El Collerton
Financial Conduct Authority
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By email: cp26-27@fca.org.uk

16 September 2026

Dear El,

**RE: CP26/27: Remuneration: Solo-regulated firms' rules reform**

UK Private Capital is the industry body and public policy advocate for the private capital ecosystem in the UK. With a membership of 600 firms, we represent UK-based private capital firms, as well as professional advisers and a large base of UK and global investors. In our terms, private capital includes private equity, venture capital and direct lending funds within private credit, all of which make long-term investments to grow businesses and support economic growth. Our members invested £25bn into the UK economy in 2025, with the industry now backing 13,000 UK businesses, 90% of which are SMEs. These companies together employ 2.5m people and contribute 7% to UK GDP.

We welcome the opportunity to respond to the FCA's proposals for a simpler, clearer and more proportionate remuneration framework for AIFMs, UCITS management companies and MIFIDPRU investment firms.

## Executive Summary

We strongly welcome the FCA's proposals to simplify the remuneration framework for solo-regulated firms. Replacing the existing overlapping remuneration codes with a single, more outcomes-focused framework represents a significant improvement. We support the move away from detailed prescription towards a simpler, clearer and more proportionate regime which gives firms greater flexibility to design remuneration arrangements that appropriately reflect their business models and risks. These are reforms for which UK Private Capital has advocated for some time, and which feature prominently in our UK Competitiveness Scorecard. If implemented as intended, they should make a meaningful contribution to the UK's competitiveness by creating a more flexible and proportionate remuneration framework, supporting firms' ability to compete for global talent and helping to ensure the UK remains an attractive place to establish and grow private capital firms and invest in the real economy.

We particularly welcome the greater flexibility for private equity, venture capital and private credit firms to use carried interest arrangements to align interests with investors, irrespective of how the firm is regulated (AIFM, small AIFM, MiFID firm, etc.). We also welcome the move away from the current MiFIDPRU approach of limiting the types of carried interest arrangements which qualify for these purposes. This in an important development to support the UK's competitiveness when attracting and retaining talent.

Our comments and recommendations are intended to help ensure that the new framework delivers those objectives in practice. We welcome the move away from detailed, prescriptive requirements towards a more outcomes-focused approach which places greater reliance on firm governance and judgement. In that context, we would like to ask the FCA to confirm or clarify a small number of points in the final rules and guidance and accompanying policy statement, so that firms can apply the new framework with confidence and benefit fully from the flexibility it is intended to provide:

- **No increase in existing requirements:** Firms whose remuneration arrangements comply with the applicable existing code should be able to proceed on the basis that those arrangements will also comply with the consolidated code. This would give firms confidence that the move to a principles-based framework is genuine simplification and does not require them to adopt more conservative arrangements than under the current regime. See Questions 1 and 2.
- **Material risk takers (MRTs):** We support the FCA's intention to narrow and refocus the MRT definition on individuals who genuinely and materially influence a firm's risk profile or outcomes for clients and investors. The final framework should make clear that the revised definition is not intended to expand the existing MRT population and should be sufficiently targeted and objective to avoid that result in practice. See Questions 3, 5 and 14.
- **Remuneration mechanisms:** We support the greater flexibility proposed in relation to deferral and performance adjustment. Firms should be able to determine which mechanisms are appropriate to their business models, including carried interest, forfeiture and/or bad-leaver arrangements, without particular mechanisms such as malus and clawback being treated as the expected approach. See Questions 4, 6 and 8.
- **Co-investment:** Genuine co-investment made on arm's-length terms and at the individual's own risk is distinct from remuneration. We therefore ask the FCA to preserve the existing treatment of such arrangements clearly within the new framework. See Questions 4 and 15.
- **Targeted clarification:** We support the FCA's objective of simplifying the regime by removing existing guidance and do not consider that this should be replaced by detailed new non-Handbook guidance. There are, however, a small number of areas where clarification would help firms apply the new regime with confidence, including guaranteed variable remuneration, territorial scope and the treatment of individuals whose roles are split across more than one group entity. See Questions 9 and 16.
- **Transitional arrangements:** Clear treatment of existing remuneration arrangements, legacy awards and transitional provisions would allow firms to move to the consolidated

code without unnecessary restructuring or having to operate parallel regimes for longer than necessary. See Questions 11 and 16.

Overall, we strongly support the proposed reforms. With the targeted confirmations and clarifications identified in this response, we believe the consolidated code can deliver a materially simpler and more proportionate remuneration regime, helping to strengthen the UK's competitiveness as a place to establish and grow private capital firms and invest in the UK economy.

## Changes to the FCA remuneration regime: Our proposals

**Question 1: Do you agree with our proposal to replace the existing remuneration codes with a single new code for in-scope FCA solo-regulated firms? If not, what alternative approach would better meet our objectives?**

The proposal to replace the three current remuneration codes — the AIFM Remuneration Code (SYSC 19B), the UCITS Remuneration Code (SYSC 19E) and the MIFIDPRU Remuneration Code (SYSC 19G) — with a single, consolidated Solo-Regulated Firms Remuneration Code (SYSC 19AA) is a significant step towards regulatory simplification and is welcomed by our members.

This reform addresses long-standing industry concerns regarding the complexity and duplication inherent in navigating multiple overlapping regimes. Groups containing more than one type of solo-regulated asset manager are currently subject to more than one code and have therefore been required either to: (a) apply the most stringent rules to ensure a single consistent group-wide remuneration policy; or (b) opt to operate the rules of more than one code (which have subtle but important variations between them) dependent on the relevant manager. This has often led to disproportionate administrative burdens.

While the FCA's intention to simplify the remuneration codes, and to move away from prescriptive rules, is welcome, we consider that it is important to ensure that the new consolidated remuneration code does not become more restrictive in practice than the codes it replaces. We do not believe this is the FCA's intention. The removal of prescriptive rules places responsibility on firms to determine which remuneration practices are appropriate for them. Unless firms can be confident that the FCA will accept the decisions they make regarding their remuneration policies and practices, there is a risk that firms will default to the most conservative approaches. If the benefits of the FCA's reduction in prescription are to be realised it will be important that the FCA's supervisory approach recognises that firms may adopt different remuneration policies and practices, including reducing or removing certain approaches which are required under the current codes.

To avoid an overly cautious approach, we think it would be helpful for the FCA to make clear that consolidation is not intended to increase the remuneration requirements for any firm currently subject to the individual codes. It would assist the market if the FCA confirmed that arrangements which comply with the applicable existing codes will also comply with the new regime under SYSC 19AA; in other words, that the current remuneration codes are a "high water" mark for the consolidated code. We expect that is the intention given the FCA's comment in paragraph 2.6 that "firms that are compliant with the existing UK codes, or equivalent EU codes, should generally expect to remain compliant under the proposed new code." Without such confirmation, firms may feel compelled to adopt an overly cautious reading of SYSC 19AA, which could undermine the less burdensome, outcomes-focused approach that the reform is intended to deliver.

**Question 2: Do you agree with our proposal to adopt a more outcomes focused and less prescriptive remuneration framework for FCA solo-regulated firms? If not, which elements of the current framework do you think we should retain, and why?**

Yes. The shift towards a more outcomes-focused remuneration framework gives firms flexibility to design remuneration structures that are proportionate to their specific risks. We welcome this pragmatic approach, provided the FCA maintains consistent supervisory expectations over time and the flexibility conferred by the rules is not narrowed in practice. Our members consider that this would allow proportionate decisions without retaining elements of the current framework or issuing additional guidance.

**Question 3: Do you agree with our proposals to apply general requirements to all staff and targeted requirements to material risk takers? If not, what changes would you make and why?**

Yes. The intention appears to be to create a more risk-focused and proportionate regime, and we consider that the proposal achieves that aim provided the definition of a MRT is clarified in certain respects. The proposal concentrates regulatory intervention where risk is highest, reducing the compliance burden for most employees while maintaining essential safeguards for key decision-makers. The practical benefit of this structure depends on the MRT population being smaller, and certainly no larger, than it is at present. Our members are concerned that the revised definition may be wider than the current definition and may capture more individuals than are captured under the current regime, which we understand is not the FCA's intention. Please refer to our response to Question 14 in relation to the definition of MRTs.

**Question 4: Do you agree with our proposed general requirements on firms' remuneration policies and practices and the guidance on remuneration tools?**

Yes. We think the proposed general requirements and guidance on remuneration tools are sensible, and the reference to reliance on group governance arrangements is a helpful addition. We particularly welcome the guidance that firms may select a wide range of instruments that best fit their business model — including shares, fund units, share-linked instruments or alternative arrangements — to align remuneration with investor interests. However, we think it would be helpful if carried interest arrangements, which are common in the private capital industry, were specifically referred to as an example of alternative arrangements under SYSC 19AA.2.12(5).

We would also draw the FCA's attention to the breadth of the proposed glossary definition of "remuneration" in SYSC 19AA. Our members are concerned that it may be broad enough to capture co-investment. Co-investment is not remuneration: it is a capital commitment made by the individual on arm's-length terms and at their own risk, and it aligns rather than distorts incentives. The existing SYSC 19G guidance recognises this and excludes co-investment from the scope of remuneration, other than in certain circumstances relating to loans provided by the firm or a member of its group (see SYSC 19G.4.3G). We ask the FCA to preserve that treatment expressly in SYSC 19AA itself.

**Question 5: Do you agree with our proposed remuneration principles for material risk takers?**

Yes**.** This allows for a more bespoke and logical alignment of pay with long-term risk and performance, provided that the definition of an MRT is clarified. Please refer to our response to Question 14 in relation to MRTs.

**Question 6: Which approach to deferral (principles-based or threshold based) do you consider most appropriate, and why?**

We consider the principles-based approach to deferral most appropriate as it:

(i) allows firms to tailor deferral to their unique business model and diverse investment strategies, supporting the retention and recruitment of talent and recognising industry specific approaches such as carried interest; and

(ii) avoids the "cliff-edge" risks associated with arbitrary asset thresholds.

**Question 7: If you prefer threshold-based deferral, do you have a view on which thresholds and other deferral features (including deferral periods) we should use?**

Not applicable.

**Question 8: Do you agree with our proposal to require firms to consider performance adjustment mechanisms (such as malus and clawback) without mandating them? If not, what should be required and why?**

Yes – we welcome that firms will have the flexibility to determine which mechanisms best fit their business models; for example, a private capital firm is more likely to rely on "bad leaver" provisions rather than a traditional clawback.

We raise one point on the framing of the guidance by way of example. Where four illustrative examples of potential adjustment mechanisms are given and two concern malus and clawback, there is a risk that those two mechanisms come to be regarded as the expected baseline. Firms may then focus on justifying why they have not adopted malus or clawback, rather than explaining the mechanism they have adopted and why it is most appropriate to achieve the overarching objective of preventing MRTs from benefiting from their misconduct. We would encourage the FCA to make clear in the final guidance that the examples are non-exhaustive and carry no hierarchy.

**Question 9: Do you agree with our proposals on guaranteed variable remuneration? If not, what changes should we make and why?**

Yes. This proposed change removes a significant hurdle in recruitment, particularly when hiring from different jurisdictions or sectors with different pay structures. By giving firms more discretion in how they structure these "buy-outs", the FCA's aim of facilitating a more competitive labour market for skilled staff is met from our perspective, while ensuring that a buy-out does not provide a safe haven from potential future risk adjustments.

We would also ask that the FCA clarifies that retention awards (which are conditional on the recipient of the award staying with the firm for a defined period of time) are not treated as a type of guaranteed variable remuneration.

**Question 10: Do you agree with our proposals to simplify governance requirements for remuneration by removing prescriptive requirements (including mandatory remuneration committees, remuneration disclosures, annual independent reviews, and reporting requirements)? If not, which elements should we retain, and why?**

Yes. The proposed removal of mandatory Remuneration Committees (RemCos), annual independent reviews, and the MIF008 reporting template will make a material difference to our members' compliance burden and associated costs. We strongly support the proposals as they mitigate the risk of disclosing sensitive competitive information (which in turn mitigates against issues such as predatory hiring practices) while still upholding the principles of accountability.

**Question 11: Do you agree with our proposal to include medium and large UK AIFMs (once AIFM reforms are implemented) and UK UCITS management companies within scope of the new code? If not, how should the scope be adjusted?**

Yes. In particular, the phased transition will ensure that firms have a clear understanding of their obligations as the wider AIFMD framework is overhauled, providing a period of stability and clarity during significant regulatory change. Our members agree that full-scope, large and medium UK AIFMs and UK UCITS management companies represent the appropriate scope. We would, however, also draw the FCA's attention to the question of timing and transitional arrangements, which we address in response to Question 16 below.

**Question 12: Do you agree with removing small and non-interconnected (SNI) MIFIDPRU investment firms from remuneration requirements so that the new Code would only apply to non-SNI MIFIDPRU investment firms?**

Yes. It is a pragmatic way to support the growth of smaller investment managers by delivering material reductions in compliance costs for these firms, while maintaining appropriate safeguards for the larger, more complex firms that remain in scope.

**Question 13: Do you agree that removing the existing tiered structure and thresholds under the existing MIFIDPRU Remuneration Code (SYSC 19G) and replacing them with a single, outcomes-focused framework in the new Code would simplify the regime and improve clarity for these**

**firms? If not, are there elements of the current tiered approach that you consider necessary to retain in the new Code?**

Yes. The current framework relies on various asset thresholds to move firms between tiers, often creating "cliff-edge" issues where a small increase in a firm's balance sheet could trigger much more stringent and costly remuneration requirements. By replacing these tiers with a single, outcomes-focused framework, in-scope firms will be subject to a consistent set of principles applied proportionately. This eliminates the need for firms to reassess their tier status regularly and allows them to design remuneration policies that grow naturally with their business model rather than reacting to arbitrary regulatory hurdles. A single, unified framework under SYSC 19AA provides a clearer roadmap for firms, reducing legal and administrative complexity.

**Question 14: Do you agree with our proposal to narrow and refocus the definition of a material risk taker? If not, what changes would you propose, and why?**

We understand that the FCA intends to adopt a narrower and more focused definition of MRT. An MRT will be a staff member whose professional activities or remuneration incentives have a material impact on any of the following:

- the firm's conduct in relation to its clients and investors;
- the interests of investors and (as the case may be) AIFs and UCITS schemes; or
- the firm's compliance with obligations under the regulatory system.

Whilst we welcome the proposal and objective of targeting those individuals who truly influence a firm's risk profile, we are concerned that the proposed definition may lead to an increase in the population of MRTs. The proposed definition could also lead firms to reach fundamentally different views: for example, the reference to "a material impact on ...the interests of the investors" could be read narrowly as covering only those individuals with ultimate decision-making authority in relation to investments, or more broadly as including anyone with a significant role in the investment or valuation process.

As drafted, the definition may capture individuals that the FCA does not intend to capture if firms interpret it in a conservative manner in practice. For example, the following individuals may all be identified as MRTs under the proposed definition: senior members of investor relations, finance and operations functions; and certified staff under the SMCR whose activities have an identifiable bearing on investor outcomes. While the guidance in SYSC 19AA.3.3 seeks to constrain the breadth of the definition, we think it would also be helpful for the FCA to state expressly that the revised definition is not intended to expand the current MRT population and that individuals who are not MRTs under the current definition would not be expected to be MRTs under the revised definition.

On a more detailed drafting point, the identification of MRTs by reference to "*remuneration incentives*" which have a material impact on clients and investors etc. lacks clarity and may introduce an element of circularity into the assessment. We think it would be preferable to identify MRTs solely by reference to their activities; once identified, then the MRT's remuneration incentives should meet the requirements of the Code.

The SMCR regime is also currently under review, and we would encourage the FCA to ensure that the MRT definition aligns appropriately with the updated regime in due course.

Finally, we welcome the removal of the requirement for investment firm groups which are subject to prudential consolidation to identify MRTs on the basis of their consolidated position.

**Question 15: Do you agree with our proposal to revoke the relevant non Handbook remuneration guidance? If not, what should be retained, and for what purpose?**

Yes. However, we would ask the FCA to clarify the treatment of co-investment. The existing SYSC 19G guidance excludes co-investment from the scope of remuneration (other than where the investment is made using loans with certain characteristics granted by the firm or a member of its group): co-investment is a capital commitment made by the individual on arm's-length terms and at their own risk, and it aligns rather than distorts incentives. Preserving the exclusion is of material importance given the breadth of the proposed glossary definition of "remuneration", which we address in our response to Question 4.

**Question 16: Do you consider that non-Handbook guidance is needed to help firms apply the remuneration proposals? If so, which areas or issues should it cover?**

We recognise that the FCA is revoking existing guidance in order to simplify the regime and we support that objective.

However, there are a small number of areas where clarification would help firms apply the new regime with confidence and avoid unnecessary uncertainty. We do not consider that these points necessarily require separate non-Handbook guidance. We would welcome further clarity, as appropriate, in the final rules and guidance, and in the accompanying policy statement on territorial scope, implementation and transitional arrangements, and the operation of the transitional provisions. These are discrete points intended to support implementation of the new framework, rather than to recreate the detailed guidance that the FCA is seeking to remove.

*Territorial scope*

The consultation does not address the territorial application of the consolidated code, and we would encourage the FCA to take this opportunity to do so. The existing frameworks extend to individuals located outside the UK by reference to their provision of services to the firm, but the boundaries of that extension are not clearly drawn. This is a material issue for our members. Many private capital firms operate global platforms with investment committees whose members are in several jurisdictions. Those individuals are frequently treated as MRTs on a precautionary basis. Applying UK remuneration principles to individuals who are located, employed and often regulated elsewhere gives rise to conflicts of law and practical difficulty, potentially harming UK competitiveness without, in our view, a corresponding UK regulatory benefit.

We would therefore invite the FCA to confirm that SYSC 19AA applies only in respect of UK-based staff or, alternatively, to define the extraterritorial reach of the consolidated code narrowly and by reference to clear and objective criteria.

We would also welcome clarification on the treatment of individuals whose roles are split across more than one group entity. Where an individual performs services for both an in-scope firm and other group entities, we consider that the remuneration requirements should apply only to the proportion of the individual's remuneration that relates to activities performed for the in-scope firm. This would avoid the UK remuneration regime extending beyond the remuneration attributable to the individual's activities for the regulated entity, particularly in UK-headquartered groups with international operations.

*Implementation and transitional arrangements*

We understand that the consolidated code is intended to take effect the day after the publication of the Policy Statement (although the provisions applicable to AIFMs will be introduced in two stages, to match the timing for the broader AIFM reforms). The consolidated code will therefore apply in respect of performance periods that begin after the date on which the regime comes into force (so, for a firm with a calendar year performance period, the consolidated code will apply to remuneration from 1 January 2028).

As stated above, we understand that where a firm's remuneration policies and procedures comply with the existing codes, they will continue to comply with the new consolidated code. On this basis, firms may continue to operate their existing remuneration policies and arrangements after the new code comes into force and, if they consider it appropriate, can implement changes at any time after the new code takes effect. We therefore agree with the FCA's plan for the new code to come into effect the day after publication of the Policy Statement. If this is not the case, however, the proposed timing would potentially not leave firms enough time to make changes after publication of the Policy Statement and before the new code comes into effect. We would welcome the FCA's confirmation that firms' existing remuneration policies and procedures will be considered to comply with the new consolidated code and that no changes are expected to be necessary to comply with the new code.

*Transitional provisions*

The transitional provisions, which are mandatory, appear to require firms to continue following the previously applicable code or codes — including in respect of malus and clawback — for prior remuneration periods. It therefore does not appear that firms have the opportunity to elect for a "clean break" from the existing framework when the consolidated code comes into force. As presently drafted, a firm could remove malus and clawback for performance periods beginning after the consolidated code comes into force but would have to continue applying existing remuneration rules to previous performance periods, or to performance periods that overlap with the implementation date of the consolidated code. In practice, firms would need to apply existing deferral, malus and clawback arrangements to legacy remuneration awards for several years after the consolidated code has been in force, and we understand that existing regulatory reporting requirements would also continue to apply to those arrangements. We would therefore encourage the FCA to consider giving firms the option to switch entirely to the consolidated code from the day it comes into force, including in relation to legacy arrangements, so that they can fully benefit from the consolidated code.

If you have any questions or there are points it would be helpful to discuss further, please contact Nick Chipperfield (nchipperfield@ukprivatecapital.co.uk) and Tom Taylor (ttaylor@ukprivatecapital.co.uk).

Yours sincerely,

Tim Lewis
**Chair, BVCA Regulatory Committee**