



**Modification by consent to exclude from identification as material risk takers those employees who do not have a material impact on the firm's risk profile but whose total remuneration exceeds the quantitative criteria set out in the Material Risk Takers Regulation.**

## Overview

The application of the Remuneration Part of the Prudential Regulation Authority (PRA) Rulebook is required in relation to (among others) employees identified as material risk takers (MRTs) under Article 7 of the Material Risk Takers Regulation (MRT Regulation).<sup>1</sup> However, Article 7 includes a mechanism to exclude employees who meet the pay based criteria but are deemed not to have a material impact on the firm's risk profile. The exclusion of such employees requires PRA approval in the form of a rule waiver or modification under Section 138A of the Financial Services and Markets Act 2000. The PRA is offering a modification by consent for CRR firms to exclude employees from identification as MRTs pursuant to Article 7 of the MRT Regulation.

## Scope and implementation

This statement is relevant to all CRR firms seeking to exclude employees from identification as MRTs pursuant to Article 7 of the MRT Regulation. Where granted, the modification has effect in respect of the relevant performance year. A new application is required for each performance year.

This modification is not available in respect of employees who do not meet the conditions specified in Article 7 of the MRT Regulation. The PRA will consider any applications for waivers or modifications in respect of such employees on a case-by-case basis. An application for such a waiver or modification must be submitted using the standard waiver/modification procedure.

The application for this rule modification by consent should be supported by sufficient evidence that the employees' circumstances meet the conditions set out in Article 7 of the MRT Regulation. To this end, firms may use the appropriate Remuneration Policy Statement template.<sup>2</sup> If the employee's total remuneration is above €1 million, the firm should provide adequate information that describe the exceptionality of the circumstances.

A copy of the direction for the modification by consent is available on the PRA's website.<sup>3</sup> If a firm wishes to take up this modification by consent, it should read the direction and contact their Supervisory contacts and the PRA's Authorisations division with a request for the modification.<sup>4</sup> The PRA will confirm in writing whether the request has been granted and will publish the approved modification direction on the Financial Services Register.

The publication on the Financial Services Register will not include personal details of the employees in respect of whom the modification applies.

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<sup>1</sup> See rule 3.1.(1)(d). The Material Risk Takers Regulation is defined in Rule 1.3 of the Remuneration Part of the PRA Rulebook as: 'the draft regulatory technical standards on criteria to define managerial responsibility and control functions, a material business unit and a significant impact on its risk profile, and categories of staff whose professional activities have a material impact on an institution's risk profile published by the [EBA](#) on Thursday 18 June 2020.'

<sup>2</sup> (Table 8 underneath 'Self-assessment templates and tables), Available at: <https://www.bankofengland.co.uk/prudential-regulation/key-initiatives/strengthening-accountability>.

<sup>3</sup> Available at: <https://www.bankofengland.co.uk/prudential-regulation/authorisations/waivers-and-modifications-of-rules>.

<sup>4</sup> Please email [PRA-Waivers@bankofengland.co.uk](mailto:PRA-Waivers@bankofengland.co.uk).