



Proposed UK Disclosure Rules

Top Eight Executives below the Board

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The UK Treasury is consulting on proposed regulations to require larger banks to publish anonymous remuneration details for each of the top eight UK-based executives below the board “to enhance the transparency of the relationship between risk and reward for the highest paid senior executives in the largest banking institutions.” The consultation runs until 14 February 2012.

If implemented as drafted the first disclosure would be remuneration for performance-years beginning on or after 1 January 2011, which would be required by the end of 2012. For subsequent years disclosure is required by the normal accounting deadlines.

Firms in Scope – “Relevant Banking Institutions”

The proposals target banks and BIPRU 730k firms (in essence, banks / building societies that carry out certain activities such as underwriting, brokerage or dealing on its own account) based in the UK, plus the UK subsidiaries or branches of firms outside the European Economic Area. Any such firm with UK-attributable assets exceeding £50 billion is included. Firms from within the EEA are exempt under “passporting” arrangements that mean their home country requirements apply to their UK operations, rather than the UK’s.

Non-EEA firms with multiple UK-based branches / subsidiaries must test against the £50 billion asset threshold by looking across the aggregate balance sheet of all UK-based banking branches / subsidiaries.

People in Scope – “Relevant Executives”

The highest-paid eight employees in “managerial” positions. For UK-listed firms, main board directors are excluded (as their remuneration is already disclosed in the Directors’ Remuneration Report). For non-EEA firms, the eight highest-paid managers in the UK are covered (though a single disclosure by the parent across all the firm’s in-scope UK operations is permissible).

Guidance talks about individuals with significant managerial responsibility and budgetary control, most likely reporting directly to the CEO and with the highest level of operational decision-making responsibility outside the board-room.



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Though disclosure is anonymous, given the existing requirement for UK-listed companies to report, on a named basis, all share-based remuneration to “Persons Discharging Managerial Responsibility”, it may be possible to deduce the names of those for whom Executive Remuneration Report disclosure is made.

What is required for these people under these proposals?

- Preparation of an Executive Remuneration Report each year;
- The Executive Remuneration Report must be approved by the board of directors of the responsible institution, signed by a director or secretary and published on the website and via a regulated information service;
- For each individual, the Executive Remuneration Report must show the information shown overleaf:

	Individual 1	
Fixed Remuneration		X
Upfront Variable Remuneration - Cash	X	
Upfront Variable Remuneration - Equity	X	
Upfront Variable Remuneration - Other	X	
Deferred Variable Remuneration - Cash	X	
Deferred Variable Remuneration - Equity	X	
Deferred Variable Remuneration - Other	X	
Total Variable Remuneration		X
Long Term Incentive Plan Awards		X
Pension Awards		X
Total Remuneration		X
Sign-on Award		X
Severance Award		X

Where

- **Long Term Incentive (LTI)** – the value vesting. LTI defined as deferred compensation subject to conditions that cannot be satisfied in a single financial year (not bonuses determined by reference to a single financial year, and excludes compensation for loss of position etc., pension benefits)
- **Pensions** – Defined benefit: change in the value accrued benefits in the year; Defined contribution: company contributions.



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How does this fit with existing disclosure requirements?

Last year, the four largest UK banks (Barclays, HSBC, LBG, RBS) agreed with the UK Government to publish similar details for the five highest paid "senior executive officers" below the main board. The proposals under consultation build on those disclosures and extend them to more firms.

	Source of disclosure requirement	Level of remuneration disclosure	Full requirements
Board Directors	UK Companies Act 2006 / FRC Listing Rules	Individual, named	www.legislation.gov.uk/ukxi/2002/1986/schedule/made
"Relevant executives"	This current Treasury consultation	Individual, anonymous	www.hm-treasury.gov.uk/d/condoc_bank_executive_remuneration_disclosure_6122011.pdf
Code staff	UK FSA interpretation of Pillar 3 requirements	Collective	http://fsahandbook.info/FSA/html/handbook/BIPRU/11/5(11.5.18)

ABOUT THE AUTHORS

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