

**SUPERVISION MANUAL (REMUNERATION REPORTING)
INSTRUMENT 2012**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 November 2012.

Amendments to the Handbook

- D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Supervision manual (SUP)	Annex C

Citation

- E. This instrument may be cited as the Supervision Manual (Remuneration Reporting) Instrument 2012.

By order of the Board
31 October 2012

Annex A**Amendments to the Glossary of definitions**

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

high earner (in *SYSC* and *SUP*) an *employee* whose total annual *remuneration* is EUR 1 million or more per year or its equivalent in another currency determined by reference to the conversion rate applicable to the corresponding High Earners Report under *SUP* 16.17.

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

19A.1 General application and purpose

...

Purpose

19A.1.6 G ...

- (2) The *Remuneration Code* implements the main provisions of the Third Capital Requirements Directive (Directive 2010/76/EU) which relate to *remuneration*. The Committee of European Banking Supervisors published 'Guidelines on Remuneration Policies and Practices' on 10 December 2010. Provisions of the Third Capital Requirements Directive relating to Pillar 3 disclosures of information relating to ~~remuneration~~ *remuneration* have been implemented through amendments to *BIPRU 11* (specifically the *rules* and *guidance* in *BIPRU 11.5.18R* to *BIPRU 11.5.21G*). Provisions of the Capital Requirements (Amendment) Regulations 2012 (SI 2012/917) together with the European Banking Authority's Guidelines to article 22(3) and (5) of the *Banking Consolidation Directive* relating to the collection of *remuneration* benchmarking information and *high earners* information have been implemented through *SUP 16 Annex 33AR* and *SUP 16 Annex 34AR*. The Guidelines can be found at <http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-GL-2012-04---GL-4-on-remuneration-benchmarking-exercise-.pdf> and <http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-GL-2012-05---GL-5-on-remuneration-data-collection-exercise-.pdf>.

Annex C

Amendments to the Supervision manual (SUP)

After SUP 16.16 insert the following new section. The text is not underlined.

16.17 Remuneration reporting

Purpose

- 16.17.1 G The purpose of this section is to ensure that the *FSA* receives regular and comprehensive information about *remuneration* in a standard format to assist it to benchmark *remuneration* trends and practices and to collect *remuneration* information on *high earners*. It also takes account of the Capital Requirements (Amendment) Regulations 2012 (SI 2012/917) together with the European Banking Authority's Guidelines to article 22(3) and (5) of the *Banking Consolidation Directive*.

Interpretation

- 16.17.2 R In this section "UK lead regulated group" means a *UK consolidation group* that is headed either by an *EEA parent institution* or by an *EEA parent financial holding company*.

Remuneration Benchmarking Reporting Requirements

- 16.17.3 R
- (1) A *firm* to which this *rule* applies must submit a Remuneration Benchmarking Information Report to the *FSA* annually.
 - (2) The *firm* must complete that report in the format set out in *SUP* 16 Annex 33AR.
 - (3) The *firm* must submit that report to the *FSA* within four months of the *firm's accounting reference date*.
 - (4) A *firm* that:
 - (a) is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded to *employees* of the *firm* in the last completed financial year;
 - (b) is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded to all *employees* in the UK lead regulated group in the last completed financial year.
 - (5) The *firm* must complete the report in the currency of its annual

audited accounts.

(6) A *firm* to which this *rule* applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this *rule* came into effect.

(7) This *rule* applies to:

- (a) a *BIPRU firm*; and
- (b) a *third country BIPRU firm*;

that:

- (c) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
- (d) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*;

and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.

(8) This *rule* also applies to:

- (a) a *BIPRU firm*; and
- (b) a *third country BIPRU firm*;

that:

- (c) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
- (d) is part of a UK lead regulated group;

and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.

(9) In this rule “total assets” means

- (a) in relation to a *BIPRU firm*, the *firm's* total assets as set out in its balance sheet on the relevant *accounting reference date*; and
- (b) in relation to a *third country BIPRU firm*, the total assets of the *firm* as set out in its balance sheet on the relevant *accounting reference date* that cover the activities of the branch operation in the *United Kingdom*.

High Earners Reporting Requirements

- 16.17.4 R (1) A *firm* to which this *rule* applies must submit a High Earners Report to the *FSA* annually.
- (2) The *firm* must submit that report to the *FSA* within four months of the end of the *firm's accounting reference date*.
- (3) A *firm* that is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *firm* who mainly undertook their professional activities within the *EEA*.
- (4) A *firm* that is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* who mainly undertook their professional activities within the *EEA* at:
- (a) the *EEA parent institution* or *EEA parent financial holding company* of the UK lead regulated group; and
 - (b) each *subsidiary* of the UK lead regulated group that has its registered office (or, if it has no registered office, its head office) in an *EEA State*; and
 - (c) each *branch* of the UK lead regulated group that is established or operating in an *EEA State*.
- (5) The *firm* must complete a separate template, in the format set out in *SUP 16 Annex 34AR*, for each *EEA State* in which there is a *high earner*. Those templates together form the report.
- (6) *High earners* who carried out their professional activities in an *EEA State* should be classified under that *EEA State*.
- (7) *High earners* who carried out their professional activities in more than one *EEA State* should be classified under the *EEA State* where they mainly undertook their professional activities.
- (8) A *firm* to which this section applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this section came into force.
- (9) The information in the report must be denominated in euros determined, if necessary, by reference to the conversion rate table specified from time to time by the European Banking Authority as applicable to that year's High Earners Report.

- (10) This *rule* applies to a *BIPRU firm* and a *third country BIPRU firm* that:
- (a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (b) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*.
- (11) This *rule* also applies to a *BIPRU firm* and a *third country BIPRU firm* that:
- (a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (b) is part of a UK lead regulated group.
- (12) This *rule* also applies to a *BIPRU limited licence firm* or a *BIPRU limited activity firm*:
- (a) that is part of a UK lead regulated group; and
 - (b) where that UK lead regulated group contains a *BIPRU firm* or a *third country BIPRU firm* that is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*.

16.17.5 G *Firms'* attention is drawn to SUP 16.3.25G regarding a single submission for all *firms* in a *group*.

After SUP 16 Annex 32 insert the following new annexes. The text is not underlined.

16 Annex 33AR Remuneration Benchmarking Information Report

Information on the remuneration of all staff

		A	
1	Name of institution/group:		
2	Financial year for which the remuneration is awarded (Year N):		

Business areas:

		A	B	C	D
		Investment banking	Retail banking	Asset management	All other
3	Total number of staff				

		A	
4	Total net profit in Year N		

		A	B	C	D
		Investment banking	Retail banking	Asset management	All other
5	Total remuneration				

6 Of which: Total variable remuneration

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Information on the remuneration of identified staff

Business areas:

A B C D

	Investment banking	Retail banking	Asset management	All other
7 Number of identified staff				

A

8 Number of identified staff in senior management positions

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9 Number of identified staff in control functions

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A B C D

	Investment banking	Retail banking	Asset management	All other
10 Total fixed remuneration				
11 Total variable remuneration				
12 Total variable in cash				

13	Total variable in shares and share-linked instruments				
14	Total variable in other types of instruments				
15	Total amount of variable remuneration deferred in Year N				
16	Total deferred variable in cash				
17	Total deferred variable in shares and share-linked instruments				
18	Total deferred variable in other types of instruments				
19	Amount of explicit ex post performance adjustment applied in Year N for remuneration awarded in previous years				
20	Number of recipients of guaranteed variable remuneration				
21	Total amount of guaranteed variable remuneration				
22	Number of recipients of severance payments				
23	Total amount of severance payments paid in Year N				
24	Number of recipients of discretionary pension benefits				
25	Total amount of discretionary pension benefits				

A

26 If you have used column D "All Other", please use this column to explain in which business areas these individuals work.

16 Annex 33BG Guidance notes for data items in SUP 16 Annex 33AR

Financial year for which the remuneration is awarded

A *firm's* financial year should be designated by reference to the calendar year in which it ends. For example, if a *firm's* *accounting reference date* is 31 March, the financial year that begins on 1 April 2011 and ends on 31 March 2012 will be the *firm's* 2012 financial year.

Consolidation

When reporting on a consolidated basis as a UK lead regulated group, *firms* should where possible treat the consolidation group as a single entity (i.e. line-by-line) rather than on an aggregation basis.

Currency

Firms should report in the currency of their annual audited accounts. Figures should be reported in millions.

Data Elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

3-25A Investment banking:

Include corporate finance advice services, private equity, capital markets, trading and sales.

3-25B Retail banking:

Include total lending activity (to individuals and enterprises).

3-25C Asset management:

Include portfolio management, managing of UCITS and other forms of asset management.

3-25D All other:

This column should include staff that cannot be allocated to one of the designated business areas. In this case, institutions should use data element 26A to explain in which business areas these staff work.

3A-D Total number of staff:

The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.

4A Total net profit in Year N:

Net profits should be based on the accounting system used for regulatory reporting. For groups, it is the profit (or loss) of the whole group (i.e. the amount attributable to the equity holders of the parent and to the minority interest).

- 5A-D Total remuneration:
Total remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. The amounts of remuneration provided should be gross numbers, including all costs for the institutions, except mandatory contributions by the institutions to social security and comparable schemes.
- 6A-D Total remuneration: Of which: Total variable remuneration:
Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.
- 7A-D Number of identified staff:
Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.
- 8A Number of identified staff in senior management positions:
This is equivalent to the first and second category of identified staff as explained in paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.
- 10A-D Total fixed remuneration:
Fixed remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices.
- 11A-D Total variable remuneration:
Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.
- 14A-D Total variable in other types of instruments:
Different types of instruments defined in section 4.4.2 of the CEBS Guidelines on Remuneration Policies and Practices.
- 15A-D Total amount of variable remuneration deferred in Year N:
Deferred remuneration according to section 4.4.1 of the CEBS Guidelines on Remuneration Policies and Practices.
- 18A-D Total deferred variable in other types of instruments:
Different types of instruments defined in section 4.4.2 of the CEBS Guidelines on Remuneration Policies and Practices.
- 19A-D Amount of explicit ex post performance adjustment applied in Year N for remuneration awarded in previous years:
Explicit ex post performance adjustment according to paragraphs 134 to 139 of the CEBS Guidelines on Remuneration Policies and Practices.
- 20A-D Number of recipients of guaranteed variable remuneration:
Guaranteed variable remuneration according to section 3.2.1 of the CEBS Guidelines on Remuneration Policies and Practices.

- 25A-D Total amount of discretionary pension benefits:
Discretionary pension benefits according to section 3.1.2.of the CEBS Guidelines on Remuneration Policies and Practices.
- 26A All other:
If you have used data element 3-25D, please use data element 26A to record in which business areas staff included in this column work.

16 Annex 34AR High Earners Report

Information on the remuneration of high earners

A	
1 Name of institution/group:	
2 Member state to which the data relate:	
3 Financial year for which the remuneration is awarded (Year N):	

Business areas:

	A	B	C	D
	Investment banking	Retail banking	Asset management	All other
4 Total number of individuals				
5 Of which: Number of identified staff				
6 Total fixed remuneration				
7 Total variable remuneration				
8 Of which: Total discretionary pension benefits				
9 Of which: Total variable remuneration deferred in Year N				

10 If you have used column D "All Other", please use this column to explain in which business areas these individuals work.

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16 Annex 34BG Guidance notes for data items in SUP 16 Annex 34AR

Financial year for which the remuneration is awarded

A *firm's* financial year should be designated by reference to the calendar year in which it ends. For example, if a *firm's* *accounting reference date* is 31 March, the financial year that begins on 1 April 2011 and ends on 31 March 2012 will be the *firm's* 2012 financial year.

Consolidation

When reporting on a consolidated basis as a UK lead regulated group, *firms* should where possible treat the consolidation group as a single entity (i.e. line-by-line) rather than on an aggregation basis.

Currency

Firms should report in Euros. To convert into Euros, *firms* must use the rates published by the European Commission for financial programming and budget. The table is published on the European Commission's website (http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm). The table contains monthly exchange rates. A list sorted by country name can be generated using the 'access by list of countries' function. Institutions should use the exchange rate applicable for the month in which the financial year ended. Figures should be reported in millions.

Data Elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

Separate Templates

Firms should submit a separate template for each EEA Member State where the group is operating.

- 4-9A Investment banking:
Include corporate finance advice services, private equity, capital markets, trading and sales.
 - 4-9B Retail banking:
Include total lending activity (to individuals and enterprises).
 - 4-9C Asset management:
Include portfolio management, managing of UCITS and other forms of asset management.
 - 4-9D All other:
This column should include staff that cannot be allocated to one of the designated business areas. In this case, institutions should use data element 10A to explain in which business areas these staff work.
- 4A-D Total number of individuals:

The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.

- 5A-D Of which: Number of identified staff:
Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.
- 6A-D Total fixed remuneration:
Fixed remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices.
- 7A-D Total variable remuneration:
Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.
- 8A-D Of which: Total discretionary pension benefits:
Discretionary pension benefits according to section 3.1.2 of the CEBS Guidelines on Remuneration Policies and Practices.
- 9A-D Of which: Total variable remuneration deferred in Year N:
Deferred remuneration according to section 4.1.1 of CEBS Guidelines on Remuneration Policies and Practices.
- 10A All other:
If you have used data element 4-9D, please use data element 10A to record in which business areas staff included in this column work.