Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Dear Rachel,

Consultation on new remuneration rules

This is the Financial Services Consumer Panel's response to the proposals on remuneration set out in CP14/14. The Panel welcomes this opportunity to outline its position on the proposals, and it is broadly supportive of the reforms outlined in the Consultation Paper.

The Panel sees appropriate remuneration policies and practices as a fundamental aspect of fair treatment for clients. Performance measures used to calculate remuneration should include non-financial features, such as fair treatment of clients, business retention and compliant working. Remuneration should reflect the value of developing and maintaining long-term relationships which customers.

Accordingly, while the PRA's intent to introduce a rule that simple revenue-based measures can only be part of the metrics relied upon to determine variable remuneration is to be welcomed, we would prefer the contents of the 'balanced and risk-adjusted scorecard' to be outlined in greater detail, with reference to conduct-related performance measures as part of the "non-profit based measures" outlined in the PRA's supervisory statement.

In parallel to incorporating conduct into the remuneration calculation process, it is vital that misbehaviour results in appropriate reductions in rewards. We support the proposed rules on deferral of rewards, including the longer vesting periods and the two-tiered approach to senior managers and material risk-takers. We also welcome the proposals on claw-back, in particular the option to extend the possibility of recovering awards by another 3 years if an investigation is on-going at the end of the new 7-year claw-back period.

As regards the options presented on buy-out, the Panel acknowledges the difficulties of implementing a policy to ensure that individuals face downward adjustment of deferred remuneration awarded at a past employer as a consequences of poor risk management. This is a complicated area where there is unlikely to be a solution without disadvantages.

However, given that the current situation effectively allows employees to wipe clean their slate when they move employer and receive their full remuneration despite any misbehaviour that may have occurred, the Panel believes that option 4 (no change) is not feasible. We urge the FCA to continue exploring the possibility of maintaining unvested awards (option 2) as the most appropriate way forward.

Finally, we look forward to the FCA's proposals for the implementation of the new Markets in Financial Instruments Directive, particularly as regards incentives for retail staff.

Sincerely,

Sue Lewis
Chair
Financial Services Consumer Panel