

The FCA's Remuneration Code (SYSC 19A of the FCA Handbook)

Template to help firms in proportionality Level Three to complete a Remuneration Policy Statement

All firms within the scope of the Remuneration Code (the Code) are expected to ensure that their remuneration policies, practices and procedures are clear and documented¹. To record those policies, practices and procedures, and assess their compliance with the Code firms should complete a Remuneration Policy Statement (RPS). The level of detail within the RPS may vary depending on a firm's size, internal organisation, and the nature, the scope and the complexity of its activities².

We expect all firms in proportionality level three to have completed an RPS.

This template is designed as a tool for level three firms to document their remuneration policies, practices and procedures. It sets out the principle questions that we are likely to ask if we carry out a review of your firm's remuneration policies³. It would be good practice for firms to use the templates as it provides our expectation of the level of detail which should be included. It is not compulsory and you may choose to document your remuneration policies in a different way. However, if you choose not to use this template, you should ensure that you provide all the information that we need (as indicated by this template) in a clear and structured manner.

The template has been designed to cover a broad range of firms and, as such, not all questions in this template will apply to your firm. Where relevant we have included notes to indicate whether firms are normally able to 'disapply' certain provisions of the Remuneration Code.

While the template refers to certain of our rules and guidance on remuneration, it is not intended to be a comprehensive summary of those requirements. Filling out the template is not a substitute for considering and applying our rules and guidance, and reliance on filling out the template alone will not demonstrate compliance with our rules and guidance.

Background

SYSC 19A.2.4G says that 'a firm should ensure that its remuneration policies, practices and procedures are clear and well documented'. **SYSC 19A.2.2G(5)** says that we may ask the firm's remuneration committee (or equivalent body) to provide us with evidence of how well the firm's remuneration policies meet the Remuneration Code's principles, together with plans for improvement where there is a shortfall.

¹ SYSC 19A.2.4G, see below

² SYSC 19A.3.3R(2), see below

³ As noted in SYSC 19A.2.2G(5), we may ask the remuneration committee (or the governing body, where there is no remuneration committee) to provide us with evidence of how well the firm's remuneration policies meet the Remuneration Code's principles. Where an RPS has been completed, we may request a copy at any time. We are likely to request a copy ahead of our supervisory assessment, or as part of a thematic review. Firms may also need to use it to complete an ICAAP.

You do not need to send us a copy of your RPS unless requested to do so; however, it should be reviewed and approved by the firm's Remuneration Committee or equivalent body with responsibility for remuneration policies. It should be reviewed annually to take account of any changes to policies, practices or procedures, and the changes should be approved by the remuneration committee or equivalent body.

Completing your RPS – group structures

Scope of the Code

Where your firm is part of a group⁴, the Remuneration Code may apply to other undertakings within the group, including to members of its group within the scope of consolidated supervision⁵. If you decide to use this template to assess your compliance with the Code you should include all undertakings which form part of the UK consolidation group or non-EEA sub-group (as the case may be).

Remuneration Code staff – criteria relating to SIFs

Within the UK consolidated group or non-EEA sub-group, persons with significant influence functions (SIFs) regardless of where they are based, should normally be included in your Remuneration Code staff list. See further our Frequently Asked Questions on Remuneration Code staff⁶.

Proportionality framework

The proportionality principle (as expressed in CRD3 and SYSC 19A.3.3R(2)) requires firms to comply with the Code's requirements 'in a way and to the extent that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities'.

Guidance on the proportionate application of the Code is provided in the provisions of SYSC 19A and in our General guidance on proportionality). The latter sets out a proportionality framework that is designed to implement the Code proportionately and consistently across more than 2,500 firms. It provides a starting point to help firms understand which rules are likely to apply to them and which ones normally apply only to firms in the higher levels.

In very broad terms, firms in proportionality level three and level four would not normally be expected to comply with some of the more prescriptive rules, e.g. deferral and retained shares.

Proposed review of 'General Guidance on Proportionality' for Remuneration

We amended the 'General Guidance on Proportionality', which sets out our proportionate approach to implementing the Remuneration Code and the Pillar 3 remuneration disclosure rules.

This further clarifies how firms may comply with the Code and disclosure rules in a manner that takes account of their size, internal organisation and the nature, scope and complexity of their activities.

Summary of the key issues

The new framework replaced the current four-level structure (based on capital resources) with three new 'levels' (based on total assets).

⁴ See SYSC 19A.3.1R, SYSC 19A.3.2G and SYSC 1 Annex 1.2.13R(2) and 1.2.14G

⁵ That is, within its UK consolidation group or non-EEA sub-group.

⁶ [General Guidance on Proportionality](#)

The revised approach allows the FCA to focus its resources on the most significant firms who pose risks to financial stability.

The full text of the guidance is accessible [here](#) (PDF)

Annexes

The Remuneration Code staff list, forms part of your RPS. This RPS has an annex providing an Excel spread sheet template to record your Remuneration Code staff, remuneration structures and any guaranteed variable remuneration awarded to Remuneration Code staff. If you decide to use this template then you should complete the Code Staff list for the current performance year.

A. Firm Specific Information					
A.i	Please list all of the firms within level three within your group that are caught by the Code.				
	Firm Name	FRN	Business Type	No. of Code Staff	Individual Guidance Received?
	JFM Ltd	452904	Unit Trust Manager	7	No
A.ii	Provide contact details of the key individual(s) who we should contact within your firm regarding your firm's compliance with the Remuneration Code.				
	Name	Job Title	Phone No.	Email	
	David Hughes	MD, JFM	01242 214553	David.hughes@JFML.co.uk	
A.iii	What dates does your performance year run from/to:		From 01/04/2014 to 31/03/2015		
A.iv	What performance year is this RPS in respect of:		FY 2014/2015		

B. Reward Schemes	
<p><i>Refer, in particular, to SYSC 19A.3.22R to SYSC 19A.3.28G (Remuneration Principle 8: Profit-based measurement and risk adjustment) and SYSC 19A.3.33G to SYSC 19A.3.53G (Remuneration 12: Remuneration structures).</i></p> <p><i>We normally consider that it will be appropriate for a firm in proportionality level three to disapply the following rules of the Remuneration Code:</i></p> <p><i>Principle 12 – Remuneration Structures:</i></p> <ul style="list-style-type: none"> <i>SYSC 19A.3.47R – Retained shares and other instruments;</i> <i>SYSC 19A.3.49R – Deferral (However we encourage firms to consider using these deferral techniques on a firm-wide basis to ensure the alignment of their remuneration practices with effective risk management); and</i> <i>SYSC 19A.3.51R – Performance Adjustment</i> <p><i>See General guidance on Proportionality as referred to in the introduction to this template.</i></p> <p><i>Should your firm choose to apply these rules, then please include details below.</i></p>	
B.i	<p>List any bonus schemes or other reward or compensation schemes (including those for partnerships and other legal structures) that will be in place to reward Remuneration Code Staff for performance during the current performance year and provide a high-level description of each scheme, including:</p> <ul style="list-style-type: none"> the scheme's purpose; intended participants; number of expected participants for the current performance year;

	<ul style="list-style-type: none"> the structure of each scheme's awards, including: determination of the deferred proportion (if appropriate); awards composition (i.e. proportion in shares/cash etc if appropriate.); the performance measures and the risk adjustment used to determine whether and how much the scheme will pay out (if appropriate); the vesting period, the vesting schedule and the proportion of the deferred portion that is subject to performance adjustment (if appropriate);and any other information related to the scheme that you believe is relevant.
a)	<ul style="list-style-type: none"> Vertex Financial Services and JFM are subsidiaries companies of Vertex Mortgage Services which is privately owned by Vertex Group Limited. The Vertex Financial Services Corporate bonus plan is a discretionary bonus scheme. The purpose of this scheme is to ensure high performance is rewarded appropriately and that there is a clear line of sight between the Company and individual performance and potential bonus pay-out. The intended participants are all Vertex Financial Services employees with the exception of Customer Service Agents within the operational areas of Vertex Financial Services. In total the scheme participants are circa 150 employees. When measuring the individual performance the scheme also considers behaviour and culture to ensure regulatory principles are not jeopardised or compromised. The plan has a 'budget' level profitability target as measured by the overall Vertex Financial Services EBITDA, which determines the bonus pot available. The Corporate bonus plan will be triggered if the Company achieves at least the 'Threshold' level of corporate performance as measured by EBITDA. If the 'Threshold' level is not achieved, payment under the plan will not be triggered.
b)	N/A
B.ii	<p>Please list any existing executive incentive schemes (e.g. Long Term Incentive Plans; co-investment schemes or carried interest schemes) that could incentivise Remuneration Code Staff for future performance and provide a high-level description of each scheme, including:</p> <ul style="list-style-type: none"> the scheme's purpose; intended participants and the number of people currently participating in the scheme including how many are Remuneration Code Staff; the structure of the scheme's awards, including a description of the initial award (e.g. deferred cash, shares, share options, phantom shares) and the form of the proposed payout (e.g. proportion in shares, cash etc if appropriate.); the length of the scheme's performance period and whether a new performance period starts each year, overlapping the previous performance period; or whether the performance periods run end to end; the performance measures and the risk adjustment used to determine whether and how much the scheme will pay out if appropriate; whether the terms of the scheme have been approved by shareholders; when the scheme is due for review; any other information related to the scheme that you believe is relevant.
a)	<ul style="list-style-type: none"> Since Vertex is a private Company eligibility to participate in the Management Equity Plan (MEP) is highly restricted. Any interest in the MEP scheme will only have a material value when triggered by an 'event' such as change of control. Until then any material value is purely notional. A central register of all MEP participants is maintained on behalf of the RemCo by HR
b)	N/A

C.	Remuneration Code Staff	
	<p><i>It is up to each firm to determine how they identify their Remuneration Code Staff; as a starting point you should include senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile. (SYSC 19A.3.4R. See further SYSC 19A.3.6G.)</i></p> <p><i>In relation to those in significant influence functions, see SYSC 19A.3.6G(1)(b) and our frequently asked questions.</i></p>	
C.i	<p>Please set out the criteria you have used to determine which of your staff are 'Remuneration Code Staff'.</p> <ul style="list-style-type: none"> Staff who have a material impact on JFML's risk profile, including senior management, risk-takers, and staff in controlled functions. 	
C.ii	List all Remuneration Code Staff using the Code Staff list supplied on our website	
C.iii	How many Remuneration Code Staff have been identified in total for this performance year? Please include any employees who have been Remuneration Code staff for any part of the year.	7
C.iv	How many Remuneration Code Staff are likely to rely on the guidance set out in SYSC 19A.3.34G (and further developed in <i>General Guidance on Proportionality</i>)?	1 (Gavin James due to the scope of his role within the wider Vertex)
C.v	<p>Briefly describe the measures you have taken to ensure that all Remuneration Code Staff understand the implications of this status in relation to the requirements of the Code.</p> <ul style="list-style-type: none"> Letters of notification were issued to Remuneration Code staff. As and when appropriate for example due to organisational changes, additional Remuneration Code Staff may be appointed. 	

1.	Principle 1 – Risk management and risk tolerance	
	<i>Please refer to SYSC 19A.3.7R</i>	
1.1	<p>Briefly describe how you ensure that your firm's remuneration practices promote sound and effective risk management and do not encourage risk-taking that exceeds the firm's levels of tolerated risk.</p> <ul style="list-style-type: none"> The Vertex group is a privately owned company with no shareholders. Vertex has an established Remuneration Committee (RemCo) that includes representation from the three primary investors as well as two independent Non-Executives (one of whom is the RemCo Chairman). The RemCo ensures that senior employee remuneration promotes effective risk management. It also approves the overall bonus structure. 	

2.	Principle 2 – Supporting business strategy, objectives, values and long-term interests	
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	<i>Please refer to SYSC 19A.3.8R</i>	
2.1	Briefly describe how your firm ensures that its remuneration policies are in line with its business strategy, objectives, values and long-term interests.	
	<ul style="list-style-type: none"> The Group CEO together with the RemCo approves all remuneration for 'Senior Employees' (those employees who are members of the Vertex Financial Services Executive Board. In addition they also agree the annual Vertex Financial Services goals that align to the key deliverables of the Vertex Financial Services Corporate Bonus Plan. Within Vertex Financial Services, JFML consists of only 16% of all turnover. 	

3.	Principle 3 – Avoiding conflicts of interest	
	<i>Please refer to SYSC19A.3.9R</i>	
3.1	Briefly describe the measures already established to ensure your firm's remuneration policies avoid conflicts of interest.	
	<ul style="list-style-type: none"> The RemCo oversees the implementation of any material employee benefit, profit sharing, bonus or incentive scheme. 	

4.	Principle 4 – Governance	
	<i>Please refer to SYSC 19A.3.10R to SYSC 19A.3.13G and Part F of General Guidance on Proportionality, published on our website.</i>	
	<i>We have given guidance on the need to establish remuneration committees in General guidance on Proportionality, Part F. In summary we consider that it would be desirable for firms in proportionality level three and level four to establish a remuneration committee, and would normally expect larger firms within these levels to do so. But we accept that it may be appropriate for the governing body of the firm to act as the remuneration committee.</i>	
4.1	Does your firm have a Remuneration Committee (RemCo) established within the UK?	Yes
4.2	If your answer to question 4.1 is 'No' describe how remuneration governance arrangements operate within your firm.	
	n/a	
4.3	How does your firm ensure that remuneration decisions take into account the implications for risk and risk management of the firm?	
	<ul style="list-style-type: none"> All decision relating to the remuneration of Vertex Financial Services employees is approved by the Group CEO and where applicable the Remuneration Committee. 	
4.4	How does your firm ensure that the long-term interests of shareholders, investors and other stakeholders are taken into account?	
	<ul style="list-style-type: none"> Vertex is a privately owned company; there are no external shareholders. The RemCo reviews senior 	

	employee salaries and bonus structures, as set out in section 3.
4.5	Does the RemCo/ equivalent governing body have the ability to apply discretion to adjust the bonus pool and individual payments including those paid out in individual incentive schemes?
	Yes
4.6	Has the RemCo/ equivalent governing body exercised that discretion since the Code came into force? If yes, please provide details.
	Yes – in relation to the Corporate Bonus plan, where Vertex Financial Services has not met the corporate EBITDA Threshold to trigger a bonus payment under the scheme rules. In such circumstances the Remuneration Committee in conjunction with the Investors, have made available a discretionary bonus pot.

5.	Principle 5 – Control functions <i>Please refer to SYSC 19A.3.14R to SYSC 19A.3.17G</i>
5.1	<p>With regard to employees engaged in control functions, briefly explain how you ensure that these employees are:</p> <ul style="list-style-type: none"> ○ independent from the business units that they oversee; ○ have appropriate authority; and ○ are remunerated adequately to be independent of the performance of the business areas they control. <ul style="list-style-type: none"> ● The Director of Assurance (CF10) and the MD for JFM reporting direct to the CEO, Vertex Financial Services. The Director of Assurance also has a further reporting line to the Audit Committee. ● This enables these members of staff to have appropriate authority, as does their attendance at various board meetings. Due to the scale of JFML within Vertex Financial Services, the remuneration of the Director of Assurance and the MD for JFM is not directly linked to the performance of JFML. Any variable remuneration is linked to the overall performance of Vertex Financial Services.
5.2	<p>If applicable to your firm, describe how risk and compliance functions input into the setting of individual remuneration policies and individual remuneration awards across the firm. Please provide examples as appropriate.</p> <ul style="list-style-type: none"> ● Compliance will comment on any bonus schemes for staff where there are concerns about the behaviour of the individuals or the riskiness of the business undertaken. ● To date, there has not been any input into the setting of remuneration for staff undertaking activities related to JFML. ● However, as an example, Compliance would provide input into the incentive schemes we may wish to introduce more locally for example an incentive scheme for arrears handling staff within Vertex Financial Services

6.	Principle 6 – Remuneration and capital <i>Please refer to SYSC 19A.3.18R and SYSC 19A.3.19G</i>
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6.1	How do you ensure that your firm's total variable remuneration does not limit its ability to strengthen its capital base?
	<ul style="list-style-type: none"> This is not applicable. Due to the structure of Vertex, with JFML being part of Vertex Financial Services, remuneration is not sourced directly from JFML capital.

7. Principle 7 – Exceptional government intervention
This section is unlikely to apply

8. Principle 8 – Profit-based measurement and risk adjustment
Please refer to SYSC 19A.3.22R to SYSC19A.3.28G

Bonus schemes that reward Remuneration Code Staff

Firms will need to be able to demonstrate that they have considered the impact of future risks and uncertainties on their bonus pools, and ensure that these are taken into account when determining future bonus pools. This will be reviewed as part of our ongoing supervisory programmes.

Level four firms that are limited licence or limited activity firms will be able to take into account the specific features of their types of activities when applying this principle. See General guidance on Proportionality, Part D

Please complete separately for each bonus scheme that rewards Remuneration Code Staff, as listed in section Bi, if differentiation between schemes is required.

	Scheme name	VFS Corporate Bonus Scheme
8.1	Provide a high-level summary of how you determine the overall bonus pool amount.	<ul style="list-style-type: none"> The bonus pool amount is determined by Vertex Financial Services EBITDA and at least the achievement of the 'Threshold' level of Corporate Bonus performance as measured by the EBITDA.
8.2	Set out what metrics you use to: <ul style="list-style-type: none"> determine the bonus pool, including whether you use a pre-agreed numerical formula; ensure that it is linked to profits (rather than revenues); and how it is linked to other indicators of performance. 	<ul style="list-style-type: none"> Vertex Financial Services EBITDA achievement and individual performance. When measuring the individual performance the scheme also considers behaviour and culture to ensure regulatory principles are not jeopardised or compromised
8.3	Set out the key financial performance measures that are used to determine the total payout for the scheme. <i>E.g. operating profit, return on risk weighted assets, economic capital</i>	<ul style="list-style-type: none"> Vertex Financial Services EBITDA
8.4	Explain how often the financial performance measures set; who sets them and how often they are reviewed.	

	<ul style="list-style-type: none"> They are set annually by the Finance Director, CEO Vertex and CEO Vertex Financial Services subject to final approval from the Remuneration Committee. Progress is reviewed quarterly and monthly through various Vertex Financial Services governance/Board meetings.
8.5	<p>How, and to what extent, do these performance measures take account of future earnings streams and future risks? Are any future earning streams recognised up-front?</p> <ul style="list-style-type: none"> The performance measures for the Vertex Financial Services Corporate Bonus Plan are in-year only and do not take account of future revenue streams.
8.6	<p>How does your bonus pool determination process take account of situations where the firm's performance is weak or loss-making? Explain who has the discretion to make the adjustments.</p> <ul style="list-style-type: none"> Where the Threshold level of corporate performance as measured by the EBITDA is not achieved, payment under the plan will not be triggered. In this situation the Remuneration Committee in conjunction with the Investor may award a discretionary bonus pool.

9.	Principle 9 – Pension policy	
	<i>Please refer to SYSC 19A.3.29R</i>	
9.1	Do you have a policy for discretionary pension benefits? (SYSC 19A.3.29R(1) and (2) impose restrictions on the payment of discretionary pension benefits)	No
9.2	If your answer to question 9.1 is 'Yes', please outline your policy, including retention periods etc.	
	n/a	

10.	Principle 10 – Personal investment strategies	
	<i>Please refer to SYSC 19A.3.30R to SYSC 19A.3.32R</i>	
10.1	What arrangements do you have in place to ensure that your employees undertake not to use personal hedging strategies to undermine the risk alignment effects embedded in their remuneration arrangements?	
	n/a	

11.	Principle 11 – Avoidance of the Remuneration Code	
	<i>Please refer to SYSC 19A.3.32R</i>	
11.1	How do you ensure that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the Code?	
	Bonuses are payable via the payroll only	
12.	Principle 12 – Remuneration Structures	

Remuneration Principle 12 consists of a series of rules, evidential provisions and guidance relating to remuneration structures. Please refer to SYSC 19A.3.33G to SYSC 19A.3.53G and General Guidance on Proportionality published on our website.

We normally consider that it will be appropriate for a firm in proportionality level three to disapply the following rules of the Remuneration Code:

Principle 12 – Remuneration Structures:

- *SYSC 19A.3.47R – Retained shares and other instruments;*
- *SYSC 19A.3.49R – Deferral (However we encourage firms to consider using these deferral techniques on a firm-wide basis to ensure the alignment of their remuneration practices with effective risk management); and*
- *SYSC 19A.3.51R – Performance Adjustment*

Further, firms that are limited licence or limited activity firms will be able to take into account the specific features of their types of activities when applying the requirement of a multi-year framework (SYSC 19A.3.38R).

See General guidance on Proportionality, as referred to in the introduction to this template.

Performance assessment for individuals

12.1	Please set out a high-level description of your firm’s approach to measuring the performance of individuals including both financial and non-financial metrics and explain how this assessment influences an individual’s remuneration.
	<ul style="list-style-type: none"> • All senior employee remuneration is subject to individual RemCo approval. RemCo also agrees the overall bonus structure. • Performance is measured annually Vertex Financial Services sector and Individual levels. • A blend of both fiscal and non-fiscal (e.g. customer satisfaction, No material Compliance issues) measures are used.

Guaranteed variable remuneration

Please refer to SYSC 19A.3.40R to SYSC 19A.3.43G

12.2	How many new Remuneration Code staff have you hired in the last performance year?	0
12.3	Of the new Remuneration Code staff hired in the last performance year, how many were offered guaranteed bonuses?	0
12.4	Of the offers made, how many were compliant with SYSC 19A.3.40R(3)?	n/a
12.5	If any awards were non-compliant, please explain why.	
	n/a	
12.6	What is your firm’s policy on buying out deferred bonuses for new joiners?	
	n/a	
12.7	Have you offered retention awards to any Remuneration Code Staff employees in the last 12 months?	No

12.8	If yes, briefly explain how many were offered and the context in which they were offered.	
	n/a	
Leverage (ratio of fixed to variable remuneration)		
<i>Please refer to SYSC 19A.3.44R and Committee of European Banking Supervisors (CEBS) Guidelines, section 4.1.2.</i>		
<i>We normally consider that it will be appropriate for firms that are limited licence or limited activity firms to disapply this rule. See General guidance on Proportionality, Part D.</i>		
12.9	What is your policy on the ratio between fixed and variable remuneration components? Please provide details including if there are any minimum or maximum ratios.	
	Please leave blank if your firm is in level four	
Payments related to early termination		
<i>Please refer to SYSC 19A.3.45R and SYSC 19A.3.46G</i>		
12.10	Have you ensured that any exceptional or non-standard termination payments to staff in the last performance year have been compliant with the Code?	Yes

13. Disclosure

Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) requires Pillar 3 disclosures to be made. BIPRU 11.5.18R to 11.5.21G set out technical criteria relating to disclosures on remuneration. See also General Guidance on Proportionality, published on our website.

13.1	Please briefly outline when you intend to disclose remuneration under BIPRU 11.	
	This is reviewed annually and approved by the Directors of JFM. Once approved it is published on the JFM website.	
13.2	Please briefly outline how you intend to make this disclosure.	
	Via the JFM website	

14. Other

14.1	If necessary, please provide further evidence of how your remuneration policies, procedures and practices are consistent with and promote sound and effective risk management?	