Regulators decide not to apply CRD IV bonus cap to small firms

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The Financial Conduct Authority and the Prudential Regulation Authority have announced that they will not be applying the

European CRD IV bonus cap to small firms.

The FCA and PRA made the announcement via a statement on their compliance with the European Banking Authority's guidelines on sound remuneration policies, which were published in December 2015.

The CRD IV Directive limits variable pay (including bonuses) to 100% of a person's fixed remuneration (or 200% with shareholder approval). The Directive also contains a 'proportionality principle', whereby firms are required to comply with the rules to an extent which is appropriate to their size and the kind of work they do. The EBA's guidelines stated the view that the proportionality principle would not lead to the rules being disapplied for certain firms.

The regulators' response confirms its proportionate, risk-based stance; namely, that it will not be applying the rules to firms which it designates as being small. This includes all banks, building societies and full scope investment firms which have total assets of under £15 billion, plus all limited licence/limited activity investment firms.

The FCA and PRA are currently considering whether this approach will require any rule changes and will consult if necessary.

http://www.bankofengland.co.uk/publications/Documents/news/2016/037.pdf

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