AFB RESPONSE TO FCA CONSULTATION PAPER 26/27 - REMUNERATION: SOLO-REGULATED FIRMS' RULES REFORM

The Association of Foreign Banks (AFB) is a trade body which represents the interests of the non-UK headquartered banks operating in the UK to industry stakeholders, including the Government, regulatory bodies, and financial services organisations. AFB has around 170 international banking group members, representing around 80% of the UK's foreign banking market, providing financial services through branches, subsidiaries, and representative offices in the UK. AFB member firms include the full spectrum of banking entities, delivering services ranging from retail banks servicing subsections of the community to significant wholesale market participants.

AFB welcomes the opportunity to respond to FCA consultation paper CP26/27 – Remuneration: Solo-regulated Firms' Rules Reform.

In general AFB members support the FCA's proposals in CP26/27. We agree with all the proposals referred to in questions 1-15.

In particular, we welcome the proposal to adopt a more outcomes-focused and less regulator-driven prescriptive remuneration framework. This change would place greater responsibility on in-scope solo-regulated firms. This shift is welcome because it would embed alignment between risk and reward within each firm's culture, supported transparently by management, rather than implemented primarily as a matter of regulatory compliance.

AFB members also support the FCA's proposal to simplify the remuneration regime by removing the existing remuneration codes and replacing it with a single code for in-scope FCA solo-regulated regimes. Members believe that a less prescriptive approach would allow impacted firms to apply a more proportionate approach to compensation, tailored to their own specific business activities and associated risks, whilst maintaining appropriate controls to protect client outcomes and promote sound risk management.

In response to question 6, our members support a principles-based approach with respect to deferral. A threshold-based approach is more prescriptive and introduces disparity of treatment (in particular of material risk takers) among firms based on asset value thresholds which do not necessarily link to client/investor risk. We support an approach tailored to the risk profile of the business undertaken by firms – not simply the volume/value of business undertaken.

In response to question 16, our members' view is that no non-Handbook guidance is needed.

We have one further comment with respect to when the changes will take effect.

AFB members note that it is proposed (see sections 1.17 and 1.18 of the consultation paper) that the changes will take effect on the day after the date of publication of the policy statement (anticipated to be a date in Q1 2027) and therefore will apply to remuneration relating to performance periods beginning on or after that date.

AFB members request that solo-regulated firms are able, on an optional basis, to implement the changes for remuneration for the performance year already underway on the date on which the new rules are published.

This request was also made in submissions made in response to the FCA's and PRA's joint consultation paper on remuneration reform for dual-regulated firms. The request for firms to have the option for immediate implementation of the reforms was accepted.

Given the proposed guidance takes a less prescriptive approach, and the time available between the launch of the consultation and the anticipated publication of the new rules, we do not believe firms will need a transition period to establish controls, develop remuneration frameworks in accordance with the guidance and establish governance for such frameworks. There is sufficient time for firms to establish the required processes and finalise when the new rules come into effect.

We note that, if firms are unable to apply the new rules until the start of the next performance period, this would put firms which run a calendar-year performance cycle (or similar), at a disadvantage, including in relation to attracting and retaining talent and ongoing administrative cost, compared with firms operating on other annual cycles.

Association of Foreign Banks

September 2026

Contacts

Andrew Brooke, Director, Policy and Regulatory Affairs
Andrew.Brooke@foreignbanks.org.uk

Ethan Moxam, Senior Associate, Policy & Regulatory Affairs
Ethan.Moxam@foreignbanks.org.uk