

CP12/18**

Financial Services Authority

Data collection on remuneration practices

August 2012

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The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 30 September 2012.

Comments may be sent by electronic submission using the form on the FSA's website at: www.fsa.gov.uk/Pages/Library/Policy/CP/2012/cp12-18-response.shtml.

Alternatively, please send comments in writing to:

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A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

Abbreviations used in this paper

BIPRU	Prudential sourcebook for banks, building societies and investment firms
CAD	Capital Adequacy Directive
CP	Consultation Paper
CRD	Capital Requirements Directive
CRD3	The latest amendments to the Capital Requirements Directive, Directive 2010/76/EU
EEA	European Economic Area
EU	European Union
FSA	Financial Services Authority
MiFID	Markets in Financial Instruments Directive
PS	Policy Statement
SUP	Supervisory Handbook
SYSC	Senior Management Arrangements, Systems and Controls

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Overview

Purpose

- 1.1 This Consultation Paper (CP) proposes, and formally consults on, remuneration data reporting requirements for BIPRU firms and third country BIPRU firms.
- 1.2 Amendments to the Capital Requirements Directive (CRD3) introduced requirements for data collection on remuneration practices by Member State competent authorities and for transmitting such data to the European Banking Authority (EBA). In the UK, the Capital Requirements (Amendment) Regulations 2012 require the FSA to provide the EBA with remuneration data as set out in CRD3.
- 1.3 The EBA published guidelines on 27 July 2012¹ setting out its expectations on the contents of two remuneration data sets to be submitted by firms annually.
- 1.4 This paper consults on our proposed approach to data collection on remuneration practices and the reporting requirements for FSA-regulated firms, including the draft data templates that firms will be required to complete. Our consultation relates to amendments to the Remuneration Code (SYSC 19A) and to the Supervisory Handbook (SUP 16).

Summary of our proposals

- 1.5 We are consulting on two data items:
 - 1) The Remuneration Benchmarking Information Report – significant banks, building societies and investment firms, that have total assets of £50bn or greater, will be required to submit information on the structure of remuneration for its group.
 - 2) The High Earners Report – banks, building societies and investment firms, excluding solo limited licence and limited activity firms², will be required to submit data on all

¹ www.eba.europa.eu/News--Communications/Year/2012/EBA-publishes-Guidelines-to-streamline-data-collec.aspx

² This exclusion does not apply to limited licence and limited activity firms which are part of the consolidation scope of another institution subject to this data collection. Please see paragraph 3.26

employees in the group (excluding subsidiaries and branches established outside the EEA) with total annual remuneration of €1m or more.

- 1.6 In the case of groups, these requirements apply where the FSA is the competent authority responsible for supervision at the highest EEA consolidation level of the group. Firms that are lead regulated by a competent authority in another EEA state are out of scope and will instead be subject to the requirements of the Member State that exercises supervision at the highest level of EEA consolidation.
- 1.7 Firms in scope of one or both of the Benchmarking Information Report and High Earners Report will be required to submit data to the FSA for the first time by **31 December 2012**. This first submission will be regarding remuneration awarded to employees of the firm in each of the last two complete financial years that ended before the rules come into effect. Thereafter firms will be required to submit data to the FSA annually, within two months after the firm's accounting reference date.

Structure of the paper

- 1.8 The rest of this Consultation Paper (CP) is set out as follows:
- Chapter 2 explains why we are seeking reporting of remuneration data, including developments at EU and UK level on the subject of remuneration data reporting.
 - Chapter 3 explains the proposed remuneration data reporting requirements and sets out further proposals for the FSA to collect equality and diversity data on remuneration practices.
 - Chapter 4 sets out next steps for trade associations and firms in responding to this CP and the proposed timetable for firms to submit remuneration data.
 - Annex 1 provides a cost-benefit analysis (CBA) for remuneration data reporting.
 - Annex 2 lists the questions for consultation.
 - Annex 3 contains the compatibility statement.
 - Annexes 4 and 5 set out the proposed FSA data tables for collecting equality and diversity data.
 - Appendix 1 contains the draft text we propose to incorporate into the Handbook, and the draft data tables for each of the Remuneration Benchmarking Information Report and the High Earners Report.
 - Appendix 2 sets out that this CP will have joint PRA and FCA Handbook designation.

Next steps

- 1.9** The consultation period for this CP will be two months, which we view as appropriate in light of the proposals and the implementation timeline set out in the EBA guidelines. Following the consultation period we plan to publish a Policy Statement containing our final rules in October 2012. The timetable for implementing the reporting requirements is as follows:
- **1 August 2012:** Publication of this CP.
 - **30 September 2012:** The consultation period for this CP closes.
 - **End October 2012:** Publication of the Policy Statement (PS).
 - **1 November 2012:** Handbook rules on remuneration reporting come into effect.
 - **31 December 2012:** Deadline for submission of the first Remuneration Benchmarking Information Report and High Earners Report to the FSA.
- 1.10** Firms in scope of one or both of the data requests should ensure that they are in a position to submit the first sets of data by **31 December 2012**.

Who should read this paper?

- 1.11** This CP should be read by all FSA-authorized banks, building societies and Capital Adequacy Directive (CAD) investment firms. This audience corresponds to firms subject to the Markets in Financial Instruments Directive (MiFID), although exempt CAD firms, such as credit unions, are not included.
- 1.12** This paper may also be of interest to trade associations.

2

Reporting remuneration data

Introduction

- 2.1 The European Banking Authority (EBA) published two sets of guidelines on remuneration data collection on 27 July 2012. These guidelines set out the data items that should be reported by firms to supervisory authorities for onward transmission to the EBA.
- 2.2 In this chapter we provide an overview of these and other factors which have fed into our proposals.

Amendments to the Capital Requirements Directive (CRD3)

- 2.3 The remuneration provisions within Directive 2010/76/EU (CRD3) introduced requirements for Member State competent authorities to collect data on remuneration practices and to transmit that data to the EBA.
- 2.4 Specifically, CRD3 requires Member State competent authorities to collect data:
- to benchmark remuneration trends and practices; and
 - on the number of individuals per credit institution in pay brackets of €1m (referred to hereafter as ‘high earners’) and upwards on an aggregate home member state basis.
- 2.5 This information is to be transmitted to the EBA, which will carry out benchmarking at the EEA level and disclose the high earners information on an aggregate Member State basis.

Treasury regulations

- 2.6 The Capital Requirements (Amendment) Regulations 2012 (the Regulations)³ require the FSA to collect remuneration data in accordance with CRD3 and to provide it to the EBA.
- 2.7 Paragraph 13 of the Regulations states that '[t]he Authority must:
- use the information collected in accordance with the criteria for disclosure established in paragraph 15(f) of Part 2 of Annex XII of the Banking Consolidation Directive to benchmark remuneration trends and practices;
 - collect the information specified in Article 22(5) of the Banking Consolidation Directive; and
 - provide EBA with the information referred to in paragraphs (a) and (b).'
- 2.8 The Regulations came into force on 16 April 2012.

EBA guidelines on remuneration data collection

- 2.9 The EBA has published guidelines to elaborate on the benchmarking and high earners data collection exercises mandated by CRD3. The guidelines include templates to be used by firms for reporting to national supervisory authorities. The EBA's goal is to ensure a common approach across the EU for remuneration data reporting.
- 2.10 The draft EBA remuneration data reporting guidelines were published for consultation in July 2011, with final guidelines published on 27 July 2012.⁴
- 2.11 In forming our proposals for remuneration data reporting, we have taken into account the 'comply or explain' approach that the EBA adopts for implementation of its guidelines. We have assessed the requirements and have concluded that the EBA guidelines for both the benchmarking and high earners exercises should be implemented in full for the following reasons:
- The underlying requirement for the collection of both sets of remuneration data stems from Directive (CRD3) provisions.
 - The Regulations require the FSA to collect remuneration data in accordance with CRD3 and to provide it to the EBA.
 - While some of the information requested in the EBA guidelines on the benchmarking exercise is not required by CRD3, we are supportive of the EBA's view that the additional data will support the provision of more meaningful results

³ See The Capital Requirements (Amendment) Regulations 2012: www.legislation.gov.uk/ukxi/2012/917/made/data.pdf

⁴ www.eba.europa.eu/News--Communications/Year/2012/EBA-publishes-Guidelines-to-streamline-data-collec.aspx

for the purposes of benchmarking remuneration data and for the monitoring of remuneration practices.

- Our cost benefit analysis (please see Annex 1) has not identified any areas that warrant exclusion from implementation in the UK.

3

Our proposals

- 3.1 We have chosen to implement the EBA guidelines on remuneration data reporting by introducing new rules in SUP 16 of the FSA Handbook. This is to ensure transparent and consistent application of data reporting requirements.
- 3.2 The remuneration data reporting requirements fall into two distinct data sets:
- the collection of data on the remuneration of employees by significant firms and their subsidiaries and branches ('Benchmarking Information Report'); and
 - the collection of data on firms' employees with total annual remuneration of €1m or more (or its equivalent in another currency), which will apply to a broader range of firms ('High Earners Report').
- 3.3 The proposed requirements for the two sets of data are considered in turn below.
- 3.4 We also plan to review our proposals ahead of publishing the Policy Statement to consider whether changes are necessary to reflect any additional guidance or clarification that may be forthcoming from the EBA regarding the remuneration data guidelines since publication of this CP.

Benchmarking Information Report

Background

- 3.5 As noted in Chapter 2, the remuneration provision in CRD3 imposed obligations on Member State competent authorities to collect information on remuneration practices at significant firms, on the basis of information disclosed by those firms to the public, to benchmark remuneration trends and practices. Member State competent authorities are to provide that information to the EBA for the EBA to carry out benchmarking at EEA level.

The information received by the EBA will be used to reveal year-to-year evolutions at an EEA-wide level and to point to differences on an EEA state basis.

- 3.6** To streamline the data collection across the EEA and increase the consistency and comparability of the data, the European Banking Authority (EBA) issued guidelines (EBA/GL/2012/4) on 27 July 2012, setting out its expectations for the remuneration benchmarking exercise. We propose to implement the CRD3 requirements and EBA guidelines through rules in SUP 16 of the FSA Handbook, as set out below.

Scope

- 3.7** The EBA guidelines state that national supervisory authorities should select the institutions to participate in the exercise, according to one of the following criteria:
- either the institutions should represent 60% of the total banking and investment services sector⁵ of the Member State concerned, as expressed in terms of aggregated total assets of such institutions as of end of year; or
 - the 20 largest institutions in the banking and investment services sector of the Member State concerned, as expressed in terms of their total assets as of end of year.
- 3.8** The above is viewed as minimum criteria and the guidelines further state that national supervisory authorities may include in their exercise any other institution they deem significant or relevant for obtaining a representative and diverse sample of institutions in terms of size, business models and risk profiles.
- 3.9** We have assessed the landscape for banks and investment firms in the UK and have deemed it appropriate that the scope of the remuneration benchmarking exercise be based on a total assets criterion.
- 3.10** We propose that banks, building societies and investment firms with total assets of £50bn or greater, where the FSA is the sole or lead regulator⁶ in the EEA, should be subject to the remuneration benchmarking exercise.
- 3.11** In practice, this includes:
- UK headquartered institutions; and
 - subsidiaries and branches of non-EEA headquartered firms based in the UK;

⁵ Sectors defined in art. 2 (8) of Directive 2002/87/EC. National banking and investment services sectors include local branches and subsidiaries considered in the consolidation scope of a parent undertaking from another Member State.

⁶ For the purposes of remuneration data collection, 'UK lead regulated group' means a UK consolidation group that is headed by an EEA parent institution or an EEA parent financial institution.

that have total assets equal to or greater than £50bn on the accounting reference date immediately before the firm's last complete financial year⁷, and, in the case of groups, that have the FSA as the competent authority responsible for supervision at the highest EEA consolidation level of the group.

- 3.12** Firms that are not lead regulated by the FSA are not required to report remuneration benchmarking information to the FSA. This is because firms should complete and transmit the remuneration benchmarking information to the competent authority responsible for the exercise of supervision at the highest EEA level of consolidation of their group.

Information to be submitted

Data item

- 3.13** The Remuneration Benchmarking Information Report will be an annex to SUP 16.17. The draft Remuneration Benchmarking Information Report can be found in Appendix 1.
- 3.14** It sets out the information that firms will be required to provide regarding remuneration awarded to employees in the preceding financial year, by the firm and its subsidiaries and branches both inside and outside the EEA.
- 3.15** This will include information on the structure of remuneration awards.
- Data elements 3-6 are to be completed in relation to all staff.
 - Data elements 7-25 are to be completed in relation to 'identified staff' (for UK firms, this relates to Remuneration Code staff⁸).
- 3.16** Firms should send the completed Remuneration Benchmarking Information Report electronically, in the format set out in SUP 16 Annex 32AR, Remuneration Benchmarking Information Report, as an Excel spreadsheet to a designated FSA mailbox, which will be specified in the instructions section of the report.

Consolidation

- 3.17** Firms that are in scope and that are part of a UK lead regulated group will be required to complete the Remuneration Benchmarking Information Report on a consolidated basis, consolidated at the highest EEA level of consolidation. This means that remuneration benchmarking information from all subsidiaries and branches of the EEA consolidation group both inside and outside the EEA will need to be included.

⁷ For example, a firm that has a 31 December 2012 accounting reference date that is due to report data by end February 2013 (refer to paragraph 3.22) would refer to total assets at 31 December 2011 to determine whether it is in scope.

⁸ All staff who have a material impact on the firm's risk profile, including a person who performs a significant influence function for the firm, a senior manager and risk takers.

- 3.18** If a group includes more than one firm to which the rules apply, we have provided that a single Remuneration Benchmarking Information Report can be submitted on behalf of all such firms.
- 3.19** Firms that are in scope but that are not part of a UK lead regulated group will be required to complete the Remuneration Benchmarking Information Report on an unconsolidated basis.

Currency

- 3.20** Firms will be required to complete the Remuneration Benchmarking Information Report in the currency of its annual audited accounts.

Implementation date and frequency of reporting

- 3.21** A firm that is in scope on the date the rules come into effect will be required to submit two Remuneration Benchmarking Information Reports by 31 December 2012: one for each of the previous two complete financial years that ended before the rules come into effect.
- 3.22** Thereafter firms will be required to submit a Remuneration Benchmarking Information Report annually within two months after the firm's accounting reference date.
- 3.23** The data will relate to awards for performance during the preceding financial year.

Q1: Do you agree with our proposed approach to implementing the EBA Guidelines on the Remuneration Benchmarking Exercise (EBA/GL/2012/4)?

Q2: Could the proposed timing for annual submission of the Remuneration Benchmarking Information Report and the financial year(s) covered therein raise difficulties for firms whose performance year end differs from their financial year end?

High Earners Report

Background

- 3.24** As noted in Chapter 2, the remuneration provisions in CRD3 imposed an obligation on Member State competent authorities to collect information on the number of individuals

per credit institution in pay brackets of at least €1m on a Member State basis. Member State competent authorities are to provide that information to the EBA, which will disclose it on an aggregate Member State basis in a common reporting format.

- 3.25** To streamline the data collection across the EEA and increase the consistency and comparability of the data, the European Banking Authority (EBA) issued guidelines (EBA/GL/2012/5) on 27 July 2012, setting out its expectations on the data collection exercise regarding high earners. We propose to implement the CRD3 requirements and EBA guidelines through rules in SUP 16 of the FSA Handbook, as set out below.

Scope

- 3.26** The EBA guidelines state that all EEA based institutions are subject to the high earners data collection exercise. *BIPRU limited licence firms* and *BIPRU limited activity firms*⁹ are excluded from the exercise unless they are included in the consolidation scope of group that contains an institution that is subject to the high earners data collection exercise.

- 3.27** We propose that banks, building societies and investment firms within the scope of CRD3, (except for *BIPRU limited licence firms* and *BIPRU limited activity firms* that are not included in the consolidation scope of a relevant group) should be subject to the high earners data collection exercise.

- 3.28** In practice, this includes:

- all FSA-authorized banks and building societies;
- all Capital Adequacy Directive (CAD) investment firms, excluding limited licence and limited activity investment firms, except if such an investment firm is included in the consolidation scope of another institution subject to this data collection; and
- UK branches of firms whose home state is outside the EEA;

which, if part of a group, has the FSA as the competent authority responsible for supervision at the highest EEA consolidation level of the group.

- 3.29** Firms that are not lead regulated by the FSA are not required to report high earners data to the FSA. This is because firms should complete and transmit the high earners data to the competent authority responsible for the exercise of supervision at the highest EEA level of consolidation of their group.

⁹ Investment firms that are referred to in Article 20(2) and (3) of Directive 2006/49/EC.

Information to be submitted

Data item

- 3.30** The High Earners Report will be an annex to SUP 16.17. The draft High Earners Report can be found in Appendix 1.
- 3.31** It sets out the data that firms in scope will be required to provide for employees awarded total annual remuneration of €1m or more (high earners).
- 3.32** The following sets out further proposed details regarding data submission.
- Each firm will be required to complete separate templates for each EEA member state in which the group is operating. This means that the template has to be filled in as many times as the number of EEA States in which the group is operating (either as a branch or as a subsidiary) and where high earners can be found. Those templates together will form the High Earners Report.
 - High earners will be classified under the EEA state in which their professional activities are undertaken. High earners who carry out professional activities in more than one EEA state are to be classified under the EEA state where they mainly undertake their professional activities within the EEA. High earners who carry out professional activities inside and outside the EEA are to be classified under an EEA state if they mainly undertake their professional activities within the EEA.
- 3.33** Firms should send the completed High Earners Report electronically, in the format set out in SUP 16 annex 33AR, High Earners Report, as an Excel spreadsheet to a designated FSA mailbox, which will be specified in the instructions section of the report.
- 3.34** Firms that do not have any high earners in the EEA states where the group is operating may provide a response stating this fact (a 'nil return') without the need to submit the data set out in SUP 16 annex 33AR, High Earners Report.

Consolidation

- 3.35** Firms that are in scope and that are part of a UK lead regulated group will be required to complete the High Earners Report at the highest EEA level of consolidation. This means high earners data from all subsidiaries and branches of the EEA consolidation group operating in EEA states will need to be included in the High Earners Report. However, different from the normal consolidation scope as set out in the CRD, data from non-EEA branches and non-EEA subsidiaries of EEA parent undertakings is to be excluded from the High Earners Report.
- 3.36** If a group includes more than one firm to which the rules apply, we have provided that a single High Earners Report can be submitted on behalf of all such firms.

- 3.37 Firms that are in scope but that are not part of a UK lead regulated group will be required to complete the High Earners Report on an unconsolidated basis.

Currency

- 3.38 The information in the High Earners Report will need to be submitted using accounting year-end numbers, denominated in EUR, determined, if necessary, by reference to the conversion rate table to be specified from time to time by the EBA as applicable to that year's High Earners Report.

Implementation date and frequency of reporting

- 3.39 A firm that is in scope on the date the rules come into effect will be required to submit two High Earners Reports by 31 December 2012: one for each of the previous two complete financial years that ended before the rules come into effect.
- 3.40 Thereafter firms will be required to submit a High Earners Report annually within two months after the firm's accounting reference date.

Q3: Do you agree with our proposed approach to implementing the EBA Guidelines on the Data Collection Exercise Regarding High Earners (EBA/GL/2012/5)?

Q4: Could the proposed timing for annual submission of the High Earners Report and the financial year(s) covered therein raise difficulties for firms whose performance year end differs from their financial year end?

Equality and diversity data

- 3.41 As a public authority, we are required under equality legislation¹⁰ to consider the potentially discriminatory impact of our regulatory proposals (the 'basic duty') and to demonstrate due regard in seeking opportunities to promote equality and diversity (the 'general duty'). We have conducted an Equality Impact Assessment and have judged that the requirements outlined in this CP are non-discriminatory.
- 3.42 As part of our commitment to fulfilling our public sector equality duty we also look to use relevant opportunities to gather equality and diversity data. Therefore we propose to gather

¹⁰ The public sector equality duty under s149 of the Equality Act 2010 which came into force on 5 April 2011.

additional data on gender and race and ethnicity alongside the Remuneration Benchmarking Information Report and the High Earners Report.

- 3.43** The proposed equality and diversity data templates are set out in Annexes 4 and 5. It should be noted that this equality and diversity data collection is separate to the benchmarking and high earners exercises. The equality and diversity data will be used to better inform equality assessments of our remuneration policies. It will be voluntary for firms to complete and is not considered a reporting requirement. We will use the information in aggregate only and it will not form any part of an assessment of an individual firm. We will not publish the equality and diversity data nor share it with the EBA or any third party.
- 3.44** We propose to collect equality and diversity data on an annual basis and on the same timescale and scope as the benchmarking and high earners exercises. Please see Annex 4 and 5 for the respective tables, which firms should complete alongside the benchmarking and high earners data reports and relate to the data provided therein. The first submission will be by 31 December 2012 for each of the last two complete financial years that ended before the rules come into effect. Subsequent submissions should be within two months of the firm's accounting reference date and will relate to awards for performance during the preceding financial year.
- 3.45** For the high earners exercise, equality and diversity data is not required to be submitted for each EEA member state in which the group is operating. This means that the equality and diversity data should only be submitted for high earners who mainly carry out their professional activities in the UK.

Q5: Do you anticipate any difficulty in gathering equality and diversity data?

4

Next steps

Trade associations

- 4.1 All trade associations that represent firms that fall within the scope of these proposals should inform them of the proposed new remuneration data reporting requirements. We also encourage the associations to prepare a collective response to that paper on their members' behalf.

Firms

- 4.2 Firms must determine whether they are covered by the scope of a) the benchmarking data request, b) the high earners data request or c) both data requests. Further information on the proposed scope can be found in Chapter 3. Firms in scope should take note of the timetable listed below, in particular the proposed deadline for submission.
- 4.3 We ask all firms covered by CRD3 to read the proposals in this CP and provide feedback to the consultation questions by 30 September 2012.
- 4.4 Firms may give us feedback individually. However, as noted above, we are encouraging trade associations to produce a collective response on behalf of their members.

Timetable

- 4.5 As set out in Chapter 1, our proposed timetable for implementing the remuneration reporting requirements is as follows:
- **30 September 2012:** The consultation period for this CP closes.
 - **End October 2012:** Publication of the Policy Statement (PS).
 - **1 November 2012:** Handbook rules on remuneration reporting come into effect.

- **31 December 2012:** Deadline for submission of the first Remuneration Benchmarking Information Report and High Earners Report to the FSA.
- 4.6** Once submissions from firms have been received, the FSA will pass the data to the EBA, who will use the data to monitor and publish aggregate remuneration trends at the EEA level.

Annex 1

Cost benefit analysis

Introduction

1. This annex contains the FSA's cost-benefit analysis (CBA) for implementing the European Banking Authority's Guidelines (EBA Guidelines) EBA/GL/2012/4 'on the remuneration benchmarking exercise' (benchmarking exercise) and EBA/GL/2012/5 'on the data collection exercise regarding high earners' (high earners exercise). The EBA Guidelines implement the requirements in article 22 of Directive 2006/48 (CRD) as amended by article 1 points 3 and 5 of Directive 2010/76/EU (CRD3).
2. When proposing new rules, we are obliged (under sections 155 and 157 of the Financial Services and Markets Act 2000) to publish a CBA, unless we consider that the proposals will give rise to no costs or to an increase in costs of minimal significance. A cost survey carried out in October 2011 indicates that implementation of the EBA Guidelines will lead to incremental compliance costs for firms which may be incurred initially as well as on an ongoing basis.¹¹
3. The CBA is structured as follows:
 - direct costs to the FSA of implementing the EBA Guidelines;
 - incremental compliance costs imposed on firms from complying with the benchmarking exercise;
 - incremental compliance costs imposed on firms from complying with the high earners exercise; and
 - benefits of the EBA Guidelines to firms and the wider economy.

¹¹ The cost estimates provided in this CBA are based on a cost survey carried out in October 2011. The survey covers a sample of banks, building societies and full scope BIPRU firms, including 12 firms that will be caught by the high earners exercise (includes seven banks, two building societies, and three full scope BIPRU investment firms). The survey also covers four firms that fall within the scope of the benchmarking exercise (two UK headquartered credit institutions, and two foreign-owned firms) The survey asked for an indication of additional compliance costs which may arise as a result of gathering and providing the data required by the EBA Guidelines.

Direct costs to the FSA

4. The implementation of the EBA Guidelines may require additional FSA resources and a reallocation of priorities for staff from a range of business areas within the FSA. Our research suggests that the costs of implementing the EBA Guidelines will be absorbed into business as usual.

Incremental compliance costs to firms: benchmarking exercise

5. Firms that fall into the scope of the benchmarking exercise include all banks, building societies and investment firms with assets greater than £50bn on an unconsolidated basis. This includes around 15 of the largest UK-headquartered credit institutions (banks and building societies) and major foreign-owned firms.
6. Compliance with the benchmarking exercise is likely to impose incremental costs on firms. These costs arise from the additional resources needed to gather and provide the relevant data to the FSA. In the cost survey, some firms indicated that although they are required to publish similar data by the Pillar 3 Remuneration Disclosure Requirements (implemented in BIPRU11.5.18 to 11.5.20), there are differences that are significant enough to require additional resources (such as the different 'format', 'additional divisional split', and 'collation of additional information on discretionary benefits').
7. Responses from the cost survey suggest that the likely one-off compliance costs per firm range from £0 to £12,000 and the annual costs per firm from £0 to £25,000. Hence across all relevant firms, one-off compliance costs could be up to £200,000, and annual compliance costs up to £400,000.

Incremental compliance costs imposed on firms: high earners exercise

8. Firms that fall into the scope of the high earners exercise include banks, building societies and investment firms within the scope of CRD3, except for BIPRU limited licence firms and BIPRU limited activity firms that are not included in the consolidation scope of a relevant group. This includes around 700 solo firms, comprising banks, building societies, full scope BIPRU firms and some limited licence and limited activity firms.
9. Compliance with the high earners exercise is likely to impose incremental costs on firms. These costs arise from the additional resources needed to gather and provide the relevant data to the FSA. The cost survey responses suggest that one-off compliance costs per firm could range from £0 to £40,000, and annual costs per firm from £0 to £80,000. Hence across all relevant firms, the total one-off compliance costs could be up to £20m, with annual costs up to £40m.

10. The cost to firms of compliance depends on a number of factors. For example, survey responses suggest that the exercise might:
- have minimal or negligible costs for small building societies that would only incur the ‘cost of completing a nil return as they didn’t have any high earners’; and
 - be costly for some large UK-headquartered banks operating across the EU for example, one respondent noted that the requirement to produce separate templates for each EU member state would mean that additional resources would be required to collate the data for each country and there would be extensive governance required to engage the necessary internal stakeholders for each country.

Benefits of the EBA Guidelines to firms

11. Data collected in accordance with EBA Guidelines EBA/GL/2012/4 and EBA/GL/2012/5 will provide the EBA with a pan-European snapshot of remuneration practices, which will in turn enable differences in implementation of the remuneration provisions in CRD3 and the CEBS (EBA) Guidelines on Remuneration Policies and Practices to be identified and addressed.

Annex 2

Consultation questions

- Q1:** Do you agree with our proposed approach to implementing the EBA Guidelines on the Remuneration Benchmarking Exercise (EBA/GL/2012/4)?
- Q2:** Could the proposed timing for annual submission of the Remuneration Benchmarking Information Report and the financial year(s) covered therein raise difficulties for firms whose performance year end differs from their financial year end?
- Q3:** Do you agree with our proposed approach to implementing the EBA Guidelines on the Data Collection Exercise Regarding High Earners (EBA/GL/2012/5)?
- Q4:** Could the proposed timing for annual submission of the High Earners Report and the financial year(s) covered therein raise difficulties for firms whose performance year end differs from their financial year end?
- Q5:** Do you anticipate any difficulty in gathering equality and diversity data?

Annex 3

Compatibility statement

1. This annex sets our view on how the proposals in this Consultation Paper (CP) are compatible with our general duties under section 2 of the Financial Services and Markets Act 2000 (FSMA) and our regulatory objectives set out in sections 3 to 6 of FSMA. We also outline how our proposals are consistent with our principles of good regulation.

Compatibility with our statutory objectives

2. Our duty is, as far as is reasonably possible, to act in a way that is compatible with our regulatory objectives and which we consider most appropriate for the purpose of meeting those objectives. The market confidence and financial stability objectives are relevant to our proposals.
3. The proposals, by facilitating more statistical analysis of remuneration trends across the EU and increasing transparency, could support our market confidence objective. By improving reporting standards on remuneration, the proposals will contribute to the alignment of remuneration policies and practices with effective risk management, which should result in positive outcomes for market confidence and financial stability.

Compatibility with the Principles of Good Regulation

4. Section 2(3) of FSMA requires that, in carrying out our general functions, we must have regard to a number of matters we refer to as ‘principles of good regulation’. Of these, the following principles are relevant to our approach.

The need to use our resources in the most efficient and economic way

5. The data reporting requirements will require additional resources to be dedicated to collect and aggregate information on firms’ remuneration practices. However, our approach to implementation has been designed to ensure the efficient use of resources. We have aligned our remuneration reporting requirements with CRD3 and the EBA guidelines and have copied out the template tables provided by the EBA. Costs should also be minimised by our intention to integrate the data collection into existing FSA reporting processes to the extent

possible and to pass on the benchmarking data to the EBA as received without further processing or aggregation.

The principle that a burden or restriction which is imposed should be proportionate to the benefits

6. We believe that the costs associated with our proposals will be proportionate to the benefits delivered, notably:
- The benchmarking exercise applies only to firms deemed significant within the UK banking and investment services sectors.
 - Banks, building societies and BIPRU full-scope investment firms subject to the high earners exercise, which do not have any staff falling within the guidelines' definition of a 'high earner' will only incur those costs associated with submitting a nil return.

The international character of financial services and markets and the desirability of maintaining the competitive position of the UK

7. We have sought to align our proposals with internationally agreed standards and to ensure the right regulatory outcome is achieved for the UK financial services industry. As the CRD3 provisions and EBA guidelines apply on an EU-wide basis, we do not consider that these proposals will adversely affect the competitive position of the UK.

Annex 4

Proposed equality and diversity data tables for remuneration benchmarking

Annex 4.1: Proposed equality and diversity data tables for remuneration benchmarking

Gender Information on the remuneration of all staff

- 1 Name of institution/group:

A

- 2 Financial year for which the remuneration is awarded (Year N):

A

Gender

- | | A | B | C |
|---|------|--------|---------------|
| | Male | Female | Not specified |
| 3 Total number of staff | | | |
| 4 Total remuneration | | | |
| 5 Of which: Total variable remuneration | | | |

Information on the remuneration of identified staff

Gender

- | | A | B | C |
|---|------|--------|---------------|
| | Male | Female | Not specified |
| 6 Number of identified staff | | | |
| 7 Number of identified staff in senior management positions | | | |

Data collection on remuneration practices

Ethnic background

	A	B	C	D	E	F
	Asian/ Asian British	Black/ African/ Caribbean/ Black British	Mixed / multiple ethnic groups	White	Other ethnic group	Not specified
8	Total number of staff					
9	Total remuneration					
10	Of which: Total variable remuneration					

Information on the remuneration of identified staff

Ethnic background

	A	B	C	D	E	F
	Asian/ Asian British	Black/ African/ Caribbean/ Black British	Mixed / multiple ethnic groups	White	Other ethnic group	Not specified
11	Number of identified staff					
12	Number of identified staff in senior management positions					

Annex 4.1 Guidance notes for data items in Annex 4.1

Data items should be submitted on the same timescale and scope as 16 Annex 32AR Remuneration Benchmarking Information Report

Financial year for which the remuneration is awarded

A firm's financial year should be designated by reference to the calendar year in which it ends. For example, if a firm's *accounting reference date* is 31 March, the financial year that begins on 1 April 2011 and ends on 31 March 2012 will be the firm's 2012 financial year.

Consolidation

When reporting on a consolidated basis as a UK lead regulated group, *firms* should where possible treat the consolidation group as a single entity (i.e. line-by-line) rather than on an aggregation basis.

Currency

Firms should report in the currency of their annual audited accounts. Figures should be reported in millions.

Data elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

3-7A-C Gender

Data elements should be reported on under the following 2 categories: Male or Female. If gender has not been specified, use column C.

3A-C Total number of staff

The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.

4A-C Total remuneration

Total remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. The amounts of remuneration provided should be gross numbers, including all costs for the institutions, except mandatory contributions by the institutions to social security and comparable schemes.

5A-C Total variable remuneration

Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.

6A-C Number of identified staff

Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.

7A-C Number of identified staff in senior management positions

This is equivalent to the first and second category of Identified Staff as explained in paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.

8-12A-F Ethnic background

We are asking for data elements to be split into the following high level ethnic background groups:

- Asian/Asian British
- Black/African/Caribbean/Black British
- Mixed multiple ethnic groups
- White
- Other ethnic group

If the ethnic background has not been specified, please use column F. Ethnic background categories have been sourced from those used in the 2011 Census for England and Wales. Please include the following ethnic backgrounds within the groups shown above:

High level ethnic background group	Ethnic background
Asian / Asian British	Indian Pakistani Bangladeshi Chinese Any other Asian background
Black / African / Caribbean / Black British	African Caribbean Any other Black/African/Caribbean background
Mixed / multiple ethnic groups	White and Black Caribbean White and Black African White and Asian Any other Mixed/multiple ethnic background
White	English/Welsh/Scottish/Northern Irish/British Irish Gypsy or Irish Traveller Any other White background
Other ethnic group	Arab Any other ethnic group

8A-F Total number of staff

The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.

9A-F Total remuneration

Total remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. The amounts of remuneration provided should be gross numbers, including all costs for the institutions, except mandatory contributions by the institutions to social security and comparable schemes.

10A-F Total variable remuneration

Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.

11A-F Number of identified staff

Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.

12A-F Number of identified staff in senior management positions

This is equivalent to the first and second category of Identified Staff as explained in paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.

Annex 5

Proposed equality and diversity data tables for remuneration high earners

Annex 5.1: Proposed equality and diversity data tables for remuneration high earners

Gender information on the remuneration of high earners

- 1 Name of institution/group:
- 2 Financial year for which the remuneration is awarded (Year N):

A

Gender

- 3 Total % of individuals
- 4 Of which: % of identified staff
- 5 Total fixed remuneration
- 6 Total variable remuneration

A	B	C
Male	Female	Not specified

Ethnic background

- 7 Total number of individuals
- 8 Of which: number of identified staff
- 9 Total fixed remuneration
- 10 Total variable remuneration

A	B	C	D	E	F
Asian/Asian British	Black/African/Caribbean/Black British	Mixed / multiple ethnic groups	White	Other ethnic group	Not specified

Annex 5.1 Guidance notes for data items in Annex 5.1

Data items should be submitted on the same timescale and scope as 16 Annex 32BR High Earners Report

Financial year for which the remuneration is awarded

A firm's financial year should be designated by reference to the calendar year in which it ends. For example, if a firm's *accounting reference date* is 31 March, the financial year that begins on 1 April 2011 and ends on 31 March 2012 will be the firm's 2012 financial year.

Consolidation

When reporting on a consolidated basis as a UK lead regulated group, *firms* should where possible treat the consolidation group as a single entity (i.e. line-by-line) rather than on an aggregation basis.

Currency

Firms should report in Euros. [To convert into Euros, firms must use the conversion rate table provided on the EBA website for the financial year in question.] Figures should be reported in millions.

Data elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

3-6A-C Gender

Data elements should be reported on under the following 2 categories: Male or Female. If gender has not been specified, use column C.

3A-C Total number of individuals

The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.

4A-C Number of identified staff

Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.

5A-C Total fixed remuneration

Fixed remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices.

6A-C Total variable remuneration

Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.

7-10A-F Ethnic background

We are asking for data elements to be split into the following high level ethnic background groups:

- Asian/Asian British
- Black/African/Caribbean/Black British
- Mixed multiple ethnic groups
- White
- Other ethnic group

If the ethnic background has not been specified, please use column F. Ethnic Background categories have been sourced from those used in the 2011 Census for England and Wales. Please include the following ethnic backgrounds within the groups shown above.

High level ethnic background group	Ethnic background
Asian / Asian British	Indian Pakistani Bangladeshi Chinese Any other Asian background
Black / African / Caribbean / Black British	African Caribbean Any other Black/African/Caribbean background
Mixed / multiple ethnic groups	White and Black Caribbean White and Black African White and Asian Any other Mixed/multiple ethnic background
White	English/Welsh/Scottish/Northern Irish/British Irish Gypsy or Irish Traveller Any other White background
Other ethnic group	Arab Any other ethnic group

7A-F Total number of individuals

The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.

8A-F Number of identified staff

Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.

9A-F Total fixed remuneration:

Fixed remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices.

10A-F Total variable remuneration

Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.

Appendix 1

Draft Handbook text including draft remuneration reports

**SUPERVISION MANUAL (REMUNERATION REPORTING)
INSTRUMENT 2012**

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 156 (General supplementary powers); and
- (3) 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 [] 2012.

Amendments to the Handbook

D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Supervision manual (SUP)	Annex C

Citation

E. This instrument may be cited as the Supervision Manual (Remuneration Reporting) Instrument 2012.

By order of the Board
[] 2012

Annex A

Amendments to the Glossary of definitions

Insert the following new definition in the *Glossary*. The text is not underlined.

high earner (in *SYSC* and *SUP*) means an *employee* whose total *remuneration* is EUR 1 million or more per year or its equivalent in another currency determined by reference to the conversion rate applicable to the corresponding High Earners Report under *SUP* 16.17.

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, unless otherwise stated.

- 19A.1.6 G (2) The *Remuneration Code* implements the main provisions of the Third Capital Requirements Directive (Directive 2010/76/EU) which relate to *remuneration*. The Committee of European Banking Supervisors published 'Guidelines on Remuneration Policies and Practices' on 10 December 2010. Provisions of the Third Capital Requirements Directive relating to Pillar 3 disclosures of information relating to ~~remuneration~~ remuneration have been implemented through amendments to *BIPRU 11* (specifically the *rules* and *guidance* in *BIPRU 11.5.18 R* to *BIPRU 11.5.21 G*). Provisions of The Capital Requirements (Amendment) Regulations 2012 (SI 2012/917) together with the European Banking Authority's Guidelines to article 22(3) and (5) of the *Banking Consolidation Directive* relating to the collection of *remuneration* benchmarking information and *high earners* information have been implemented through *SUP 16 Annex 32AR* and *SUP 16 Annex 33AR*). The Guidelines can be found at <http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-GL-2012-04---GL-4-on-remuneration-benchmarking-exercise-.pdf> and <http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-GL-2012-05---GL-5-on-remuneration-data-collection-exercise-.pdf>.

Annex C

Amendments to the Supervision manual (SUP)

After SUP 16.16 insert the following new section. The text is not underlined.

16.17 Remuneration reporting

Purpose

- 16.17.1 G This section ensures the *FSA* receives regular and comprehensive information about *remuneration* in a standard format to assist it to benchmark *remuneration* trends and practices and to collect *remuneration* information on *high earners*. It also takes account of the Capital Requirements (Amendment) Regulations 2012 (SI 2012/917) together with the European Banking Authority’s Guidelines to article 22(3) and (5) of the *Banking Consolidation Directive*.

Application

- 16.17.2 R In this section “UK lead regulated group” means a *UK consolidation group* that is headed by an *EEA parent institution* or an *EEA parent financial holding company*.

Remuneration Benchmarking Reporting Requirements

- 16.17.3 R (1) A *firm* to which this *rule* applies must submit a Remuneration Benchmarking Information Report to the *FSA* annually.
- (2) The *firm* must complete that report in the format set out in *SUP 16 Annex 32AR*.
- (3) The *firm* must submit that report to the *FSA* within two months of the *firm’s accounting reference date*.
- (4) A *firm* that:
- (a) is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded to *employees* of the *firm* in the last completed financial year;
- (b) is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded to all *employees* in the UK lead regulated group in the last completed financial year.
- (5) The *firm* must complete the report in the currency of its annual

audited accounts.

- (6) A *firm* to which this *rule* applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this *rule* came into effect.
- (7) This *rule* applies to:
- (a) a *BIPRU firm*; and
 - (b) a *third country BIPRU firm*,
- that is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company* and that had total assets equal to or greater than £50 billion on the *accounting reference date* immediately prior to the firm's last complete financial year.
- (8) This *rule* also applies to:
- (a) a *BIPRU firm*; and
 - (b) a *third country BIPRU firm*,
- that is part of a UK lead regulated group and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the firm's last complete financial year.
- (9) In relation to a *third country BIPRU firm* "total assets" means the total assets of the firm that cover the activities of the branch operation in the *United Kingdom*.

High Earners Reporting Requirements

- 16.17.4 R (1) A *firm* to which this *rule* applies must submit a High Earners Report to the *FSA* annually.
- (2) The *firm* must submit that report to the *FSA* within two months of the end of the *firm's accounting reference date*.
- (3) A *firm* that is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the firm who mainly undertook their professional activities within the *EEA*.
- (4) A *firm* that is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* who mainly undertook their professional

activities within the *EEA* at:

- (a) the *EEA parent institution* or *EEA parent financial holding company* of the UK lead regulated group; and
 - (b) each *subsidiary* of the UK lead regulated group that has its registered office (or, if it has no registered office, its head office) in an *EEA State*; and
 - (c) each *branch* of the UK lead regulated group that is established or operating in an *EEA State*.
- (5) The *firm* must complete a separate template, in the format set out in SUP 16 Annex 33AR, for each *EEA State* in which there is a *high earner*. Those templates together form the report.
- (6) *High earners* who carried out their professional activities in an *EEA State* should be classified under that *EEA State*.
- (7) *High earners* who carried out their professional activities in more than one *EEA State* should be classified under the *EEA State* where they mainly undertook their professional activities.
- (8) A *firm* to which this section applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this section came into force.
- (9) The information in the report must be denominated in euros determined, if necessary, by reference to the conversion rate table specified from time to time by the European Banking Authority as applicable to that year's High Earners Report.
- (10) This *rule* applies to a *BIPRU firm* and a *third country BIPRU firm* that:
- (a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (b) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*.
- (11) This *rule* also applies to a *BIPRU firm* and a *third country BIPRU firm* that:
- (a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (b) is part of a UK lead regulated group.
- (12) This *rule* also applies to a *BIPRU limited licence firm* or a *BIPRU limited activity firm*:

- (a) that is part of a UK lead regulated group; and
- (b) that UK lead regulated group contains a *BIPRU firm* or a *third country BIPRU firm* that is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*.

16.17.5 G *Firms'* attention is drawn to SUP 16.3.25G regarding a single submission for all *firms* in a *group*.

After SUP 16 Annex 31B insert the following new annexes. The text is not underlined.

16 Annex 32AR Remuneration Benchmarking Information Report

Information on the remuneration of all staff

1 Name of institution/group:

A

2 Financial year for which the remuneration is awarded (Year N):

--

Business areas:

A B C D

Investment banking	Retail banking	Asset management	All other

3 Total number of staff

A

4 Total net profit in Year N

--

A B C D

Investment banking	Retail banking	Asset management	All other

5 Total remuneration

Appendix 1

6 Of which: Total variable remuneration

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Information on the remuneration of identified staff

Business areas:

A B C D

Investment banking	Retail banking	Asset management	All other

7 Number of identified staff

A

8 Number of identified staff in senior management positions

9 Number of identified staff in control functions

A B C D

Investment banking	Retail banking	Asset management	All other

10 Total fixed remuneration

11 Total variable remuneration

12 Total variable in cash

Appendix 1

- 13 Total variable in shares and share-linked instruments
- 14 Total variable in other types of instruments
- 15 Total amount of variable remuneration deferred in Year N
- 16 Total deferred variable in cash
- 17 Total deferred variable in shares and share-linked instruments
- 18 Total deferred variable in other types of instruments
- 19 Amount of explicit ex post performance adjustment applied in Year N for remuneration awarded in previous years
- 20 Number of recipients of guaranteed variable remuneration
- 21 Total amount of guaranteed variable remuneration
- 22 Number of recipients of severance payments
- 23 Total amount of severance payments paid in Year N
- 24 Number of recipients of discretionary pension benefits
- 25 Total amount of discretionary pension benefits

A

26 If you have used column D "All Other", please use this column to explain in which business areas these individuals work.

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16 Annex 32BG Guidance notes for data items in SUP 16 Annex 32AR

Financial year for which the remuneration is awarded

A firm's financial year should be designated by reference to the calendar year in which it ends. For example, if a firm's *accounting reference date* is 31 March, the financial year that begins on 1 April 2011 and ends on 31 March 2012 will be the firm's 2012 financial year.

Consolidation

When reporting on a consolidated basis as a UK lead regulated group, *firms* should where possible treat the consolidation group as a single entity (ie line-by-line) rather than on an aggregation basis.

Currency

Firms should report in the currency of their annual audited accounts. Figures should be reported in millions.

Data Elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

3-25A Investment banking:

Include corporate finance advice services, private equity, capital markets, trading and sales.

3-25B Retail banking:

Include commercial lending (to individuals and enterprises).

3-25C Asset management:

Include portfolio management, managing of UCITS and other forms of asset management.

3-25D All other

This column should include staff that cannot be allocated to one of the designated business areas. In this case, institutions should use data element 26A to explain in which business areas these staff work.

3A-D Total number of staff:

The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.

4A Total net profit in Year N:

Net profits should be based on the accounting system used for regulatory reporting. For groups, it is the profit (or loss) of the whole group (ie the amount attributable to the equity holders of the parent and to the minority interest).

5A-D Total remuneration:

Total remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. The amounts of remuneration provided should be gross numbers, including all costs for the institutions, except mandatory contributions by the institutions to social security and comparable schemes.

- 6A-D Total remuneration: Of which: Total variable remuneration:
Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.
- 7A-D Number of identified staff:
Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.
- 8A Number of identified staff in senior management positions
This is equivalent to the first and second category of identified staff as explained in paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.
- 10A-D Total fixed remuneration
Fixed remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices.
- 11A-D Total variable remuneration:
Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.
- 14A-D Total variable in other types of instruments:
Different types of instruments defined in section 4.4.2 of the CEBS Guidelines on Remuneration Policies and Practices.
- 15A-D Total amount of variable remuneration deferred in Year N
Deferred remuneration according to section 4.4.1 of the CEBS Guidelines on Remuneration Policies and Practices.
- 18A-D Total deferred variable in other types of instruments:

Different types of instruments defined in section 4.4.2 of the CEBS Guidelines on Remuneration Policies and Practices.
- 19A-D Amount of explicit ex post performance adjustment applied in Year N for remuneration awarded in previous years
Explicit ex post performance adjustment according to paragraphs 134 to 139 of the CEBS Guidelines on Remuneration Policies and Practices.
- 20A-D Number of recipients of guaranteed variable remuneration:
Guaranteed variable remuneration according to section 3.2.1 of the CEBS Guidelines on Remuneration Policies and Practices.
- 25A-D Total amount of discretionary pension benefits:
Discretionary pension benefits according to section 3.1.2. of the CEBS Guidelines on Remuneration Policies and Practices.

26A All other:

If you have used data element 3-25D, please use data element 26A to record in which business areas staff included in this column work.

16 Annex 33AR High Earners Report

Information on the remuneration of high earners

- 1 Name of institution/group:
- 2 Member state to which the data relate:
- 3 Financial year for which the remuneration is awarded (Year N):

A

Business areas:

- 4 Total number of individuals
- 5 Of which: Number of identified staff
- 6 Total fixed remuneration
- 7 Total variable remuneration
- 8 Of which: Total discretionary pension benefits
- 9 Of which: Total variable remuneration deferred in Year N

	A	B	C	D
	Investment banking	Retail banking	Asset management	All other

10 If you have used column D "All Other", please use this column to explain in which business areas these individuals work.

A

--

16 Annex 33BG Guidance notes for data items in SUP 16 Annex 33AR

Financial year for which the remuneration is awarded

A firm's financial year should be designated by reference to the calendar year in which it ends. For example, if a firm's *accounting reference date* is 31 March, the financial year that begins on 1 April 2011 and ends on 31 March 2012 will be the firm's 2012 financial year.

Consolidation

When reporting on a consolidated basis as a UK lead regulated group, *firms* should where possible treat the consolidation group as a single entity (ie line-by-line) rather than on an aggregation basis.

Currency

Firms should report in Euros. To convert into Euros, firms must use the conversion rate table provided on the EBA website (for the financial year in question). Figures should be reported in millions.

Data Elements

These are referred to by row first, then by column, so data element 2B will be in row 2 and column B.

Separate Templates

Firms should submit a separate template for each EEA Member State where the group is operating.

- 4-9A Investment banking:
Include corporate finance advice services, private equity, capital markets, trading and sales.
- 4-9B Retail banking:
Include total lending activity (to individuals and enterprises).
- 4-9C Asset management:
Include portfolio management, managing of UCITS and other forms of asset management.
- 4-9D All other:
This column should include staff that cannot be allocated to one of the designated business areas. In this case, institutions should use data element 10A to explain in which business areas these staff work.
- 4A-D Total number of individuals:
The numbers of staff provided should be expressed in full time equivalents (FTEs) and be based on year-end numbers.
- 5A-D Of which: Number of identified staff:
Identified staff according to paragraph 16 of the CEBS Guidelines on Remuneration Policies and Practices.
- 6A-D Total fixed remuneration:
Fixed remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices.

7A-D Total variable remuneration:

Variable remuneration according to paragraph 11 of the CEBS Guidelines on Remuneration Policies and Practices. This includes deferred and non-deferred variable remuneration. This also includes discretionary pension benefits, amounts regarding guaranteed variable remuneration and severance payments.

8A-D Of which: Total discretionary pension benefits:

Discretionary pension benefits according to section 3.1.2 of the CEBS Guidelines on Remuneration Policies and Practices.

9A-D Of which: Total variable remuneration deferred in Year N

Deferred remuneration according to section 4.1.1 of CEBS Guidelines on Remuneration Policies and Practices.

10A All other

If you have used data element 4-9D, please use data element 10A to record in which business areas staff included in this column work.

Appendix 2:

Designation of Handbook Provisions

FSA Handbook provisions will be ‘designated’ to create a FCA Handbook and a PRA Handbook on the date that the regulators exercise their legal powers to do so. Please visit our website¹ for further details about this process.

We plan to designate the Handbook Provisions which we are proposing to create and/or amend within this Consultation Paper as follows:

Handbook Provision	Designation
All provisions for this consultation paper	Joint PRA & FCA designation

¹ <http://media.fsahandbook.info/latestNews/One-minute%20guide.pdf>

PUB REF: 003017

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