

Financial Services and Markets
Reforming Remuneration Practices in Financial
Services

8 December 2009

The FSA has published Feedback Statement 09/5 "Reforming Remuneration Practices in Financial Services".

The FSA has indicated that, for the time being, it has no immediate plans to extend the application of the Code of Practice on remuneration policies to financial services firms other than the large banks, building societies and broker dealers for which it was originally developed.

However, the FSA makes it clear that this is not the end of the story:

- There are a number of European directives and measures which are in the process of being negotiated which will contain provisions governing remuneration (such as the amendments to the Capital Requirements Directive and the Alternative Investment Fund Managers Directive);
- The Walker Review contains certain recommendations as regards remuneration which are addressed to banks and other financial institutions;
- The recently published Financial Services Bill contains provisions which would enable the FSA to make rules as regards remuneration;
- The FSA will review the Code in mid-2010 and at that time will consider whether to extend the Code to other regulated firms in the light of relevant EU legislation, the Walker Review recommendations and any powers which it has been given under domestic legislation;
- In the meantime the FSA says that "we expect all firms to continue to focus on remuneration risk management and we will continue to address the issue in the course of our normal supervisory activity". This appears to be a reference to the FSA Principles, the SYSC requirements on governance, Pillar 2 requirements and liquidity obligations.
- A copy of the FSA's feedback statement is available here: http://www.fsa.gov.uk/pages/Library/Policy/DP/2009/fs09_05.shtml

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