



# Financial Services Act 2010

## 2010 CHAPTER 28

### *Remuneration of executives of authorised persons*

#### **4 Executives' remuneration reports**

- (1) The Treasury may make provision by regulations about the preparation, approval and disclosure of executives' remuneration reports.
- (2) An executives' remuneration report is a report containing information about—
  - (a) the remuneration of relevant executives of an authorised person, or
  - (b) anything connected with the remuneration of relevant executives of an authorised person.
- (3) The following are relevant executives of an authorised person—
  - (a) officers of the authorised person,
  - (b) employees of the authorised person who fall within a prescribed description, and
  - (c) other individuals who have a prescribed connection with the authorised person.
- (4) The individuals who may fall within subsection (3)(c) include any description of—
  - (a) individuals who provide services, or whose services are provided (directly or indirectly), to the authorised person, or
  - (b) individuals who are officers or employees of a member of the same group as the authorised person.
- (5) Regulations under this section may apply in relation to a prescribed description of authorised person.
- (6) Regulations under this section are subject to affirmative resolution procedure.

#### **5 Executives' remuneration reports: supplementary**

- (1) Regulations under section 4 may, in particular, make provision as to—
  - (a) the information that must be contained in an executives' remuneration report,

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- (b) how information is to be set out in the report, and
  - (c) what is to be the auditable part of the report.
- (2) The information that may be required to be contained in an executives' remuneration report includes—
- (a) information corresponding to information that could be required by regulations under section 421 of the Companies Act 2006 to be contained in a directors' remuneration report, and
  - (b) information comparing the remuneration of relevant executives of an authorised person with the remuneration of employees of the authorised person who fall within a prescribed description.
- (3) Regulations under section 4 may, in particular, make provision —
- (a) for the filing of executives' remuneration reports with the registrar of companies for any part of the United Kingdom or with the FSA, and
  - (b) for the publication by the FSA of reports filed with it.
- (4) Regulations under section 4 may apply any provision made by or under the Companies Act 2006 relating to directors' remuneration reports, subject to such exceptions, adaptations and modifications as the Treasury consider appropriate.
- (5) The provisions that may be applied include provisions creating offences; but the regulations may not impose a liability for an offence which is more onerous than the liability for the offence under the applied provision.
- (6) Regulations under section 4 may provide that any requirement imposed on an authorised person by the regulations is to be treated for the purposes of prescribed provisions of the Financial Services and Markets Act 2000 as if it had been imposed on the person by a provision of that Act.
- (7) For the purposes of section 4 and this section—
- “authorised person” has the same meaning as in the Financial Services and Markets Act 2000 (see section 31),
  - “the FSA” means the Financial Services Authority,
  - “group” has the same meaning as in the Financial Services and Markets Act 2000 (see section 421),
  - “officer”—
    - (a) in relation to a partnership, means a partner, and
    - (b) in relation to a body corporate whose affairs are managed by its members, means a member, and  - “prescribed” means specified in, or determined in accordance with, regulations under section 4.

## **6 Rules made by FSA about remuneration**

In the Financial Services and Markets Act 2000, after section 139 insert—

### **“139A General rules about remuneration**

- (1) The Authority must exercise its power to make general rules so as to make rules requiring each authorised person (or each authorised person of a specified description) to have, and act in accordance with, a remuneration policy.

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- (2) A “remuneration policy” is a policy about the remuneration by the authorised person of—
  - (a) officers,
  - (b) employees, and
  - (c) other persons,of a specified description.
- (3) The rules must secure that any remuneration policy that an authorised person is required by the rules to have is consistent with—
  - (a) the effective management of risks; and
  - (b) the Implementation Standards.
- (4) When making rules about remuneration policies, the Authority must have regard to any other international standards about the remuneration of individuals working in the financial sector (or certain such individuals).
- (5) The Treasury may direct the Authority to consider whether the remuneration policies of authorised persons specified in the direction (or of authorised persons of a description so specified) comply with requirements imposed by the rules as to the contents of the policies.
- (6) Before giving a direction under subsection (5), the Treasury must consult the Authority.
- (7) If the Authority considers that a remuneration policy fails to make provision which complies with the requirements mentioned in subsection (5), the Authority must take such steps as it considers appropriate to deal with the failure.
- (8) The steps that the Authority may take include requiring the remuneration policy to be revised.
- (9) General rules may—
  - (a) prohibit persons (or persons of a specified description) from being remunerated in a specified way;
  - (b) provide that any provision of an agreement that contravenes such a prohibition is void; and
  - (c) provide for the recovery of any payment made, or other property transferred, in pursuance of a provision that is void by virtue of paragraph (b).
- (10) A prohibition may be imposed under subsection (9)(a) only for the purpose of ensuring that the provision of remuneration is consistent with—
  - (a) the effective management of risks; or
  - (b) the Implementation Standards.
- (11) A provision that, at the time the rules are made, is contained in an agreement made before that time may not be rendered void under subsection (9)(b) unless it is subsequently amended so as to contravene a prohibition under subsection (9)(a).
- (12) In this section—

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“the Implementation Standards” means the Implementation Standards for Principles for Sound Compensation Practices, issued by the Financial Stability Board on 25 September 2009; and

“specified” (except in subsection (5)) means specified by the rules.

- (13) References to the Implementation Standards or to international standards of a kind mentioned in subsection (4) are to standards that are for the time being in force.”

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