

FCA

Practitioner Panel

Rachel Davies
Policy Division
Financial Conduct Authority
25 The North Colonnade
London E14 5HS

Dear Rachel,

31st October 2014

FCA PRACTITIONER PANEL RESPONSE TO CP14/14: STRENGTHENING THE ALIGNMENT OF RISK AND REWARD

The Panel has already provided input to the FCA on the subject of risk and reward, but we would like to make some further high level points on the content of the consultation paper.

Recruitment and retention

The Panel has concerns that in an environment where potential recruits can opt to work in different sectors, the proposals may result in staff being driven away from working in the financial services industry and into other jobs where such remuneration rules do not apply. Likewise, it may become difficult to attract good quality recruits when they are competing against employers who do not have such comprehensive regulation of remuneration policies. This could adversely affect the quality of staff in the financial services sector, which is the reverse of the intended outcome.

Buyouts and clawback

The Panel considers that the inclusion of a buyout clause would make the ability to apply clawback more difficult, and cause an overall dilution of the Code. Therefore we would support Approach 4 in section 5 of the consultation, relying instead on the new rules on clawback to ensure that there would generally be sufficient vested variable remuneration at risk of potential clawback to deliver the desired adjustment to the balance of risk and reward incentives.

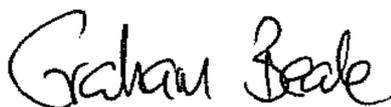
Taxation

We have raised the point that taxation of remuneration needs to be taken into account. The FCA has acknowledged that taxation is a key consideration for firms, particularly in reference to clawback. This is not covered in the consultation and we would like to see it explicitly addressed.

Deferral

The Panel notes that the 3-5/5-7 year deferral period is still a substantial length of time in the current environment, but represents a more proportionate approach than the 10 years recommended by PCBS.

Yours sincerely,



Graham Beale,
Chairman, FCA Practitioner Panel