

A response to the
PRA's CP5/23
on
**Remuneration: enhancing proportionality for small
firms**

May 2023

Introduction

UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms, we act to enhance competitiveness, support customers, and facilitate innovation.

We are pleased to respond to the PRA's proposals in [CP5/23](#) on increasing the proportionality of the remuneration requirements for 'small firms', which we very much support.

Definitions

In particular the amendment of the small CRR firm and small third-country definitions for remuneration purposes is welcome, as is the proposed widening of the scope of the simplifications to the remuneration regime which will encompass more firms than just simpler-regime firms.

Immateriality

We agree that the simpler-regime criteria which it is proposed should be excluded are less relevant in the remuneration context.

We support the PRA's decision not to revert to the £15 billion CRD IV threshold, agreeing that it would increase the complexity of the regime by introducing another size threshold.

Other remuneration rules

We recognise and support the retention of other remuneration rules for small firms. These are an integral part of governance process that firms have established to ensure they have proper

fixed and variable remuneration policies in place and firms confirm that they will still abide by them and actively support their implementation.

Deferral

We support the proposed removal of the bonus cap and appreciate the PRA's confirmation that the deferral requirements]will continue to be disapplied to small firms.

Larger firms tell us that removal of the bonus cap, coupled with the UK's longer deferral period makes it more difficult for them to attract internationally mobile talent to their UK operations.

Material risk takers

We support the FCA's proposal in its parallel [CP23/11](#) to define Code staff as being those individuals identified under Chapter 3 of the Remuneration Part of the PRA Rulebook as Material Risk Takers, as well as removing its rules relating to the exclusion of staff by overseas firms. We agree this alignment of SYSC 19D with the Remuneration Part of the PRA Rulebook will simplify firms understanding of the remuneration requirements.

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