CFA UK is a member society of

Su-Lian Ho
Remuneration Team
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

20th December 2010

Dear Ms. Ho,

CP10/27 Implementing The Third Capital Requirements Directive (CRD3) on the Disclosure of Remuneration

The CFA Society of the UK (CFA UK) welcomes the opportunity to comment on the Financial Services Authority's (FSA) consultation paper (10/27) on implementing the CRD3 requirements on the disclosure of remuneration.

CFA UK has reviewed the proposals and are of the view that they are unlikely to deliver the benefits for improving market integrity. This is supported by the FSA's own cost benefit analysis which states that , "in practice, however, these benefits will depend on whether the extra information is actually used and understood by the market and the public. As such, the benefits will depend on the quality of the information provided and its comparability across firms. The benefits may also vary across the business cycle. Market discipline and public pressure may be more effective in times of stress (when investors want to avoid riskier institutions) than in good times."

An additional consideration is that remuneration, in of itself was a symptom, not one of the root causes of the recent financial crisis. Given that the majority of market participants and regulators were unable to impose the market discipline on firms like AIG, Royal Bank of Scotland, and Lehmans; the disclosure of remuneration as set out by CRD3 is not a substantive addition to the information available to market participants about the risks taken by financial institutions.

In CRD3, the requirement to produce aggregate quantitative information on remuneration by business area could indeed prove counter-productive and result in less transparency to financial analysts. This is because banks and building societies may well decide to re-define business areas to protect sensitive commercial information. The resulting aggregate information may well prove less informative than what is currently available. For example, proprietary trading, defined as a business area, may well become part of a larger new business area called, for example, capital markets.

CFA UK is supportive of the 'proportionality' approach taken, which means that most investment management firms (the majority of the firms caught by this requirement) would be tier 4 firms, and thus not caught by the more stringent requirements of the proposed rules.

About CFA UK and CFA Institute

The CFA Society of the UK (CFA UK) represents the interests of more than 9,000 leading members of the UK investment profession. The society, which was founded in 1955, is one of the largest member societies of CFA Institute and is committed to leading the development of the investment profession through the promotion of the highest ethical standards and through the provision of continuing education, advocacy, information and career support on behalf of its members. Most CFA UK members have earned the chartered financial analyst (CFA) designation, or are candidates registered in CFA Institute's CFA Program. Both members and candidates attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct.

CFA Institute is the global association for investment professionals. It administers the CFA and CIPM curriculum and exam programs worldwide; publishes research; conducts professional development programs; and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has more than 106,000 members in 138 countries, of whom more than 94,000 hold the Chartered Financial Analyst® (CFA®) designation).

Yours,

Will Goodhart
Chief Executive

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