

**PRUDENTIAL SOURCEBOOK FOR BANKS, BUILDING SOCIETIES AND
INVESTMENT FIRMS (REMUNERATION DISCLOSURES) INSTRUMENT 2010**

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 139A (General rules about remuneration);
 - (3) section 156 (General supplementary powers); and
 - (4) 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 January 2011.

Amendments to the Handbook

- D. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with the Annex to this instrument.

Notes

- E. In the Annex to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Prudential Sourcebook for Banks, Building Societies and Investment Firms (Remuneration Disclosures) Instrument 2010.

By order of the Board
16 December 2010

Annex

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

In this Annex, underlining indicates new text.

11.5 Technical criteria on disclosure: General requirements

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Disclosures: remuneration

- 11.5.18 R A firm must disclose the following information, including regular, at least annual, updates, regarding its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile:
- (1) information concerning the decision-making process used for determining the remuneration policy, including if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;
 - (2) information on the link between pay and performance;
 - (3) the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;
 - (4) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;
 - (5) the main parameters and rationale for any variable component scheme and any other non-cash benefits;
 - (6) aggregate quantitative information on remuneration, broken down by business area;
 - (7) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm, indicating the following:
 - (a) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;

- (b) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;
- (c) the amounts of outstanding deferred remuneration, split into vested and unvested portions;
- (d) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;
- (e) new sign-on and severance payments made during the financial year, and the number of beneficiaries of those payments;
- (f) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person.

[Note: Paragraph 15 of Annex XII to the *Banking Consolidation Directive*.]

11.5.19 **G** The FSA would normally consider the requirements to publish disclosures in accordance with BIPRU 11.3.8R and 11.3.9R in respect of BIPRU 11.5 as a whole to meet the requirement in paragraph 15 of Annex XII to the *Banking Consolidation Directive* to publish “regular, at least annual, updates” (as implemented in BIPRU 11.5.18R).

- 11.5.20 **R** (1) A firm that is significant in terms of its size, internal organisation and the nature, scope and the complexity of its activities must also disclose the quantitative information referred to in BIPRU 11.5.18R at the level of senior personnel.
- (2) Firms must comply with the requirements set out in BIPRU 11.5.18R in a manner that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities and without prejudice to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

[Note: Paragraph 15 of Annex XII to the *Banking Consolidation Directive*.]

[Note: The FSA has given guidance for the purpose of providing a framework for complying with the disclosure requirements of BIPRU 11.5.18R in accordance with the proportionality test set out in BIPRU 11.5.20R(2). The guidance divides firms into four tiers, and indicates which requirements should be complied with for each tier. It was published in Policy Statement 10/21 ‘Implementing CRD requirements on the disclosure of remuneration: Feedback on CP10/27 and final rules’ and is available at <http://www.fsa.gov.uk/Pages/Library/Policy/Policy/index.shtml>.

11.5.21 **G** In the FSA’s view, the exemptions from disclosure provided for in BIPRU

11.3.5R (materiality) and BIPRU 11.3.6R (proprietary or confidential information) are unlikely to apply to the disclosure required by BIPRU 11.5.18R (having regard, amongst other things, to the fact that the requirements set out in BIPRU 11.5.18R are to be complied with in the manner described in BIPRU 11.5.20R(2)).