

HANDBOOK (REMUNERATION CONSEQUENTIALS) INSTRUMENT 2015

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) 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 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Handbook (Remuneration Consequentials) Instrument 2015

- D. The PRA makes the rules in Annexes A and B to this instrument.

Commencement

- E. This instrument comes into force on 1 July 2015.

Amendments to the PRA Handbook

- F. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- G. The Senior Management Arrangements, Systems and Controls sourcebook (SYSC) is amended in accordance with Annex B to this instrument.

Citation

- H. This instrument may be cited as the Handbook (Remuneration Consequentials) Instrument 2015.

By order of the Board of the Prudential Regulation Authority

19 June 2015

Annex A

Amendments to the Glossary of Definitions

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

Amend the following definitions as shown:

discretionary pension benefit (A) ~~In the PRA Handbook:~~

~~(in SYSC 19A) enhanced pension benefits granted on a discretionary basis by a firm to an employee as part of that employee's variable remuneration package, but excluding accrued benefits granted to an employee under the terms of his company pension scheme. [deleted]~~

~~[Note: article 4(49) of the *Banking Consolidation Directive*]~~

(B) In the FCA Handbook:

...

investment firm (A) In the PRA Handbook:

...

~~(5) (in SYSC 19A) a firm in (3) except for a BIPRU firm [deleted]~~

(B) In the FCA Handbook:

...

parent undertaking (A) In the PRA Handbook:

(1) ...

(c) (for the purposes of *BIPRU* (except *BIPRU* 12), *GENPRU* (except *GENPRU* 3) and *INSPRU* as they apply on a consolidated basis and for the purposes of *SYSC* 12 (Group risk systems and controls requirement) ~~and SYSC 19C (Remuneration Code for BIPRU firms)~~ and in relation to whether an *undertaking* is a *parent undertaking*) an *undertaking* which has the following relationship to another *undertaking* ("S"):

(i) a relationship described in (a) other than (a)(vii); or

- (ii) it effectively exercises a dominant influence over S;

and so that (a)(v) does not apply for the purpose of *BIPRU* as it applies on a consolidated basis (including *BIPRU* 8 (Group risk - consolidation)) or *BIPRU* 10.

(2) ...

- (3) (for the purposes of *GENPRU* 3, *BIPRU* 12, and *IFPRU* and ~~SYSC 19A (Remuneration Code)~~) has the meaning in article 4(1)(15) of the *EU CRR* but so that (in accordance with article 2(9) of the *Financial Groups Directive*) article 4(1)(15)(b) applies for the purpose of *GENPRU* 3.

(B) In the FCA Handbook:

...

...

Remuneration Code ~~SYSC 19A (Remuneration Code)~~[deleted]

Remuneration Code general requirement ~~SYSC 19A.2.1R~~[deleted]

Remuneration Code staff (A) ~~In the PRA Handbook:~~

~~(for a *CRR firm* and an *overseas firm* in SYSC 19A1.1.1R(1)(f)) has the meaning given in SYSC 19A.3.4R~~ [deleted]

(B) In the FCA Handbook:

...

remuneration principles proportionality rule ~~(in SYSC 19A) has the meaning given in SYSC 19A.3.3R.~~ [deleted]

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.

1 Application and purpose

1.1A Application

...

- 1.1A.1 G The application of this sourcebook is summarised at a high level in the following table. The detailed application is cut back in SYSC 1 Annex 1 and in the text of each chapter.

Type of firm	Applicable chapters
<i>Insurer</i>	Chapters 2, 3, 11 to 18, 21
<i>Managing agent</i>	Chapters 2, 3, 11, 12, 18, 21
<i>Society</i>	Chapters 2, 3, 12, 18, 21
Every other <i>firm</i>	Chapters 4 to 12, 18, 19A, <u>19D,</u> and 21

Firms that SYSC 19D applies to should also refer to the Remuneration part of the PRA Rulebook

...

1.4 Application of SYSC 11 to SYSC 21

...

- 1.4.1A R SYSC 12, SYSC 19A, SYSC 19D, SYSC 20 and SYSC 21 do not apply to a *firm* in relation to its carrying on of *auction regulation bidding*.

- 1.4.1B G Apart from SYSC 12, SYSC 19A, SYSC 19D, SYSC 20 and SYSC 21 which are disapplied by SYSC 1.4.1A R, the other chapters of SYSC 11 to SYSC 17 do not apply in relation to a *firm's* carrying on of *auction regulation bidding* because they only apply to an *insurer*. SYSC 18 provides guidance on the Public Interest Disclosure Act.

...

4 General organisational requirements

4.1 General Requirements

...

4.1.2 R For a *common platform firm*, the arrangements, processes and mechanisms referred to in SYSC 4.1.1R must be comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the business model and of the *common platform firm's* activities and must take into account the specific technical criteria described in SYSC 4.1.7R, SYSC 5.1.7R, SYSC 7 ~~(for a firm to which SYSC 19A applies)~~ SYSC 19A or for a *full scope UK AIFM*) SYSC 19 Band whichever of the following as applicable:

- (1) (for a firm to which SYSC 19A applies) SYSC 19A (IFPRU Remuneration Code);
- (2) (for a full-scope UK AIFM) SYSC 19B (AIFM Remuneration Code);
- (3) (for a firm to which SYSC 19C applies) SYSC 19C (BIPRU Remuneration Code);
- (4) (for a firm to which SYSC 19D applies) SYSC 19D (Dual-regulated firms Remuneration Code); or
- (5) (for a firm to which the Remuneration part of the PRA Rulebook applies) the Remuneration part of the PRA Rulebook.

...

6 Compliance, internal audit and financial crime

6.1 Compliance

...

6.1.4-A G In setting the method of determining the *remuneration of relevant persons* involved in the compliance function:

- (1) *firms* that SYSC 19A applies to will also need to comply with the *Remuneration Code*; ~~and~~
- (2) *BIPRU firms* will also need to comply with the *BIPRU Remuneration Code*;
- (3) *firms* that SYSC 19D applies to will also need to comply with the *Dual-regulated firms Remuneration Code*; and
- (4) *firms* that the Remuneration part of the PRA Rulebook applies to will also need to comply with it.

...

7 Risk control

7.1 Risk control

7.1.7B G In setting the method of determining the *remuneration of employees* involved in the risk management function;

...

(1) *firms that SYSC ~~19A~~ 19D applies to will also need to comply with the Dual-regulated firms Remuneration Code; and*

(2) *firms that the Remuneration part of the PRA Rulebook applies to will also need to comply with it.*

...

12 Group risk systems and control requirements

12.1 Application

...

CRR firms and non-CRR firms that are parent financial holding companies in a Member State

12.1.13 R If this *rule* applies under SYSC 12.1.14 R to a *firm*, the *firm* must:

...

(2) ensure that the risk management processes and internal control mechanisms at the level of any *consolidation group* or non-EEA *sub-group* of which it is a member comply with the obligations set out in the following provisions on a consolidated (or sub-consolidated) basis:

...

(dA) *the Remuneration Code or the Dual-regulated Firms Remuneration Code, whichever is applicable;*

...

...

21.1 Risk control: guidance on governance arrangements

...

Chief Risk Officer

21.1.2 G

(1) A Chief Risk Officer should:

...

- (j) provide risk-focused advice and information into the setting and individual application of the *firm's remuneration* policy (Where the *Remuneration Code* applies, see in particular SYSC 19A.3.15 E. Where the BIPRU Remuneration Code applies, see in particular SYSC 19C.3.15E. Where the *Dual-regulated Remuneration Code* applies, see in particular SYSC 19D.2.16E. Where the Remuneration part of the *PRA Rulebook* applies, see the *PRA's Supervisory Statement on Remuneration*).

[Note: The *PRA's Supervisory Statement on remuneration* is available on the *PRA* website at

<http://www.bankofengland.co.uk/pr/Pages/default.aspx>.]

...

SYSC 19A is deleted in its entirety. This text is not shown.

SYSC TP3 Remuneration Code is deleted in its entirety. This text is not shown.