in association with:

Investment Firms Prudential Regime (IFPR) Remuneration Guide

December 2021

1. Introduction

On 1 January 2022, a new prudential framework for UK MiFID investment firms, referred to as the Investment Firms Prudential Regime (IFPR), will come into force. The regime will introduce new remuneration rules applicable to all UK investment firms, referred to as the "MIFIDPRU Remuneration Code".

The IFPR is influenced by the EU Investment Firm Regulation and Investment Firm Directive (IFR/D) but tailored to reflect the characteristics of the UK landscape. Amongst other things, the IFPR aims to ensure a more proportionate prudential regime and enable better supervision in regard to remuneration. The MIFIDPRU Remuneration Code therefore also follows relatively closely the remuneration requirements imposed under the EU IFD, although the FCA has tailored the rules and departed from the EU approach to some degree.

Development of the IFPR remuneration rules

On 19 April 2021, the FCA issued its second consultation paper (CP21/7) in relation to IFPR, which set out the draft remuneration requirements for UK MiFID firms, and the IA responded to this consultation.

Subsequently, a policy statement (PS21/9) and legal instrument (FCA 2021/38) were published, setting out the FCA's final rules, which as discussed below will take effect from 1 January 2022.

A further policy statement (PS21/17) was published in November 2021, which includes some further detail in relation to the remuneration disclosure requirements.

MIFIDPRU Remuneration Code: how much of a change?

For some firms the MIFIDPRU Remuneration Code represents a big change, whilst for others the requirements may be relatively familiar, depending on whether the firm has previously been subject to one of the UK's remuneration regime and how the firm will be classified under the IFPR.

For Exempt-CAD firms, the MIFIDPRU Remuneration Code is likely to represent the first time the firm will have been subject to remuneration requirements of this type.

The impact for BIPRU firms, that are currently subject to the BIPRU Remuneration Code, will vary, depending on the firm's classification under the IFPR as summarised below:

Requirement to:	BIPRU Code	MIFIDPRU: SNI firm	MIFIDPRU: non-SNI firm	MIFIDPRU: large non-SNI firm
Establish a remuneration policy	✔	✔	✔	✔
Identify MRTs	✔	✘	✔	✔
Specify a ratio of fixed:variable pay	✘	✘	✔	✔
Apply malus and clawback	✘	✘	✔	✔
Apply deferral	✘	✘	✘	✔
Establish a remuneration committee	✘	✘	✘	✔

2. Implementation and timing

The new remuneration rules are set out in a single remuneration code for firms authorised under MiFID, called the MIFIDPRU Remuneration Code. This code is implemented as Chapter SYSC 19G in the FCA's Handbook and replaces the BIPRU and IFPRU Remuneration Codes.

The MIFIDPRU Remuneration Code will first apply in respect of a firm's performance period beginning on or after 1 January 2022.[1] This means that firms subject to the IFPRU or BIPRU Remuneration Codes should continue to apply those rules when awarding and paying out remuneration that relates to a performance period which started before 1 January 2022.

A firm's "performance period" refers to the performance period operated by the firm and in respect of which the firm awards variable remuneration. The MIFIDPRU Remuneration Code acknowledges that this could be annual, quarterly or of another duration.

3. Scope and application

The MIFIDPRU Remuneration Code is split into three sections, which the FCA refers to as the "basic", "standard" and "enhanced" requirements. Which requirements apply depends on whether the firm is classified for the purposes of the IFPR as a small and non-interconnected (SNI) firm, a non-SNI firm, or a large non-SNI firm. The MIFIDPRU Remuneration Code also sets out detailed provisions dealing with the cases where a firm changes classification, including rules on when the relevant parts of the code would start or stop applying.

a. SNI firms

Firms classified as SNI firms will be subject to the "basic" remuneration requirements under the MIFIDPRU Remuneration Code.

This is a significant deviation from the EU's implementation of the IFD, as the IFD does not impose any remuneration requirements on equivalent firms established in the EU (instead such firms would just remain subject to the remuneration principles implemented by MiFID II).

[1] *Page 77 of FCA PS21/9.*

What is an SNI firm?

In order to be classified as an SNI firm, the firm must fall beneath all of the specified thresholds, which are summarised as follows:

Factor		Threshold
K-factors (Assets for which the firm is responsible)	Average Assets Under Management/ ongoing advice (AUM)	Must be less than £1.2bn (on an individual or group basis)
	Average Assets Safeguarded and Administered (ASA)	Must be zero
	Average Client Money Handled (CMH)	Must be zero
K-factors (Execution activity undertaken by the firm)	Daily trading flow (DTF)	Must be zero
	Average Client Orders Handled (COH)	Must be less than: > £100m per day for cash trades; and > £1bn per day for derivatives trades (on an individual or group basis)
K-factors (Firm's exposure-based risks)	Net position risk (NPR)	Must be zero
	Clearing margin given (CMG)	Must be zero
	Trading counterparty default	Must be zero
	Concentration risk (CON)	Must be zero
Revenue	The total annual gross revenue from investment services and/or activities of the firm (as a two-year average)	Must be less than £30m (on an individual or group basis)
Balance sheet	The on- and off-balance sheet total of the firm	Must be less than £100m (on an individual or group basis)
Activities	Cannot have permission to deal on own account, and cannot be a clearing firm or depositary for investment funds	

b. Non-SNI firms

All firms classified as non-SNI firms will be subject to both the "basic" and "standard" requirements under the MIFIDPRU Remuneration Code.

In addition, a non-SNI firm will also be subject to more onerous "enhanced" requirements if the value of its balance sheet assets and off-balance sheet items, measured as a four-year rolling average, is:

> More than £300m; or

> More than £100m but less than £300m and the firm has, in summary, a trading book business of over £150m and/or a derivatives business with an exposure value of £100m or more.

	SNI Firms	Non-SNI Firms	Large non-SNI Firms
Basic requirements	✓	✓	✓
Standard requirements	✗	✓	✓
Enhanced requirements	✗	✗	✓

4. Remuneration rules

The MIFIDPRU Remuneration Code applies in respect of "**remuneration**" awarded to individuals who are "**staff**" of the investment firm. Both of these concepts are defined very broadly:

> "**remuneration**" means any form of remuneration, including salaries, discretionary pension benefits and benefits of any kind – and the requirements also make clear this includes carried interest arrangements and can include profit allocations received by a partner or member of an LLP.

> "**staff**" must be interpreted broadly and can include "*for example, employees of the firm itself, partners or members (in the case of partnership structures), employees of other entities in the group, employees of joint service companies, and secondees*".

a. Basic remuneration requirements

The following section outlines the **basic remuneration requirements that all FCA investment firms are subject to under MIFIDPRU**.

The FCA stated that, because the basic remuneration rules *"are principles-based, they give firms a high degree of discretion in how they comply with them"*,[2] although they do still require SNI firms to establish and operate a formal remuneration policy.

Remuneration policy[3]

FCA investment firms are required to implement and operate a remuneration policy for all staff, which should cover all components of remuneration covered in the MIFIDPRU Remuneration Code. A firm's remuneration policy must:

> be proportionate to the nature, scale and complexity of the risks inherent in the firm's business model and activities;

> be gender-neutral. As with CRD firms, this means that the approach to remuneration must be "*based on equal pay for male and female work or work of equal value*";

> be consistent with and promote sound and effective risk management;

> be in line with the firm's business strategy and objectives, and take into account long term effects of investment decisions taken; and

> contain measures to avoid conflicts of interest, encourage responsible business conduct and promote risk awareness and prudent risk-taking.

Separately from the firm's remuneration policy itself, the FCA have published a template "Remuneration Policy Statement" which FCA investment firms may (but do not have to) use to record how their remuneration policies and practices comply with MIFIDPRU: RPS template and table of material risk takers (MRTs).

Governance and oversight[4]

The effectiveness of remuneration policies and practices is dependent on the governance and oversight of their development, review and implementation. The MIFIDPRU Remuneration Code, therefore, requires the following:

> The firm's management body must adopt and periodically review the remuneration policy and have responsibility for overseeing its implementation.

> Staff with control functions must be independent from the business units they oversee and be remunerated according to objectives linked to their functions.

> The remuneration of senior staff in risk management and compliance functions must be directly overseen by the remuneration committee (if one is established) or otherwise by the management body.

Fixed and variable remuneration[5]

The remuneration policy is required to comply with certain minimum expectations, including that:

> The remuneration policy must make a clear distinction between the criteria applied to determine fixed and variable remuneration.

> The fixed and variable components of remuneration must be appropriately balanced, and fixed pay must represent a sufficiently high proportion of total remuneration to ensure the possibility of paying lower, or no, variable remuneration in any particular year.

> When assessing individual performance, both financial and non-financial criteria must be taken into account.

Restrictions on variable remuneration

In respect of the payment of variable remuneration, the firm must ensure that:

> Variable remuneration must not affect the firm's ability to ensure a sound capital base.

> A firm which benefits from extraordinary public financial support must not pay any variable remuneration to members of the management body.

b. Standard remuneration requirements

This section sets out **the standard remuneration requirements that will apply to non-SNI firms** in addition to the basic remuneration requirements.

The standard requirements include, in particular, the requirements on non-SNI firms to identify the firm's "Material Risk Takers", apply malus and clawback, and set a specific maximum ratio between fixed and variable remuneration. The standard requirements also impose enhanced expectations on the firm's remuneration policies and practices.

Unlike the basic remuneration rules, the FCA states in PS21/9[6] that it intends the standard remuneration requirements to, as a minimum, **only impact the MRT population** because further requirements are needed on their pay to ensure alignment with risk and reward. However, the FCA does encourage firms to consider applying them to wider categories of staff where this would contribute to sound risk management and/or healthy firm culture.

Material Risk Takers[7]

Non-SNI firms are required to identify MRTs on an annual basis. The MIFIDPRU Remuneration Code includes a list of mandatory qualitative criteria, and any staff member fulfilling any of the listed roles is required to be identified as an MRT. In addition, the firm must identify any other staff who have a material impact on the risk profile of the firm or the assets the firm manages, and the code sets out the FCA's guidance and expectations in relation to this identification process. The FCA's aim is that firms can clearly identify all those individuals whose professional activities can have a material impact on the risk profile of the firm or the assets it manages.

However, under the MIFIDPRU Remuneration Code there is no requirement to identify MRTs based on remuneration alone, as is the case under the equivalent requirements under the IFD in the EU.

[2] *CP21/7 paragraph 9.19*
[3] *SYSC 19G.2*
[4] *SYSC 19G.3*
[5] *SYSC19G.4.1 – SYSC 19G.4.5*
[6] PS21/9 paragraph 9.7
[7] SYSC19G.5

Roles where staff member is required to be identified as an MRT:	FCA guidance on key indicators that staff may be an MRT:
Members of the management body and/or senior management	There is no sufficiently senior and experienced individual supervising the particular staff member on a day-to-day basis or to whom the particular staff member reports
Staff with managerial responsibility over a business unit that undertakes specified regulated activities	The staff member is responsible for key strategic decisions
Staff with managerial responsibility over the firm's control functions	The staff member is responsible for: significant revenue material assets under management or approving transactions
Staff with responsibility over the firm's prevention of money laundering and terrorist financing	
Staff who are responsible for managing a material risk	**Categories of staff the FCA expects would usually be identified as MRTs:**
Staff who are responsible for managing information technology, information security or other outsourcing arrangements for critical or important functions	> heads of key portfolio management areas > heads of investment research > individuals responsible for a high proportion of revenue > senior advisers > chief market strategists > heads of broking or trading desks
Staff who have authority to take decisions approving or vetoing the introduction of new products	

Remuneration policy requirements[8]

The additional requirements imposed on non-SNI firms include expectations on the process for awarding remuneration, and restrictions on the use of "non-standard" forms of remuneration.

In particular, the performance-related variable remuneration of MRTs must be based on a combination of the performance of the individual, the relevant business unit and the firm overall, undertaken as part of a multi-year framework. Measures used to assess performance must take into account both financial as well as non-financial criteria, and the code notes that "*For some firms it may be appropriate to give equal weight to financial and non-financial criteria… For other firms a slightly different split may be appropriate*". Non-SNI firms must also take into account all types of current and future risks when measuring performance to calculate bonus pools and awarding and allocating bonuses.

In common with the existing UK remuneration codes, restrictions also apply on the ability for non-SNI firms to use non-performance related elements of variable remuneration - guaranteed variable remuneration, retention awards, buy-out awards and severance pay. Some points to note in particular include that:

> The MIFIDPRU Remuneration Code states that all of the requirements that apply to variable remuneration should apply to these elements of pay and these amounts must, save in limited circumstances, also be included in the variable component of the ratio calculation.

> In the instance that a non-SNI firm buys out the unvested deferred awards of a new employee, it must ensure the award is aligned with the long-term interests of the firm and is subject to "no shorter" retention, deferral, vesting and ex-post risk adjustment terms than those applied under the previous employer's award.

> Retention awards can be used but only rarely and not as common practice.

> Non-SNI firms are expected to set out in their remuneration policy whether severance payments may be awarded, and any maximum amount or criteria for determining the amount.

Malus and clawback[9]

All non-SNI firms are required to ensure that all variable remuneration awarded to MRTs is capable of being subject to "ex-post risk adjustment", including the operation of "malus" and "clawback".

"**Malus**" refers to the ability for a firm to reduce or cancel any unvested deferred element of variable remuneration before the remuneration vests.

"**Clawback**" refers to the ability for a firm to require an individual to repay an amount of variable remuneration after it has been paid.

Non-SNI firms are required to set specific criteria for the application of malus and clawback. Non-SNI firms must ensure that these criteria cover, in particular, situations where the MRT participated in or was responsible for conduct which resulted in significant losses to the firm and/or failed to meet appropriate standards of fitness and propriety.

The MIFIDPRU Remuneration Code includes further guidance on the FCA's minimum expectations as to application of malus and clawback, and, further, the FCA has also published detailed guidance in FG21/5: General guidance on the application of ex-post risk adjustment to variable remuneration. Some particular points from this guidance include:

> Firms need to carefully consider the appropriate approach to defining criteria for the application of malus and clawback, with the FCA guidance being expressed as minimum expectations.

> Non-SNI firms are expected to retain contractual power to "freeze" all variable remuneration awards or payments in appropriate cases, including where individuals are undergoing internal or external investigations that could result in the application of malus or clawback.

This guidance also provides further detail on the FCA's expectations on the process for applying malus and clawback, including on how it should be invoked in an effective, timely, consistent, and transparent way.

[6] PS21/9 paragraph 9.7
[7] SYSC19G.5
[8] SYSC19G.6
[9] SYSC19G.63.31 – SYSC19G.6.34

Ratio between fixed and variable pay[10]

All non-SNI firms are required to set a ratio between fixed and variable pay.

Firms are permitted to set a different ratio for different categories of staff and may change the ratio in respect of different performance periods. The MIFIDPRU Remuneration Code includes some detailed guidance on the FCA's expectations on the setting of this ratio, including that the ratio should reflect the highest amount of variable remuneration that can be awarded in the most positive scenario.

The MIFIDPRU Remuneration Code also sets out the FCA's view on categorising and valuing carried interest arrangements, co-investment arrangements and profit allocations received by members or partners in a partnership for the purpose of the remuneration requirements. In respect of carried interest, the MIFIDPRU Remuneration Code specifies that the carry should be valued at the time of its initial award (and so not based on the value that is later realised).

Governance[11]

Non-SNI firms are also subject to additional expectations in relation to the governance and operation of their remuneration policies and practices, including that non-SNI firms:

> Must ensure that the implementation of the remuneration policy is subject to a central and independent annual review. The MIFIDPRU Remuneration Code provides guidance on the FCA's expectations on what the review should include, and also clarifies that it does not (as was originally proposed) have to be undertaken by an internal audit function and may be outsourced in whole or in part (for example to consultants), provided the management body remains responsible for the review process and outcomes.

> Must take all reasonable steps to ensure MRTs do not undermine the remuneration rules.

> Must not pay variable remuneration through vehicles or methods that facilitate non-compliance.

c. Extended remuneration requirements

The **extended remuneration requirements apply to the largest non-SNI firms** in addition to the basic and standard requirements set out above.

The extended remuneration requirements require large non-SNI firms to ensure that variable remuneration awarded to MRTs is subject to deferral and payment in "instruments", as well as requiring firms to ensure that any discretionary pension benefits are delivered on a specified deferred schedule. These requirements apply to all MRTs except where a "de minimis" carve out applies. Pursuant to this provision, these rules may be disapplied in any particular year in respect of any MRT whose total annual variable remuneration is £167,000 or less and is not more than 1/3 of total annual remuneration.

These large non-SNI firms will also be subject to the requirement to establish a Remuneration Committee, as discussed under section 6 below.

Deferral[12]

Large non-SNI firms are required to ensure that, for MRTs, at least 40% – 60% of variable remuneration has to be deferred for at least three years (with 60% to be deferred where the variable remuneration is £500,000 or more). The vesting schedule for the deferred remuneration must not be faster than pro rata annually (so a three-year deferral can vest as to 1/3rd on each of the first, second and third anniversary of the award).

Large non-SNI firms are permitted to set different deferral arrangements for different categories of MRT, and the FCA states that it considers that it "*may be appropriate*" for longer deferral periods to apply to the most senior MRTs and/or where higher levels or ratios of variable remuneration are awarded.

Payment in shares or other instruments[13]

Large non-SNI firms must also ensure that at least 50% of variable remuneration awarded to MRTs is delivered in the form of shares or equivalent ownership interests in the firm, share-linked instruments (ie cash-settled payments dependent on share price), or "*non-cash instruments (including those settled in cash) which reflect the instruments of the portfolios managed*". There is also a further category of debt-like instruments that may be used if the firm issues such instruments and if they comply with the requirements of Annex 1R to the MIFIDPRU Remuneration Code.

A large non-SNI firm that does not issue any eligible instruments may apply to instead use "alternative arrangements", which would need to comply with specific expectations set out in the MIFIDPRU Remuneration Code and be approved by the FCA.

In addition, the element of variable remuneration delivered in this form must be subject to a retention policy, pursuant to which the shares or other instruments are subject to a retention (no-sale) period following the remuneration vesting. Unlike under other remuneration codes, the FCA has expressly declined to specify any minimum retention period. Further, the balance between cash and payment in shares or instruments does not have to be the same between the non-deferred and deferred components of pay, so that the delivery of pay in the form of shares or instruments can be prioritised within the deferred element of remuneration.

Other important points to note in respect of these requirements include:

> **Interest and dividends** – the FCA modified the position in relation to the payment of interest or dividends on deferred variable remuneration from the original proposals, and so it is permitted for MRTs to accrue interest or dividends during the deferral period, provided that this is not paid out by firms until the point of vesting. This only applies on the condition that the interest rate or level of dividends paid is not higher than that which would have been paid to an ordinary holder of the instrument.

> **Parent company shares** – a large non-SNI firm within a group is permitted to deliver remuneration in the form of shares or ownership interests in the parent company of the group, provided that the value of those shares or interest moves in line with the value of an equivalent interest in the investment firm.

> **Carried interest arrangements** – recognising that carry is inherently a longer-term instrument that aligns the interests of staff and investors, it can be exempted from the requirements to apply deferral and payment in shares, provided certain conditions are met, including a condition based on the minimum circumstances in which the carry would be forfeited or cancelled.

10 *SYSC 19G.4.7 – SYSC 19G.4.11*
11 *SYSC 19G.3.4-19G.3.5, SYSC19G.6.36 – SYSC19G.6.37*
12 *SYSC 19G.6.24 – 19G.6.29*
13 *SYSC 19G.6.19 – 19G.6.23*

5. Application to groups

Under the IFPR, investment firms can apply to the FCA for permission to apply to the Group Capital Test (GCT) instead of prudential consolidation. The UK parent entity of (and any other GCT parent undertakings in) a group applying the GCT needs to hold enough regulatory capital to cover the book value of its holdings, subordinated claims and relevant instruments, as well as contingent liabilities in favour of relevant group entities. Groups applying the CGT may apply basic, standard and extended remuneration requirements on an individual entity basis.

Where prudential consolidation does apply, investment firm groups must apply the basic and standard rules on an individual entity level and the consolidated group level. However, the FCA has clarified that the extended remuneration requirements do not apply on a consolidated basis. This means that an entity within a consolidated group is subject to the rules on payout instruments, deferral, retention and pay-out of discretionary pension benefits only if it exceeds the thresholds itself and not solely because another entity in the group exceeds the threshold.

The MIFIDPRU Remuneration Code also addresses the case where a firm is subject to more than one of the UK remuneration codes – which could be the case for a MIFIDPRU investment firm sitting within a banking consolidation group and/or for a CPMI firm, where the AIFM and/or UCITS Remuneration Codes also continue to apply. Where this is the case, the investment firm is required to apply whichever is the most stringent provision.

6. Remuneration committee[14]

Large non-SNI firms (ie those non-SNI firms that are required to apply the enhanced remuneration requirements set out above) are also required to establish a remuneration committee in accordance with the requirements set out in MIFIDPRU 7.3.3.

This will require large non-SNI firms to (where the legal structure of the firm permits) establish a remuneration committee of which the Chair, and 50% of its members (which can include the Chair), qualify as independent.

The MIFIDPRU Remuneration Code was modified from the initial draft, to permit a non-SNI firm to rely on a group level remuneration committee where the firm is part of an FCA investment firm group to which prudential consolidation applies and where the UK parent entity has a remuneration committee that:

> Meets the composition requirements referred to above (where they apply).

> Has the necessary powers to comply with the other obligations in MIFIDPRU 7.3 on behalf of the non-SNI firm.

> Has members with the appropriate knowledge, skills and expertise in relation to the non-SNI firm.

Firms can also apply to the FCA for permission to rely on a remuneration committee established at group level where these requirements are not met.

7. Disclosure requirements[15]

All investment firms are required to make a public disclosure of the key characteristics of their remuneration policies and practices. They should do so with the objective of providing sufficient detail to enable external stakeholders to understand the risk profile of the firm, or assets it manages, and gain an overview of the incentives created by the remuneration policies and practices.

a. Qualitative disclosure and summary of remuneration policies

All investment firms are required to publicly disclose a summary of their remuneration policies and practices. The level of detail and required minimum aspects of this summary vary depending on a firm's classification, as follows:

All FCA investment firms

All investment firms are required to disclose a summary of their approach to remuneration and a summary of the governance of the firm's remuneration policies.

Firms must also disclose the key characteristics of the remuneration policy, including as a minimum:

> The components of remuneration and the categorisation of each as fixed or variable.

> A summary of financial and non-financial performance criteria used to assess the performance of the firm, business units and individuals.

Non-SNI firms

Non-SNI firms are also required to disclose the following information, in addition to the disclosures required by all FCA investment firms as set out above:

> The types of staff identified as MRTs.

> The framework and criteria used for ex-ante and ex-post risk adjustment of remuneration, including descriptions of current and future risks identified, how these risks are taken into account when adjusting remuneration and how malus (where relevant) and clawback are applied.

> The policies and criteria applied for awards of guaranteed variable remuneration.

> The policies and criteria applied for awards of severance pay.

Large non-SNI firms

In addition to disclosures referred to above, large non-SNI firms are also required to include information in relation to:

> The firm's deferral policy (and, where different depending on category of MRT, broken down accordingly), including at least information on the proportion of variable remuneration deferred and the firm's deferral period, retention period and vesting schedule, along with an explanation of the rationale for these approaches.

> A description of the different forms in which fixed and variable remuneration are paid (eg cash, share-linked instruments, short or long-term incentive plans).

> Information on whether the firm uses the "de minimis" exemption from the deferral and payment in shares requirements and, if so, information on the total number of MRTs who benefit from the exemption and the total remuneration of the MRTs who benefit from the exemption, split into fixed and variable remuneration.

[14] MIFIDPRU 7.3.3
[15] MIFIDPRU 8.6

b. Summary of quantitative remuneration disclosures

All firms are also required to publicly disclose certain quantitative information in relation to the levels of remuneration awarded. As summarised below, SNI firms are required to disclose only high-level information, whereas non-SNI firms and, even more so, large non-SNI firms are required to disclose more detailed information:

	SNI firm	Non-SNI firm	Large non-SNI firm
Total remuneration awarded, split into fixed and variable	✓ As totals for all staff	✓ Split between senior management, MRTs and other staff	✓ Split between senior management, MRTs and other staff
Number of MRTs	✗	✓	✓
Variable remuneration awarded split between cash and shares (or other instruments), and deferred and non-deferred	✗	✗	✓ Split between senior management and other MRTs
Total guaranteed remuneration awarded and number of MRT recipients	✗	✓ Split between senior management and other MRTs	✓ Split between senior management and other MRTs
Total severance payments awarded and number of MRT recipients	✗	✓ Split between senior management and other MRTs	✓ Split between senior management and other MRTs
Highest severance payment awarded	✗	✓	✓
Amount of deferred remuneration outstanding, split by amount vesting in the year and in future years	✗	✗	✓ Split between senior management and other MRTs
Amount of deferred remuneration due to vest in the year, split by amounts vested and amount reduced by malus and clawback	✗	✗	Split between senior management and other MRTs

The FCA has, in PS21/17[16] and in response to consultation responses, acknowledged the need to balance these disclosure requirements against individual data privacy concerns. The FCA has therefore amended MIFIDPRU 8.6, to provide that where any of the disclosures (apart from the disclosure of the single highest severance payment) would be made in relation to only one or two members of staff, the firm can aggregate the disclosure across all MRTs (ie instead of splitting the disclosure between senior management and other MRTs), or can disapply the disclosure entirely where the aggregated disclosure would still only relate to one or two individuals.

8. Regulatory reporting

All investment firms are required to submit a report on their remuneration practices annually to the FCA through submitting report MIF008. The level of data to be included varies depending on the firm's classification, as follows:

> SNI firms are required to report basic data on the total amount of fixed, variable and deferred remuneration awarded by the firm.

> Non-SNI firms are required to report the same data as SNI firms, but split between MRTs and other staff, and also submit additional data, including data on the extent to which remuneration has been subject to reduction, malus or clawback during the year.

> Large non-SNI firms are, in addition, required to submit a breakdown of the remuneration awarded to the firm's three highest earning members of staff, with remuneration broken down between fixed and variable, deferred and non-deferred and paid in cash or shares.

16 PS21/17 paragraph 2.51

About the Investment Association

The Investment Association (IA) champions UK investment management, a world-leading industry which helps millions of households save for the future while supporting businesses and economic growth in the UK and abroad. Our 270 members range from smaller, specialist UK firms to European and global investment managers with a UK base. Collectively, they manage £9.4trn for savers and institutions, such as pension schemes and insurance companies, in the UK and beyond. 44% of this is for overseas clients. The UK asset management industry is the largest in Europe and the second largest globally.

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Key Linklaters contacts

Alex
Beidas

Partner, London
Tel: +44 20 7456 5903
alexandra.beidas@linklaters.com

Bradley
Richardson

Partner, London
Tel: +44 20 7456 2910
bradley.richardson@linklaters.com

The Investment Association
Camomile Court, 23 Camomile Street, London, EC3A 7LL
www.theia.org
@InvAssoc