

PRA RULEBOOK: CRR FIRMS: REMUNERATION AND DISCLOSURE INSTRUMENT 2023

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);
 - (2) section 137H (General rules about remuneration);
 - (3) section 137T (General supplementary powers); and
 - (4) section 192XA (Rules applying to holding companies).
- 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.
- D. In accordance with sections 144C(3) and 144E of the Act, the PRA consulted the Treasury about the likely effect of the rules on relevant equivalence decisions within the meaning of section 144C (4) of the Act.

PRA Rulebook: CRR Firms: Remuneration and Disclosure Instrument 2023

- E. The PRA makes the rules in the Annexes to this instrument.

Part	Annex
Remuneration	A
Disclosure (CRR)	B

Commencement

- F. This instrument comes into force on 31 October 2023.

Citation

- G. This instrument may be cited as the PRA Rulebook: CRR Firms: Remuneration and Disclosure Instrument 2023.

By order of the Prudential Regulation Committee

5 September 2023

Annex A

Amendments to the Remuneration Part

In this Annex new text is underlined and deleted text is struck through.

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2 APPLICATION DATES AND TRANSITIONAL PROVISIONS

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2.2 ~~A firm must apply 15.9(3) and 15.10 in relation to remuneration awarded for services provided or performance from the year 2014 onwards, whether due on the basis of contracts concluded before, on or after 31 December 2013.~~[Deleted]

~~[Note: Art. 162(3) of the CRD]~~

~~[Note: CRD]~~

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3 MATERIAL RISK TAKERS

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3.1B For the purposes of 3.1(1)(c)(i):

(1) ...

(2) a firm must value variable remuneration that has been awarded but has not yet been paid as at the date of the award without taking into account ~~the application of the discount rate referred to in 15.13 or~~ reductions in pay-outs through clawback, malus or otherwise.

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15 REMUNERATION STRUCTURES

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15.9 A firm must set an appropriate ratio between the fixed and variable components of total remuneration and ensure that:

(1) fixed and variable components of total remuneration are appropriately balanced; and

(2) the level of the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component; and

(3) ~~subject to 15.10, the level of the variable component of total remuneration must not exceed 100% of the fixed component of total remuneration for each material risk taker.~~[Deleted]

~~[Note: Arts. 94(1)(f) and 94(1)(g)(i) of the CRD]~~

~~[Note: CRD]~~

15.10 ~~A firm may set a higher maximum level of the ratio between the fixed and variable components of remuneration provided:~~

- ~~(1) the overall level of the variable component does not exceed 200% of the fixed component of the total remuneration for each material risk taker, and~~
- ~~(2) is approved by the shareholders or owners or members of the firm in accordance with 45.11. [Deleted]~~

15.11 ~~A firm must ensure that any approval by the shareholders or owners or members of the firm for the purposes of 15.10 is carried out in accordance with the following procedure:~~

- ~~(1) the firm must give reasonable notice to all shareholders or owners or members of the firm that the firm intends to seek approval of the proposed higher ratio;~~
- ~~(2) the firm must make a detailed recommendation to all shareholders or owners or members of the firm giving the reasons for, and the scope of, the approval sought, including the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base;~~
- ~~(3) the firm must, without delay, inform the PRA of the recommendation to its shareholders or owners or members, including the proposed higher ratio and the reasons therefor and must demonstrate to the PRA that the proposed higher ratio does not conflict with the firm's obligations under the CRR and provisions implementing the CRD, having regard in particular to the firm's own funds obligations;~~
- ~~(4) the firm must ensure that employees who have an interest in the proposed higher ratio are not allowed to exercise, directly or indirectly, any voting rights they may have as shareholders or owners or members of the firm in respect of the approval sought; and~~
- ~~(5) the higher ratio is approved by:

 - ~~(a) at least 66% of the shares or equivalent ownership rights represented, if at least 50% of the shares or equivalent ownership rights in the firm are represented; or~~
 - ~~(b) at least 75% of the shares or equivalent ownership rights represented if less than 50% of the shares or equivalent ownership rights in the firm are represented. [Deleted]~~~~

~~[Note: Art. 94(1)(g)(ii) of the CRD]~~

~~[Note: CRD and CRR]~~

15.12 ~~A firm must notify without delay the PRA of the decisions taken by its shareholders or members or owners including any approved higher maximum ratio. [Deleted]~~

~~[Note: Art. 94(1)(g)(ii) of the CRD]~~

~~[Note: CRD]~~

15.13 ~~A firm may apply a discount rate to a maximum of 25% of an employee's total variable remuneration provided it is paid in instruments that are deferred for a period of not less than five years. [Deleted]~~

~~[Note: Art. 94(1)(g)(iii) of the CRD and EBA Guidelines on the applicable notional discount rate for variable remuneration]~~

~~[Note: CRD]~~

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Annex B

Amendments to the Disclosure (CRR) Part

In this Annex new text is underlined and deleted text is struck through.

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4 DISCLOSURE (PART EIGHT CRR)

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TITLE II TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE

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ARTICLE 450 DISCLOSURE OF REMUNERATION POLICY

1. ...

- (d) the ratios between fixed and variable *remuneration* set in accordance with rules 15.9 to 15.13 of the Remuneration Part of the ~~PRA Rulebook~~;

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6 PILLAR 3 TEMPLATES AND INSTRUCTIONS

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6.90 Annex XXXIII Table UK REMA can be found ~~here~~ [here](#).

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