

Corporate & Financial Weekly Digest

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FSA Announces Changes to its Remuneration Code

On July 29, the UK Financial Services Authority (FSA) announced plans to update its Remuneration Code to take account of new remuneration rules required under the EU Capital Requirements Directive (CRD3).

The FSA's current Code requires that firms apply 'remuneration policies, practices and procedures that are consistent with and promote effective risk management.' Although it is broadly consistent with CRD3 provisions, the FSA is required to make some changes to ensure full alignment.

The current Code applies only to the largest UK banks, building societies and broker dealers. However, the CRD3 rules will bring over 2,500 firms within the scope of the Code. This will include all banks and building societies, asset managers (including hedge fund managers), Undertakings for Collective Investments in Transferable Securities (UCITS) investment firms and stockbrokers, as well as firms that engage in corporate finance, venture capital and the provision of financial advice.

The FSA does not intend its final rules to be more stringent than the CRD3 requirements unless UK legislation to that effect is passed.

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