

# A GUIDE TO THE SOLVENCY II REMUNERATION RULES AND FINAL PRA GUIDELINES

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Legal Briefings

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The PRA has issued its final [supervisory statement](#) (SS10/16) on the remuneration rules under Solvency II.

Because the Solvency II regime came into force on 1 January 2016, the PRA is clear that it expects firms to comply with the remuneration requirements in respect of the current financial year. What is required of firms to ensure compliance will vary according to their PRA categorisation and specific circumstances.

The [attached guide](#) addresses the rules in detail. Headline points include a requirement to implement a formal remuneration policy that is compliant with Solvency II. The policy must ensure that appropriate internal governance processes are in place and identify the senior staff and other risk takers who will constitute "Solvency II Staff". The rules which are potentially most onerous are the "Pay Out Process Rules", requiring the deferral of variable remuneration (at a minimum of 40% for larger and more complex firms) and the operation of "malus" provisions.

The guide draws on our experience in advising banks and asset managers on the regimes governing remuneration in these sectors and addresses some of the practical implications of the requirements.

A [policy statement](#) (PS22/16) published at the same time as SS10/16 contains the PRA's feedback to responses to its April 2016 [consultation paper](#) (CP13/16) on the Solvency II remuneration rules. The PRA notes that the final guidance takes account of requests for additional clarity on particular points, including application of the deferral threshold to long-term incentive plan structures (LTIPs).

If you would like to speak to us about any of the issues raised by the new regime, please contact a member of our team.



# KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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