2) In relation to a *third country BIPRU firm*, the *BIPRU Remuneration Code* applies only in relation to activities carried on from an establishment in the *United Kingdom*.
- 19C.1.1A** **G** The *AIFM Remuneration Code* (■ SYSC 19B) also applies to a *BIPRU firm* which is a *full-scope UK AIFM* (ie, a *full-scope UK AIFM* that is an *AIFM investment firm* subject to *BIPRU*). Such a *full-scope UK AIFM* that complies with ■ SYSC 19B will also comply with ■ SYSC 19C. In such cases, the *FCA* will not require the *full-scope UK AIFM* to demonstrate compliance with ■ SYSC 19C.
- 19C.1.1B** **G** (1) The *UCITS Remuneration Code* (■ SYSC 19E) also applies to a *BIPRU firm* that is a *UK UCITS management company* (that is, a *UK UCITS management company* that is a *UCITS investment firm* subject to *BIPRU*).
- (2) A *BIPRU firm* that is a *UK UCITS management company* will meet its obligations under ■ SYSC 19C and ■ SYSC 19E by complying with ■ SYSC 19E.
- (3) Under (1) and (2), the *FCA* will not require the *UK UCITS management company* to demonstrate compliance with ■ SYSC 19C.
- 19C.1.2** **G** Part 2 of ■ SYSC 1 Annex 1 provides for the application of ■ SYSC 4.1.1 R and ■ SYSC 4.1.1C R (General Requirements). In particular, and subject to the provisions on group risk systems and controls requirements in ■ SYSC 12, this means that:
- (1) the *BIPRU Remuneration Code*:
- (a) applies to *regulated activities*, *ancillary activities* and applicable *ancillary services*; and
 - (b) [deleted]
 - (c) takes into account activities of other *group* members; and
- (2) where the *BIPRU Remuneration Code* applies, it applies to:
- (a) a *firm's UK* activities;

- (b) a *firm's* passported activities carried on from a *branch* in another EEA State; and
- (c) a UK domestic *firm's* activities wherever they are carried on, in a prudential context.

When?

- 19C.1.3** **R** A *firm* must apply the *remuneration* requirements in ■ SYSC 19C.3 to:
- (1) *remuneration* awarded, whether under a contract or otherwise, on or after 1 January 2014;
 - (2) *remuneration* due on the basis of contracts concluded before 1 January 2014 which is awarded or paid on or after 1 January 2014; and
 - (3) *remuneration* awarded, but not yet paid, before 1 January 2014, for services provided in 2013.

- 19C.1.4** **G** Subject to the requirements of ■ SYSC 19C.1.5 R, in the FCA's view ■ SYSC 19C.1.3 R does not require a *firm* to breach requirements of applicable contract or employment law.

- 19C.1.5** **R**
- (1) This *rule* applies to a *firm* that is unable to comply with the *BIPRU Remuneration Code* because of an obligation it owes to a *BIPRU Remuneration Code staff member* under a provision of an agreement made on or before 29 July 2010.
 - (2) A *firm* must take reasonable steps to amend or terminate the provision in (1) in a way that enables it to comply with the *BIPRU Remuneration Code* at the earliest opportunity.
 - (3) Until the provision in (1) ceases to prevent the *firm* from complying with the *BIPRU Remuneration Code*, the *firm* must adopt specific and effective arrangements, processes and mechanisms to manage the risks raised by the provision.

Purpose

- 19C.1.6** **G** The aim of the *BIPRU Remuneration Code* is to ensure that *firms* have risk-focused *remuneration* policies, which are consistent with and promote effective risk management and do not expose them to excessive risk. It expands upon the general organisational requirements in ■ SYSC 4.

Notifications to the FCA

- 19C.1.7** **G**
- (1) The *BIPRU Remuneration Code* does not contain specific notification requirements. However, general circumstances in which the FCA expects to be notified by *firms* of matters relating to their compliance with requirements under the *regulatory system* are set out in ■ SUP 15.3 (General notification requirements).
 - (2) In particular, in relation to *remuneration* matters, such circumstances should take into account *unregulated activities* as well as *regulated*

activities and the activities of other members of a *group* and would include each of the following:

- (a) significant breaches of the *BIPRU Remuneration Code*;
 - (b) any proposed *remuneration* policies, procedures or practices which could:
 - (i) have a significant adverse impact on the *firm's* reputation; or
 - (ii) affect the *firm's* ability to continue to provide adequate services to its *customers* and which could result in serious detriment to a *customer* of the *firm*; or
 - (iii) result in serious financial consequences to the *financial system* or to other *firms*;
 - (c) any proposed changes to *remuneration* policies, practices or procedures which could have a significant impact on the *firms* risk profile or resources; and
 - (d) fraud, errors and other irregularities described in ■ SUP 15.3.17 R which may suggest weaknesses in, or be motivated by, the *firm's* *remuneration* policies, procedures or practices.
- (3) Such notifications should be made immediately the *firm* becomes aware of those circumstances, or has information which reasonably suggests that those circumstances have, or may have, occurred or may occur in the foreseeable future.

Individual guidance

19C.1.8

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The *FCA's* policy on individual *guidance* is set out in ■ SUP 9. *Firms* should particularly note the policy on what the *FCA* considers to be a reasonable request for *guidance* (see ■ SUP 9.2.5 G). For example, where a *firm* is seeking *guidance* on a proposed *remuneration* structure, the *FCA* will expect the *firm* to provide a detailed analysis of how the structure complies with the *BIPRU Remuneration Code*, including the general requirement for *remuneration* policies, procedures and practices to be consistent with and promote sound and effective risk management.