

PRA RULEBOOK: REMUNERATION INSTRUMENT 2025

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137H (General rules about remuneration);
 - (3) section 137T (General supplementary powers);
 - (4) section 138C (Evidential provisions); and
 - (5) section 192XA (Rules applying to holding companies).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

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- C. The PRA makes the rules in the Annex to this instrument.

Commencement

- D. This instrument comes into force on 16 October 2025.

Citation

- E. This instrument may be cited as the PRA Rulebook: Remuneration Instrument 2025.

By order of the Prudential Regulation Committee

2 September 2025

Annex

Amendments to the Remuneration Part

In this Annex new text is underlined and deleted text is struck through.

1 Application and Definitions

...

1.3 (1) In this Part, the following definitions shall apply:

...

~~higher paid material risk taker~~

~~means a material risk taker:~~

~~(a) whose annual variable remuneration exceeds 33% of their total remuneration, or~~

~~(b) whose total remuneration exceeds £500,000.~~

...

~~significant firm~~

~~means a firm which is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities.~~

...

2 Application Dates and Transitional Provisions

...

2.7 Subject to 2.8, for ~~remuneration~~ awarded in respect of a performance year starting on or after 29 December 2020 a firm must apply this Part in accordance with the definition of ~~higher paid material risk taker~~ in 1.3. ~~[Deleted]~~

2.8 For ~~remuneration~~ awarded in respect of the first performance year starting on or after 29 December 2020, and where:

~~(1) the remuneration has been paid or vested before 23 July 2021, or~~

~~(2) the firm has before 23 July 2021 created an obligation to pay or vest the remuneration before 23 July 2021~~

~~a firm may instead apply this Part to that remuneration on the basis of the definition of higher paid material risk taker which was set out in 1.3 on the earlier of:~~

~~(a) the date the remuneration was paid or vested; or~~

~~(b) the date the firm has created the obligation to pay the remuneration or for the remuneration to vest. ~~[Deleted]~~~~

...

2.10 Subject to 2.11, a firm must apply this Part as it applied on 15 October 2025 to remuneration awarded in respect of a performance year starting before 16 October 2025.

2.11 A firm may:

(1) treat 15.16, as it applied on 15 October 2025, as not applying to *remuneration* awarded in respect of a performance year starting before 16 October 2025; and

(2) treat 15.17 and 15.18, as they applied on 16 October 2025, as applying to *remuneration* awarded in respect of a performance year starting before 16 October 2025.

...

3 MATERIAL RISK TAKERS

3.1 A *firm* must, save where otherwise stated, apply the requirements of this Part in relation to a *person* (a “material risk taker”) who is:

(1) an *employee* of a *CRR firm* whose professional activities have a material impact on the *firm’s* risk profile, including:

(a) all members of the *management body* and *senior management*;

(b) *employees* with *managerial responsibility* over the *firm’s* control functions or *material business units*;

(c) ~~employees~~ entitled to significant total *remuneration* in the preceding financial year, where:

~~(i) that total remuneration was equal to or greater than £440,000 and equal to or greater than the average remuneration awarded to the members of the firm’s management body and senior management referred to in (a); and~~

~~(ii) the employee performs the professional activity within a material business unit and the activity is of a kind that has a significant impact on the risk profile of a material business unit; [deleted]~~

(d) *employees* whose professional activities are deemed to have a material impact on the *firm’s* risk profile under 3.2A and 3.3A; or

(2) an *employee* of a *third country CRR firm* who would fall within 3.1(1) if it had applied in relation to him or her.

...

3.1A For the purposes of 3.1(1)(c) and (d), a *firm* must calculate all amounts of variable and fixed *remuneration* on a gross and full-time equivalent basis.

3.1B ~~For the purposes of 3.1(1)(c)(i):~~

~~(1) a firm must calculate the average total remuneration of all members of the firm’s management body and senior management by taking into account the total of the fixed and variable remuneration of all members of the firm’s management body in its management function and supervisory function as well as all members of senior management; and~~

~~(2) a firm must value variable remuneration that has been awarded but has not yet been paid as at the date of the award without taking into account reductions in pay-outs through clawback, malus or otherwise. [Deleted]~~

3.1C For the purposes of 3.1(1)(c)(ii), in determining whether the professional activity of an *employee* has a significant impact on the risk profile of a *material business unit* a *firm* must apply all of the following criteria within its *remuneration* policies, practices and procedures:

(1) the risk profile of the *material business unit*;

~~(2) the distribution of internal capital to cover the nature and level of the risks, as referred to in Internal Capital Adequacy Assessment 3.1(1);~~

~~(3) the risk limits of the *material business unit*;~~

~~(4) the risk and performance indicators used by the *firm* to identify, manage and monitor risks of the *material business unit* in accordance with General Organisational Requirements 2.1;~~

~~(5) the relevant performance criteria set by the *firm* in accordance with 15.4 and 15.6; and~~

~~(6) the duties and authorities of *employees* or categories of *employee* in the *material business unit* concerned. [Deleted]~~

3.2A In addition to *employees* identified under the criteria set out in 3.1(1)(a) and ~~(b) to (e)~~, a *firm* must deem an *employee* to have a material impact on a *firm's* risk profile where one or more of the following qualitative criteria are met:

...

3.3A ~~In addition to *employees* identified under the criteria set out in 3.1(1)(a) and (b), a *firm* must deem an *employee* to have a material impact on a *firm's* risk profile where either of the following quantitative criteria are met:~~

~~(1) the *employee*, including an *employee* referred to in 3.1(1)(c), has been awarded in or for the preceding performance year a total *remuneration* that is equal to or greater than £660,000; or~~

~~(2) where the *firm* has over 1,000 *employees*, the *employee* is within the 0.3% of *employees* within the *firm* (which is to be calculated on an individual entity basis only and rounded to the next higher integral figure) who have been awarded the highest total *remuneration* in or for the preceding performance year. [Deleted]~~

...

7 Governance

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7.3A A *firm* must ensure that the methodology for identifying *material risk takers* and the implementation of that methodology is regularly overseen by *employees* having responsibility for overall management of the risk controls of the *firm*.

...

11 Risk Adjustment

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11.4A A *firm* must:

(1) set specific criteria for the application of an ex-ante adjustment or an ex-post adjustment;

(2) ensure that the criteria for the application of an adjustment in (1) in particular cover situations where, by virtue of their role or seniority, it is reasonable for a *material risk taker* to be held responsible;

(a) for the intrinsic risk or risk event (as the case may be); or

(b) weaknesses or failings relevant to the intrinsic risk or risk event; and

(3) consider making an ex-ante adjustment or an ex-post adjustment where the criteria are met.

...

- 11.7 A firm must ensure that any measurement of performance used to calculate variable remuneration for senior management takes into account the performance of the member of senior management in their areas of responsibility.

12 Pension Policy

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- 12.2 A firm that is not a *small CRR firm* or a *small third country CRR firm* must ensure that:
- (1) when an *employee* leaves the *firm* before retirement, any discretionary pension benefits are held by the *firm* for a period of five years in the form of instruments referred to in 15.15; and
 - (2) when an *employee* reaches retirement, discretionary pension benefits are paid to the *employee* in the form of instruments referred to in 15.15 and subject to a five-year retention period.
- unless the annual variable remuneration of the employee:
- (A) total annual remuneration of the employee does not exceed is no more than £44,000£660,000; and
 - (B) annual variable remuneration of the employee does not represent is no more than one third33% of the employee's total annual remuneration.

...

15 Remuneration Structures

General Requirement

- 15.A1 In this Chapter:
- (1) All the requirements of this Chapter apply to a *firm* that is neither a *small CRR firm* nor a *small third country CRR firm*.
 - (2) 15.1 to 15.14 and 15.20(1) apply to a *small CRR firm* or a *small third country CRR firm*.
 - (3) A firm is not required to comply with 15.15 to 15.19, 15.20A, 15.22 and 15.23 in respect of an employee whose annual variable remuneration: in relation to a material risk taker (X) in respect of whom both of the following conditions are satisfied:
 - (a) does not exceed £44,000; and[deleted]
 - (b) does not represent more than one third of the employee's total annual remuneration.[deleted]
 - (c) condition 1 is that X's variable remuneration is no more than 33% of total remuneration; and
 - (d) condition 2 is that X's total remuneration is no more than £660,000.

...

- 15.16 A firm must apply 15.15 to both the portion of the variable remuneration component deferred in accordance with 15.17 and 15.18 and the portion not deferred.

[Note: Art. 94(1)(l) of the CRD and Standard 8 of the FSB Compensation Standards]

[Note: CRD][Deleted]

Deferral

- 15.17 (1) ~~Unless a longer deferral period is required under (2), a firm must not award, pay or provide a variable remuneration component unless a substantial portion of it, which is at least 40%, is deferred over a period which is not less than:~~
- ~~(a) in the case of a material risk taker who is not subject to (b), four years, vesting no faster than on a pro-rata basis;~~
 - ~~(b) in the case of a material risk taker who is a member of the management body or senior management of a significant firm, five years, vesting no faster than on a pro-rata basis. [Deleted]~~
- (2) A firm must not award, pay or provide a variable remuneration component to a ~~higher paid material risk taker~~ relevant material risk taker unless a substantial portion of it, which is at least 40%, is deferred over a period which is not less than four years vesting no faster than on a pro-rata basis:-
- (a) ~~in the case of a higher paid material risk taker who does not perform a PRA senior management function, but:~~
 - ~~(i) who meets the criteria in 3.1(1)(a) or (b); or~~
 - ~~(ii) whose professional activities meet the qualitative criteria set out in 3.2A(1), 3.2A(2) or 3.2A(5)~~

~~Five years vesting no faster than on a pro-rata basis; or [deleted]~~
 - ~~(b) in the case of a higher paid material risk taker who performs a PRA senior management function, seven years, and with no vesting to take place until three years after award, and vesting no faster than on a pro-rata basis thereafter. [deleted]~~
- 15.18 In the case of a variable remuneration component:
- (1) ~~of £500,000~~ £660,000 or more; or
 - (2) payable to a director of a firm that is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities;
- at least 40% of the first £660,000 and 60% of the ~~any~~ amount in excess of £660,000 must be deferred on the basis set out in 15.17.

...

Performance adjustment

- 15.20 A firm must ensure that:
- (1) any variable remuneration, including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the firm as a whole, and justified on the basis of the performance of the firm, the business unit and the individual concerned; but in the case of a small CRR firm or a small third country CRR firm, this does not require a firm to impose malus or clawback;
 - (2) any variable remuneration is subject to clawback, such that it is only awarded if an amount corresponding to it can be recovered from the individual by the firm if the recovery is justified on the basis of the circumstances described in 15.21(2) or in respect of a ~~higher paid material risk taker~~ relevant material risk taker, 15.23; and
 - (3A) ~~unless where 15.20A applies~~ does not apply, any variable remuneration is subject to a clawback period from the date on which the variable remuneration is awarded, in the case of:

- (a) ~~the deferred portion of variable remuneration of a material risk taker who is a member of the management body or senior management of a significant firm, of at least six years.~~~~[deleted]~~
- (b) ~~the any deferred portion of variable remuneration of a material risk taker who is not subject to (a), a clawback period of at least five years.~~
- (c) an undeferred portion of variable remuneration, a clawback period of at least one year.

...

15.20A In respect of a ~~higher paid material risk taker~~relevant material risk taker, a firm must ensure that:

- (1) any variable remuneration is subject to a clawback period from the date on which the variable remuneration is awarded of at least 7 years from the date on which the variable remuneration is awarded;
- (2) in the case of a ~~higher paid material risk taker~~relevant material risk taker who performs a PRA senior management function, the firm can, by notice to the employee to be given no later than 7 years after the variable remuneration was awarded, extend the period during which variable remuneration is subject to clawback to at least 10 years from the date on which the variable remuneration is awarded, where:
 - (a) the firm has commenced an investigation into facts or events which it considers could potentially lead to the application of clawback were it not for the expiry of the clawback period; or
 - (b) the firm has been notified by a regulatory authority (including an overseas regulatory authority) that an investigation has been commenced into facts or events which the firm considers could potentially lead to the application of clawback by the firm were it not for the expiry of the clawback period; and
- (3) it considers on an ongoing basis whether to use the power in (2).

...

15.22 In respect of a ~~higher paid material risk taker~~relevant material risk taker:

- (1) A firm should reduce unvested deferred variable remuneration when, as a minimum:
 - (a) there is reasonable evidence of employee misbehaviour or material error;
 - (b) the firm or the relevant business unit suffers a material downturn in its financial performance; or
 - (c) the firm or the relevant business unit suffers a material failure of risk management.
- (2) For performance adjustment purposes, awards of deferred variable remuneration made in shares or other non-cash instruments should provide the ability for a firm to reduce the number of shares or other non-cash instruments.
- (3) Contravention of any of (1) or (2) may be relied on as tending to establish contravention of 15.20(1). Contravention of (1) or (2) does not give rise to any of the consequences provided for by provisions of FSMA other than section 138C.

15.23 In respect of a ~~higher paid material risk taker~~relevant material risk taker, a firm must make all reasonable efforts to recover an appropriate amount corresponding to some or all vested variable remuneration where either of the following circumstances arise during the period in which clawback applies (including any part of such period occurring after the relevant employment has ceased):

- (1) there is reasonable evidence of *employee* misbehaviour or material error; or
- (2) the *firm* or the relevant business unit suffers a material failure of risk management.

A *firm* must take into account all relevant factors (including, where the circumstances described in (2) arise, the proximity of the *employee* to the failure of risk management in question and the *employee's* level of responsibility) in deciding whether and to what extent it is reasonable to seek recovery of any or all of their vested variable *remuneration*.

...

16 Breach of the Remuneration Rules

...

16.7 The voiding provisions in 16.9 to 16.13 do not apply in relation to a *material risk taker* (X) in respect of whom both the following conditions are satisfied:

- (1) Condition 1 is that X's variable *remuneration* is no more than 33% of total *remuneration*; and
- (2) Condition 2 is that X's total *remuneration* is no more than ~~£500,000~~ £660,000.

...

16.11

A contravening provision that, at the time a *rule* to which this *rule* applies was first made (including any corresponding *rules* specified in ~~SYSC 19A.3.54R~~ SYSC 19D.2A.13R of the ~~PRA Handbook~~ FCA *Handbook*), is contained in an agreement made before that time is not rendered void by 16.9 unless it is subsequently amended so as to contravene such a *rule*.