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By email: cp16-28@fca.org.uk

25 November 2016

Dear Ms Stern

CP16-28 - Consultation on remuneration in CRD IV firms: new guidance and changes to Handbook

The City of London Law Society ("**CLLS**") represents approximately 17,000 City lawyers through individual and corporate membership including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multi-jurisdictional legal issues. The CLLS responds to a variety of consultations on issues of importance to its members through its 19 specialist committees.

This letter has been prepared by the CLLS Regulatory Law Committee (the "**Committee**"). The Regulatory Committee not only responds to consultations but also proactively raises concerns where it becomes aware of issues which it considers to be of importance in a regulatory context.

We welcome the fact that the proposals from FCA set out in this consultation paper (like those of the PRA) retain the existing approach to proportionality in how the CRD IV remuneration provisions apply.

It is our understanding that the FCA and PRA do not intend to adopt significantly differing policy approaches to the remuneration code requirements in the context of the new EBA Guidelines coming into force. However, we have noted that the PRA's proposals include an explicit comment about the status of retention payments. These state, in terms, that retention awards are different from guaranteed variable remuneration (in paragraph 5.38 of the PRA draft Supervisory Statement). The PRA's statement is, we consider, consistent with what the EBA Guidelines say on the same topic (section 8.4). However, the FCA's proposals in CP 16/28 do not include a statement of this sort, and the only reference to retention payments is that already appearing in SYSC. In particular SYSC 19A.3.47G is situated under a heading that refers to guaranteed variable remuneration and buyouts only.

We consider that maintaining the existing wording could lead readers to the conclusion that the FCA's policy on retention awards is different from that indicated by the PRA and the EBA Guidelines (and that the policy is to treat retention awards as guaranteed variable remuneration). We do not understand that to be the case, and suggest that the FCA clarify this. One possibility is simply to move SYSC 19A.3.47G so as to fall under the heading immediately after it (which has the added benefit of including it under the same heading as the provision to which the guidance appears to relate). An alternative is to revise the heading above SYSC 19D.3.44 to distinguish between retention awards and guaranteed variable remuneration.

We also note that there is a similar issue in relation to SYSC 19A.3.43G and we suggest that the FCA ensures that its policy is reflected in both sets of remuneration code provisions. However, the context of the SYSC 19A provision means that, to make clear the distinction between retention awards and guaranteed variable remuneration, a change to the heading above SYSC 19A.3.40 may be the appropriate approach.

If you would find it helpful to discuss any of these comments then we would be happy to do so. Please contact Karen Anderson by telephone on +44 (0) 20 7466 2404 or by email at Karen.Anderson@hsf.com in the first instance.

Yours sincerely



Karen Anderson
Chair, CLLS Regulatory Law Committee

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