FCA
Cost Benefit
Analysis Panel

Consultation Paper title	**Remuneration: Solo-Regulated Firms' Rules Reform**
Summary of intervention	Proposal to consolidate and simplify remuneration rules for solo-regulated firms by removing prescriptive requirements and narrowing scope to reduce compliance burdens while relying more on outcomes-based regulation.
Feedback date of issue	17/06/2026
CBA Panel reference number	CBAP-0021

CBA Panel advice

Main recommendations

- **Strengthen the analysis underpinning the rationale for deregulation.** The CBA sets out clearly the intent to simplify remuneration rules but does not explain adequately why the current framework is no longer delivering its intended outcomes. In particular, there is limited analysis of the original rationale for the rules—whether introduced domestically or through EU requirements—and whether their expected benefits (e.g. improved conduct, governance, risk alignment and market outcomes) have been realised in practice. Such an evaluation is critical to justifying their removal. Where evidence is limited, this should be acknowledged and used more systematically to support the case for change. For example, limited evidence that the existing rules are generating beneficial market outcomes may itself support the case for removal – though it also makes any adverse impacts harder to assess with confidence.

- **Improve the treatment of risks and trade-offs.** The CBA acknowledges that deregulation may increase risks to market outcomes, but the treatment of these risks is not sufficiently developed. The conclusion that risks remain within acceptable bounds may be correct, but it is not supported by clear analytical criteria or thresholds, and there is no assessment of how these risks compare to the estimated benefits. The CBA should articulate more clearly the trade-offs inherent in removing safeguards such as deferral, malus, and governance requirements. This could be supported by illustrative scenario analysis or breakeven analysis to demonstrate the scale of harm that would offset the estimated cost savings.

- **Develop a more systematic assessment of wider economic impacts.** The CBA highlights benefits for competitiveness, labour market flexibility and growth as central to the policy rationale – but their assessment remains largely qualitative. The analysis should articulate more clearly the channels through which deregulation is expected to support these outcomes and draw on available evidence where possible, including industry surveys, evidence of loss of talent or recruitment constraints, and international comparisons with other financial centres. Where quantification is not possible, a more systematic qualitative assessment of the scale, likelihood and timing of impacts would strengthen the overall case.

Summary

Category	CBA Panel comments
The market	The Panel considers that the CBA identifies the relevant population of solo-regulated firms but could better distinguish between firm types and the risks they pose to market outcomes. In particular, the analysis would benefit from clearer segmentation across SNI firms, non-SNI firms, AIFMs and UCITS firms, and how remuneration-related harms differ across these groups. A more differentiated treatment of firm behaviour, size and business model would improve the credibility of both the baseline and the assessment of impacts.
Problem and rationale for intervention	The Panel agrees that a proportionate approach is appropriate for a deregulatory intervention and that simplifying remuneration rules may be justified. However, the rationale is not sufficiently evidenced. In particular, the CBA does not clearly demonstrate why the existing framework was originally introduced, what evidence supported its introduction, whether the anticipated benefits have been realised, or whether the rules are currently addressing identifiable harms. However, the Panel noted that the absence of evidence cuts both ways. A lack of evidence that rules deliver benefits may support deregulation but equally makes it difficult to assess whether their removal will create risks. Also, if the rationale for intervention is to address a negative externality (remuneration affecting risk-taking) then rules should not be outcomes-based.
Proposed intervention and alternative options	The Panel agrees that a high-level treatment of options is proportionate in this context. However, the analysis would benefit from clearer articulation of the trade-offs being made. In particular, the CBA does not sufficiently explore intermediate options between full deregulation and the current regime, or which elements of the framework are ineffective versus those that may still deliver value for market outcomes. This limits assurance that the preferred option represents the most efficient policy choice. There was also discussion around whether the intervention is outcomes-based, as opposed to preventative governance measures.
Assessment of costs and benefits	**Baseline and counterfactual**. The baseline is generally set out clearly, but there was a question as to whether some costs associated with malus and clawback are attributed to firm categories where these requirements do not apply.
	Evidence and data. The Panel considers that the evidence base is relatively limited in this case and relies on simplifying assumptions, survey-based evidence and qualitative judgement.
	Assumptions. A central driver of the analysis is reduced cost assumptions as a result of the new regime. Given these appear to be based on judgements made, it was asserted that further testing could be employed to test different outcomes via breakeven and sensitivity analysis.

	Economic analysis. The Panel notes that the quantified benefits are driven almost entirely by reductions in compliance costs. While this is appropriate for a deregulatory intervention, the analysis provides limited insight into market outcomes. In particular the costs are modelled in detail, but benefits in terms of conduct, investor protection or market functioning are not assessed as thoroughly. There is also a lack of quantification of the potential costs associated with increased risk to market outcomes.
Risk and uncertainty	Risk and uncertainty are acknowledged in the CBA but could be explored in more sufficient depth. Key risks include lack of quantification of downside risks to the market of this deregulation and limited discussion around definition of what constitutes an acceptable increase of that risk. As mentioned above, illustrative scenario analysis of adverse outcomes and breakeven analysis would give greater clarity on how risks have been assessed.
Wider economic impacts	The Panel recognises that the primary objective of this deregulation is to improve international competitiveness (presumably through attracting staff) but the wider impacts in the CBA are largely qualitative. There is not sufficient explanation of the causal links between deregulation and growth. The Panel noted that it would be helpful to understand whether there is evidence from international firms to demonstrate how deregulation in this area would improve firms' ability to hire.
Monitoring and evaluation	The Panel acknowledges that the FCA does not plan on undertaking a formal evaluation of this policy but argues that it would be helpful to understand whether the intended competitiveness arguments and market outcomes have been realised or not.