

Insights

REMUNERATION CODE CHANGES - PRA FLAGS ERROR TO THE DEFINITION OF “HIGHER PAID MATERIAL RISK TAKER”

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On 25 February 2021, the PRA published a statement on an error to the definition of *higher paid material risk taker* (“MRT”) in the Remuneration Part of the PRA Rulebook. The definition of higher paid MRT was introduced following the PRA’s implementation of the EU Capital Requirements Directive V (or CRD V). For a summary of the changes to the FCA’s Dual-Regulated firms Remuneration Code under SYSC 19D and the Remuneration Part of the PRA Rulebook (together the “Remuneration Code”) and what firms subject to the Remuneration Code need to know, see our [earlier blog post](#).

A higher paid MRT is defined in the PRA Rulebook as a MRT: a) whose annual variable remuneration exceeds 33% of their total remuneration, **and** b) whose total remuneration exceeds £500,000. The FCA’s definition of higher paid MRT is aligned with this.

The PRA has clarified that a MRT should be treated as a higher paid MRT where either condition a) **or** b) is satisfied which widens the number of MRTs who fall within the higher paid MRT category.

Whether a MRT is a higher paid MRT or not is relevant to the minimum deferral and clawback periods that applies to them. Higher paid MRTs will be subject to a deferral period of between 4 to 7 as opposed to 4 to 5 years and to a clawback period of at least 7 years as opposed to 5 or 6 years.

As the error is to the rules, the PRA has confirmed that they intend to consult on amending the rules. In the meantime, firms are expected to treat a MRT as a higher paid MRT where either condition a) **or** b) has been satisfied.

The PRA confirms that the FCA intends to consult on amending this rule to ensure that it remains aligned with the PRA’s position.

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