

## **Guidance notes for the MIF008 remuneration report in SUP 16 Annex 51R**

### **MIF008 – Remuneration**

#### **Introduction**

The purpose of the MIFIDPRU Remuneration Report is to ensure that the FCA receives regular information in a standard format to assist it in assessing the effectiveness of MIFIDPRU investment firms' remuneration and incentive arrangements.

#### **Consolidated reports**

This form should be completed by all FCA investment firms in scope of the MIFIDPRU Remuneration Code.

Where a firm is not part of an FCA investment firm group or is part of an FCA investment firm group to which the group capital test applies, the firm should complete the form on a solo basis.

Where a firm forms part of an FCA investment firm group to which consolidation applies, it should complete the report on a consolidated basis. References to FCA investment firms should be taken to refer to the consolidation group. Accordingly, the consolidation group should be treated as a single entity. A consolidation group may choose to submit a single report to satisfy the reporting requirements of all FCA investment firms in the group.

#### **Currency**

All monetary values should be provided in Sterling.

#### **Data elements**

These are referred to by row first and then by column, so data element 2B will be in row 2 and column B. All data should be entered in full figures, not in 000s.

#### **Basis of completion**

**1A** asks FCA investment firms to specify whether they are submitting the report on behalf of a prudential consolidation group.

**2A** should only be completed by firms responding 'Yes' to 1A. It asks for the FRNs of all the FCA investment firms that form part of the consolidation group on behalf of which the report is being submitted.

#### **Part A: Remuneration**

This part of the form must be completed by all FCA investment firms.

#### **Columns A and B**

FCA investment firms that are small and non-interconnected firms (SNI firms) should complete only column A of Part A. They should enter the data in relation to all their staff. Column B should be left blank.

FCA investment firms that are not small and non-interconnected firms (non-SNI firms) should complete columns A and B of Part A. They should split the data according to which staff were and were not identified as material risk takers in the performance year

concerned (see the rules and guidance in Chapter 5 of SYSC 19G for the definition of a material risk taker). Data relating to individuals who were identified as material risk takers for only part of the performance year should be included in column B.

### **3A - Number of staff (non-material risk takers)**

The number of staff should be reported as a headcount figure (not as full-time equivalent), so based on the number of natural persons and independent of the individual's working hours. The headcount figure on the accounting reference date should be used.

### **3B – Number of staff (material risk takers)**

The number of staff should be reported as a headcount figure (not as full-time equivalent), so based on the number of natural persons and independent of the individual's working hours. The figure should include all individuals who were identified as material risk takers for any part of the performance year.

### **4A and 4B - Total fixed remuneration**

This is the total of all fixed remuneration paid by the firm for work and services in the performance year in question. Fixed remuneration includes salary payments; regular and non-discretionary pension contributions, for example under the terms of an employee pension scheme; and any other benefits that are not linked to performance criteria. See also our guidance in sections 4.2G to 4.4G of SYSC on categorising fixed and variable remuneration.

### **5A and 5A - Total variable remuneration**

This is the total of all variable remuneration awarded by the firm (but not necessarily paid out) in respect of the performance year in question.

Amounts reported should include bonus awards (whether in cash, shares or other non-cash instruments), executive reward schemes (e.g. long term incentive schemes), carried interest plans, and discretionary pension benefits. The latter are enhanced pension benefits granted on a discretionary basis as part of an employee's variable remuneration package. See also our guidance in sections 4.2G to 4.4G of SYSC 19G on categorising fixed and variable remuneration.

Variable remuneration awarded based on a multi-year accrual period that does not revolve on an annual basis (where the firm does not start a new multi-year period every year), should be fully allocated to the performance year in which it was awarded, regardless when it is paid out.

Guaranteed variable remuneration (such as 'sign-on bonuses'), retention bonuses, buy-out awards, and severance pay should also be included. They should be reported for the year in which they are awarded, which may not always be the year in which they are also paid out.

Both upfront and, where applicable, deferred awards of variable remuneration in respect of the performance year in question should be included.

### **6A and 6B - Variable remuneration awarded in cash**

Both upfront and, where applicable, deferred awards of variable remuneration in respect of the performance year in question, in cash should be included.

## **7A and 7B - Variable remuneration awarded in non-cash**

Non-cash refers here to variable remuneration that is awarded in any of the eligible instruments listed in section 6.19R of SYSC 19G (shares, share-linked instruments, other instruments that comply with the requirements in Annex 1R of SYSC 19G or non-cash instruments which reflect the instruments of the portfolios managed by the firm), or by means of alternative arrangements approved for use by the FCA (see section 6.21G of SYSC 19G).

Both upfront and, where applicable, deferred awards of variable remuneration in respect of the performance year in question should be included.

## **8A and 8B - Proportion of total variable remuneration deferred**

Firms should enter the percentage of the total variable remuneration in row 6 which has been deferred. Only the relevant proportion of variable remuneration awarded in respect of the performance year in question should be reported (not deferred variable remuneration from previous performance years).

## **Part B: Adjustments**

This part of the form must be completed by all non-SNI firms. Columns A (non-material risk takers) and B (material risk takers) must be completed.

## **9A and 9B - Number of individual awards of variable remuneration that have been downwardly adjusted in-year**

The number of instances in which the value of an award of variable remuneration has been reduced in-year, so during the performance year in question and before it was awarded.

## **10A and 10B - Total of all in-year adjustments to variable remuneration**

The total value of the in-year downward adjustments reported in 9A and 9B.

## **11A and 11B - Number of individual awards of variable remuneration from previous years that have been downwardly adjusted (malus)**

The number of instances in which the value of variable remuneration awarded in a previous performance year has been reduced (or cancelled) after it has been awarded but before it has vested. Only the new instances in which malus has been applied should be reported (earlier applications of malus will have been reported previously).

## **12A and 12B - Total of adjustments to previous years' awards of variable remuneration**

The total value of the malus adjustments reported in 11A and 11B.

## **13A and 13B - Number of individual awards of variable remuneration to which clawback has been applied**

The number of instances in which the value of variable remuneration awarded in a previous performance year has been reduced (or cancelled) after it has vested. Only the new instances in which clawback has been applied should be reported (earlier applications of clawback will have been reported previously).

## **14A and 14B - Total amount of clawback applied**

The total value of the instances of clawback reported in 13A and 13B.

### **Part C: Highest earning individuals**

This part of the form must be completed by non-SNI firms which do not meet the conditions in SYSC 19G.1.1R(2), so are subject to the rules on deferral, retention and pay-out in instruments.

Columns A, B and C must be completed in relation to the three individuals who were awarded the highest total remuneration (fixed plus variable remuneration) in respect of the performance year in question. The data on the highest earner should be put in column A, on the second highest earner in column B, and on the third highest earner in column C.

#### **15A, 15B and 15C - Is the individual a material risk taker?**

Firms should enter 'Yes' or 'No' to indicate whether the individual was identified as a material risk taker for any part of the performance year concerned.

#### **16A, 16B and 16C - Does the individual work in the front, middle or back office?**

Firms should enter 'front', 'middle' or 'back' to indicate in which kind of role the individual spent most of the performance year concerned. The following should serve as a guide:

**Front office:** Usually client-facing staff that generate revenue for the firm. They may work in sales, trading, broking, wealth/asset management, private equity or capital markets. Research analysts, for example on the buy-side, sell-side or in corporate finance, are usually also considered front office staff.

**Middle office:** Staff that work in risk management, financial control, compliance and legal. It may also include strategic management and some IT functions, such as creating and maintaining software for use by traders and brokers.

**Back office:** Staff providing administrative and operational support, including payment services. Areas will usually include human resources, accounting, settlement, clearing, records maintenance and IT services.

#### **17A, 17B and 17C - Fixed remuneration**

This is the fixed remuneration paid to the individual for work and services in the performance year in question. See notes on 4A and 4B for information on what should be included in fixed remuneration.

#### **18A, 18B and 18C - Variable remuneration**

This is the variable remuneration awarded (but not necessarily paid out) to the individual in respect of the performance year in question. See notes on 5A and 5B for information on what should be included in variable remuneration.

#### **19A, 19B and 19C - Variable remuneration awarded in cash**

See notes on 6A and 6B for information on what should be reported.

#### **20A, 20B and 20C - Variable remuneration awarded in non-cash**

See notes on 7A and 7B for information on what should be reported.

**21A, 21B and 21C - Proportion of variable remuneration deferred**

Firms should enter the percentage of the individual's variable remuneration in row 18 which has been deferred. Only the relevant proportion of variable remuneration awarded in respect of the performance year in question should be reported (not deferred variable remuneration from previous performance years).