

**SENIOR MANAGEMENT ARRANGEMENTS, SYSTEMS AND CONTROLS
SOURCEBOOK (AIFM REMUNERATION CODE) INSTRUMENT 2014**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137H (General rules about remuneration);
 - (c) section 137T (General supplementary powers);
 - (d) section 139A (Power of the FCA to give guidance);
 - (e) section 247 (Trust scheme rules);
 - (f) section 248 (Scheme particulars rules);
 - (g) section 261I (Contractual scheme rules); and
 - (h) section 261J (Contractual scheme particulars rules);
 - (2) regulation 6(1) (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 January 2014.

Amendments to the Handbook

- D. The Senior Management Arrangements, Systems and Controls sourcebook (SYSC) is amended in accordance with Annex A to this instrument.
- E. The Investment Funds sourcebook (FUND) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Senior Management Arrangements, Systems and Controls Sourcebook (AIFM Remuneration Code) Instrument 2014.

By order of the Board of the Financial Conduct Authority
30 January 2014

Annex A

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

In this Annex, underlining indicates new text.

19B AIFM Remuneration Code

19B.1 Application

19B.1.1 R ...

19B.1.1A G (1) Full-scope UK AIFMs are advised that ESMA published Guidelines on sound remuneration policies under the AIFMD on 3 July 2013, which full-scope UK AIFMs should comply with in applying the rules in this section. The Guidelines can be found at: http://www.esma.europa.eu/system/files/2013-232_aifmd_guidelines_on_remuneration_-_en.pdf

(2) The FCA has provided additional guidance on the application of principles of proportionality to remuneration policies of AIFM. The guidance also addresses several other aspects of the AIFM Remuneration Code and the Guidelines. The guidance can be found at: [...]

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19B.1.13A G (1) Taking account of the remuneration principles proportionality rule in SYSC 19B.1.4R, the FCA does not generally consider it necessary for a firm to apply the rules referred to in (2) where, in relation to an individual ("X"), both of the following conditions are satisfied:

(a) Condition 1 is that X's variable remuneration is no more than 33% of total remuneration; and

(b) Condition 2 is that X's total remuneration is no more than £500,000.

(2) The rules referred to in (1) are those relating to:

(a) guaranteed variable remuneration (SYSC 19B.1.14R);

(b) retained units, shares or other instruments (SYSC 19B.1.17R);

(c) deferral (SYSC 19B.1.18R); and

(d) performance adjustment (SYSC 19B.1.19R).

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- 19B.1.18A G (1) £500,000 is a particularly high amount for the purpose of SYSC 19B.1.18R(4).
- (2) Paragraph (1) is without prejudice to the possibility of lower sums being considered a particularly high amount.
- (3) Whilst any variable *remuneration* component of £500,000 or more paid to *AIFM Remuneration Code staff* should be subject to 60% deferral, *firms* should also consider whether lesser amounts should be considered to be 'particularly high', taking account, for example, of whether there are significant differences within *AIFM Remuneration Code staff* in the levels of variable *remuneration* paid.

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Annex B

Amendments to the Investment Funds sourcebook (FUND)

In this Annex, underlining indicates new text.

3 Requirements for alternative investment fund managers

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3.3 Annual report of an AIF

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3.3.5 R ...

3.3.5A G The FCA has provided additional *guidance* on the disclosure requirements relating to *remuneration* paid by an *AIFM* to its staff. The *guidance* can be found at: [...]

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