

Updating the UK's Prudential Regime before the end of the Transition Period Consultation

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ISBN 978-1-913635-41-1PU 2977

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Chapter 1

Introduction

- 1.1 The Capital Requirements Directive V (CRDV) was published in the Official Journal of the European Union (OJEU) on 7 June 2019 and entered into force on 27 June 2019. Alongside the 2nd Capital Requirements Regulation (CRR2), the Directive updates rules on prudential requirements, and continues the EU's implementation of further elements of the internationally agreed Basel framework, set by the Basel Committee on Banking Supervision (BCBS).
- 1.2 The UK has always championed and remains committed to the highest international standards of financial regulation. Through organisations such as the G20, Financial Stability Board (FSB), and the BCBS, the UK has led the way in a number of key reform areas. Harmonised international standards are key to promoting the openness and resilience underpinning the UK's financial sector.
- 1.3 The UK has also played a pivotal role in the design of EU financial services regulation. HM Treasury will continue to maintain a global outlook on regulatory best practices, regardless of where those practices come from. This approach will continue to be guided by a commitment to maintaining high standards and achieving the same or better prudential outcomes as today, in a way that works best for the UK.

UK approach to transposition

- 1.4 The government will – through the exercise of its Section 2(2) ECA powers (retained under the terms of the European Union (Withdrawal Agreement) Act 2020) – transpose EU legislation which applies before 23:00 GMT on 31 December 2020.¹ This includes CRDV, which must be transposed by 28 December 2020.
- 1.5 Much of CRDV builds on the existing Directive, the 4th Capital Requirements Directive IV, referred to as CRDIV.² HMT's implementation of CRDIV delegated significant responsibility to the Prudential Regulation Authority (PRA). Therefore, we only intend to legislate via secondary legislation to update the UK's implementation of CRDIV (to reflect the amendments to CRDIV that have been made by CRDV). This includes providing the PRA with new or updated powers, to implement CRDV and to ensure that the PRA can update its rulebook as needed. This consultation only seeks comment on those areas requiring legislation, which include:

¹ <http://www.legislation.gov.uk/ukpga/2020/1/contents/enacted?view=plain>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0036&from=EN>

- the intention to exempt investment institutions prudentially regulated by the FCA from the scope of CRDV, given the planned introduction of the Investment Firms Prudential Regime (IFPR) by summer 2021
 - various updates to the capital buffers that the PRA can require of institutions, to allow the Financial Policy Committee (FPC) and the PRA to maintain their current level of macro-prudential flexibility
 - extending the PRA's powers for consolidated supervision to holding companies and creating a new approval regime for Financial Holding Companies (FHCs) and Mixed Financial Holding Companies (MFHCs). In addition, granting the PRA an express power to remove members of the management body of institutions and holding companies
 - amendments to the list of entities exempted from CRDV.
- 1.6 Given that the PRA is independent of government, with its own statutory objectives, the areas of CRDV which are to be implemented in PRA rules will not be consulted on here.
- 1.7 The government does not intend to legislate to prescribe changes to the framework for gender-neutral remuneration policies. Further detail on the government's approach is provided in Chapter 5, and we invite comment on our approach.
- 1.8 As the legislation will form part of "retained EU law" at the end of the Transition Period, the government will also need to exercise powers under section 8 of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020), prior to the end of the Transition Period, to correct any deficiencies arising in this retained EU law to ensure that the UK maintains a functioning regulatory and legal framework following the end of the Transition Period.
- 1.9 Responses are requested by 19 August 2020. The government cannot guarantee that responses received after this date will be considered.
- 1.10 This document is available electronically at www.gov.uk/treasury. You may make copies of this document without seeking permission. Printed copies of the document can be ordered on request from the address below.
- 1.11 Responses can be sent by email to CRDVConsultation@hmtreasury.gov.uk. Alternatively, they can be posted to:
- Prudential Banking Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ
- 1.12 When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make clear who the organisation represents and, where applicable, how the views of members were assembled.

Processing of personal data and confidentiality

1.13 This notice sets out how we will use your personal data, and your rights under the Data Protection Act 2018 (DPA).

Your data (Data Subject Categories)

1.14 The personal information relates to you as either a member of the public, parliamentarians, and representatives of organisations or companies.

The data we collect (Data Categories)

1.15 Information may include the name, address, email address, job title, and employer of the correspondent, as well as their opinions. It is possible that respondents will volunteer additional identifying information about themselves or third parties.

Purpose

1.16 The personal information is processed for the purposes of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, proposals, or generally to obtain public option data on an issue of public interest.

Legal basis of processing

1.17 The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the HM Treasury. For the purpose of this consultation the task is consulting on departmental policies or proposals, or obtaining opinion data, in order to develop good effective policies.

Who we share your responses with (Recipients)

1.18 Information provided in response to a consultation may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

1.19 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

1.20 In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

1.21 Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.

1.22 Where information about respondents is not published, it may be shared with officials within other public bodies involved in this consultation process to assist us in developing the policies to which it relates. Examples of these public bodies appear at: <https://www.gov.uk/government/organisations>.

1.23 As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we will hold your data (Retention)

1.24 Personal information in responses to consultations will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.

1.25 Personal information in responses that is not published will be retained for three calendar years after the consultation has interest.

Special data categories

1.26 Any of the categories of special category data may be processed if such data is volunteered by the respondent.

Legal basis for processing special category data

1.27 Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: The processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.

1.28 This function is consulting on departmental policies or proposals, or obtaining opinion data, to develop good effective policies.

Your rights

1.29 You have the right to:

- request information about how your personal data are processed, and to request a copy of that personal data.
- request that any inaccuracies in your personal data are rectified without delay.
- request that your personal data are erased if there is no longer a justification for them to be processed.
- in certain circumstances (for example, where accuracy is contested) request that the processing of your personal data is restricted.
- object to the processing of your personal data where it is processed for direct marketing purposes
- you have the right to data portability, which allows your data to be copied or transferred from one IT environment to another.

How to submit a data subject access request (DSAR)

1.30 To request access to personal data that HM Treasury holds about you, contact:

HM Treasury Data Protection Unit

G11 Orange

1 Horse Guards Road

London
SW1A 2HQ

dsar@hmtreasury.gov.uk

Complaints

- 1.31 If you have any concerns about the use of your personal data, please contact us via this mailbox: privacy@hmtreasury.gov.uk
- 1.32 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF

0303 123 1113

casework@ico.org.uk

Contact details

- 1.33 The data controller for your personal data is HM Treasury. The contact details for the data controller are:

HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

020 7270 5000

public.enquiries@hmtreasury.gov.uk

- 1.34 The contact details for the data controller's Data Protection Officer (DPO) are:

DPO
1 Horse Guards Road
London

SW1A 2HQ

privacy@hmtreasury.gov.uk

Chapter 2

Scope of application: investment firms

- 2.1 The Capital Requirements Regulation and CRDIV, although created with banks in mind, also apply to investment firms. Unlike credit institutions, investment firms do not take deposits or grant traditional loans. This means that the risks faced and posed by investment firms are different to those of credit institutions. While providing for some exemptions to accommodate these differences, the prudential regulatory framework and its patchwork of exemptions have become more and more complex to navigate and is no longer fit-for-purpose for the regulation of investment firms.
- 2.2 To address this, the EU introduced a new regime - the Investment Firms Regulation and Directive (IFR/IFD) – which was published in the Official Journal of the European Union in December 2019.¹ The UK played an instrumental role in the introduction of the regime at EU level, negotiated it as a Member State, and is supportive of its intended outcomes. However, as this regime only applies from 26 June 2021 – which is after the end of the Transition Period – it will not automatically apply in the UK.
- 2.3 As announced at Budget and then clarified in our *Prudential standards in the Financial Services Bill: June update*, the government is legislating through the Financial Services Bill to introduce a new prudential regime for investment firms – the Investment Firms Prudential Regime (IFPR).² This new regime will achieve the same intended outcomes as the EU’s IFR/IFD but will be tailored to the UK where this is necessary to reflect the specificities of the UK market or UK firms. This regime will apply to all FCA-regulated investment firms and will reflect, and be proportionate to, the fact that they are not of systemic importance to the financial services sector. PRA-designated investment firms, because of their systemic nature and the risks that flow from that, will continue to comply with the banking regime and any subsequent update thereof.
- 2.4 It is the government’s intention that CRRII/CRDV and any subsequent updates to the banking regime should not apply to FCA-regulated investment firms, who should continue to comply with the relevant current regulation until the IFPR is in place.

¹ IFR - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2033&from=EN>

IFD - <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L2034&from=EN>

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/893792/Prudential_policy_draft_policy_statement_V4.pdf

- 2.5 We do not think it was ever the intention to apply CRDV to non-systemic investment firms. Requiring these firms to be operationally ready to comply with two different and consequential sets of regulations in less than a year would be unduly burdensome and disproportionate, and to no prudential benefit. As such, the government intends to make the necessary legislative amendments to ensure that non-PRA investment firms do not have to comply with CRDV for the period until the IFPR applies.

Box 2.A: Scope of application: investment firms

- 1 Do you agree with the government's intention not to apply CRDV to FCA-regulated investment firms?

Chapter 3

Macro-prudential tools

- 3.1 After the financial crisis, the international community took steps to mitigate risks to financial stability, including through developing the appropriate macro-prudential frameworks and toolkits. This included seeking to enhance the resilience of systemically important institutions so that they could maintain the provision of critical economic functions through periods of economic stress.
- 3.2 CRDV altered the nature and design of some macro-prudential tools, and as a result the government intends to make certain legislative changes to ensure the current level of macro-prudential policy flexibility in the UK is maintained.

Other Systemically Important Institutions buffer

- 3.3 An important element of the macro-prudential framework are capital buffers designed to enhance the resilience of systemically important institutions. This reflects the important financial services these institutions provide, and the lessons learned from the financial crisis, including the final report of the Independent Commission on Banking.
- 3.4 CRDIV contained two main tools that could be used to address the risks posed by domestic systemic importance, the Other Systemically Important Institutions (O-SII) buffer, and the Systemic Risk Buffer (SRB). These were in addition to the Globally Systemically Important Institutions (G-SIIs) buffer, which is used to address the risks posed by globally important institutions.
- 3.5 The UK originally elected to use the SRB to address these risks and ensure that ring-fenced banks and large building societies held an additional level of capital to reflect their systemic importance.
- 3.6 The existing SRB legislation requires the FPC to set a framework for the SRB, which is then applied to individual institutions by the PRA (although the PRA can vary the SRB based on supervisory judgement). The SRB is currently applied to ring-fenced banks and large building societies (together SRB institutions), up to a rate of 3% of risk exposures, and must be met with Common Equity Tier 1 (CET1) capital.
- 3.7 Under CRD IV, the UK also transposed the requirement for the PRA to identify O-SIIs but did not transpose the power to apply the O-SII buffer.
- 3.8 CRDV clarifies certain macro-prudential provisions from CRDIV and requires that only the O-SII buffer should be used to address the higher risks posed by systemic importance (alongside the G-SII buffer), not the SRB which can no longer be used for this purpose.

- 3.9 As a result, to ensure the current level of macro-prudential flexibility and financial system resilience is maintained, the government intends to give the PRA the power to apply an O-SII buffer to replace the functions currently performed by the SRB.
- 3.10 The government envisages drafting secondary legislation implementing this policy intent in a similar way to the current UK SRB. This means the FPC would be responsible for setting a high-level O-SII buffer framework, and the PRA would be responsible for applying the buffer to institutions but will have the ability to vary this based on supervisory judgement.
- 3.11 The O-SII buffer would then only be applied by the PRA to the same institutions as the current SRB – ring-fenced banks and large building societies (which are currently called SRB institutions) – with the PRA able to set a rate of up to 3% of risk exposures using CET1 (the government will be giving further consideration to the appropriate implementation of the relevant provisions for rates higher than this level).
- 3.12 Separately, the PRA would still be required to identify O-SIIs using the identification framework already set out in legislation. These institutions would be subject to enhanced supervision, as is currently the case.
- 3.13 The FPC will be required to review the O-SII buffer framework periodically, and the PRA will have to review O-SII buffer rates annually.
- 3.14 The overall aim of this change is therefore to implement the O-SII buffer in a way that closely mirrors the current SRB framework, and to ensure the O-SII buffer can perform the functions that have to date been fulfilled by the SRB. This will help ensure that the overall level of macro-prudential flexibility and financial resilience is maintained.

Systemic Risk Buffer

- 3.15 At present, the FPC can use its powers of direction to direct the PRA to require UK banks, building societies and PRA-designated investment firms to hold additional capital for their exposures to residential and commercial real estate as well as the financial sector. These are called Sectoral Capital Requirements (SCRs).
- 3.16 The FPC also has a power of recommendation, which it could use to recommend that the PRA apply SCRs for a broader range of exposures not covered by its powers of direction.
- 3.17 To date, the FPC has never made a recommendation or direction on SCRs, but they remain an important part of the macro-prudential toolkit as a means of addressing potential targeted risks not fully captured by other tools.
- 3.18 Under existing legislation and rules, if the FPC were to recommend to the PRA that it implement SCRs for a set of exposures that are not covered by the FPC's powers of direction – so anything beyond residential and commercial real estate, and financial sector exposures – the PRA could implement that recommendation by imposing additional Pillar 2 capital requirements (a type of capital that is used to address risks not adequately

captured by Pillar 1 minimum capital requirements).¹ However, CRDV provides that Pillar 2 capital requirements should not be based on systemic risk, meaning that the PRA might not be able to implement SCRs if recommended to do so by the FPC.

- 3.19 CRDV instead amends the SRB to allow it to perform the function of setting SCR's for a range of sectors and sub-sectors. The CRDV SRB must be met with CET1 capital and will form part of institutions' combined buffer requirement. It cannot be used to address the risks posed by systemic importance (as these are already addressed by the O-SII and G-SII buffers respectively).
- 3.20 To ensure the PRA retains the ability to implement any potential FPC recommendations or directions in relation to SCRs, and compensate for the reduced macro-prudential flexibility in relation to Pillar 2 capital requirements, the government intends to legislate to confer on the PRA the power to set SCRs via the SRB in respect of UK banks, building societies and PRA-designated investment firms by reference to a solo or consolidated basis.
- 3.21 The government will be giving further consideration to the appropriate implementation of Articles 133 (11-12), and related parts of Article 131 (of CRDIV as amended by CRDV), in order to ensure the maintenance of the current level of macro-prudential flexibility and the effective operation of the legal framework at the end of the Transition Period in a UK-only context.

Box 3.A: Macro-prudential tools

- 2 Do you have any comments on the introduction of an Other Systemically Important Institutions buffer to replace the powers the PRA currently hold under the Systemic Risk Buffer? Do you have any comments on the PRA being given a power over the CRDV Systemic Risk Buffer to replace its power to implement Sectoral Capital Requirements under Pillar 2 capital requirements?

¹ The overall capital framework for UK banks is explained in a number of Bank of England documents, such as [here](#) and [here](#)

Chapter 4

Holding companies

- 4.1 CRDV applies new requirements for financial holding companies (FHCs) and mixed financial holding companies (MFHCs) to be subject to supervisory 'approval' and to consolidated supervision.
- 4.2 Following post-financial crisis changes to the regulatory framework, large banks are often structured such that business is carried out by a collection of subsidiaries under the umbrella of a single holding company. These holding companies have limited operational responsibilities but instead serve as the parent entity for legal and financial purposes.
- 4.3 For these purposes, the legislation defines:
- A 'financial holding company' as a financial institution, the subsidiaries of which are exclusively or mainly institutions or financial institutions, at least one of such subsidiaries being an institution, and which is not a mixed financial holding company; the subsidiaries of a financial institution are mainly institutions or financial institutions where at least one of them is an institution and where more than 50% of the financial institution's equity, consolidated assets, revenues, personnel or other indicator considered relevant by the competent authority are associated with subsidiaries that are institutions or financial institutions.¹
 - A 'mixed financial holding company' as a parent undertaking, other than a regulated entity, which together with its subsidiaries, at least one of which is a regulated entity which has its head office in the EU, and other entities, constitutes a financial conglomerate.²

Approval of financial holding companies and mixed financial holding companies

- 4.4 CRDV stipulates that holding companies already existing on 27 June 2019 must apply for approval in accordance with Article 21a by 28 June 2021. This is after the end of the Transition Period, when the UK will no longer be bound by EU law. The new Article 21a imposes an approval requirement on holding companies, subjecting them to further and now direct supervisory scrutiny to ensure that such holding companies can be held directly

¹ As defined in Article 4 (20) of REGULATION (EU) 2019/876 –

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0876&from=EN>

² As defined in Article 2 (15) of Directive 2002/87/EC -

<https://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32002L0087&from=en>

responsible for consolidated prudential requirements, without subjecting them to additional prudential requirements on an individual basis.

- 4.5 The government considers, however, that despite the UK not being legally required to transpose these new requirements, they would be beneficial to the UK from a financial stability perspective and therefore the government is in favour of transposition.
- 4.6 Holding companies shall be responsible for providing the PRA with data, which will allow them to grant approval to the holding company.
- 4.7 HMT will, by exercising its 2(2) ECA powers (retained under the terms of the European Union (Withdrawal Agreement) Act 2020), extend powers on the PRA to supervise, monitor, exercise discretions, impose additional requirements - such as fees - and enforce breaches of obligations in respect of holding companies.
- 4.8 HMT intends to create a bespoke approval regime for holding companies, with scope for the PRA to supplement certain operational aspects. These operational aspects will be included for comment in the PRA's own consultation.
- 4.9 The PRA will also be responsible for implementing supervisory measures on holding companies that fail to comply with the regime. To do so, the government intends to transpose the powers included in Article 21a(6) of CRDV, which are:
- issuing injunctions or penalties against the financial holding company or the members of the management body and managers
 - designating, on a temporary basis, another holding company or institution within the group as responsible for ensuring compliance with consolidated requirements
 - restricting or prohibiting distributions or interest payments to shareholders
 - requiring the holding company to divest from or reduce holdings in institutions or other financial sector entities
 - requiring the holding company to submit a plan on return, without delay, to compliance
 - suspending the exercise of voting rights attached to the shares of the subsidiary institutions held by the financial holding company
 - giving instructions or directions to the holding company to transfer to its shareholders the participations in its subsidiary institutions.

Updated primary responsibility for members of management bodies

- 4.10 CRDV updates Article 91 of CRDIV on requirements for members of a management body. The updated Article 91 stipulates that institutions and holding companies shall have the primary responsibility for ensuring that

members of the management body are of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

- 4.11 This places the primary responsibility for ensuring that members of the management body are of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties onto institutions, and holding companies.
- 4.12 Where, as determined by the competent authority, members of the management body fail to fulfil the requirements set out in the updated Article 91, the competent authorities must have the power to remove such members from the management body.
- 4.13 The PRA will be granted an express power to remove members of the management body of institutions and holding companies, exercisable on the basis that an individual member is not of sufficient repute or does not possess sufficient knowledge, skills and experience to perform their duties in line with Article 91.

Box 4.A: Holding companies

- 4 Do you have any comments on the powers the government intends to give to the PRA to enable them to supervise holding companies?
- 5 Do you have any comments on the power the government intends to give to the PRA to remove individuals from management bodies of holding companies under the circumstances given above?

Chapter 5

Equal pay framework and enforcement

- 5.1 The CRD IV introduced several remuneration principles in order to curb excessive risk taking in the financial services sector.
- 5.2 The Directive aimed to implement standards and principles of remuneration at a Union-wide level which reflect the Financial Stability Board's (FSB) Principles for Sound Compensation Practices and Implementation Standards.¹ More specifically, it introduced an express obligation for credit institutions and investment firms to establish and maintain, for categories of staff whose professional activities have a material impact on the risk profile of credit institutions and investment firms, remuneration policies and practices that are consistent with effective risk management.
- 5.3 CRDV offers several amendments to this framework with the goal of promoting 'the sound and effective risk management of institutions by aligning the long-term interests of both institutions and their staff qualifying as material risk takers'. The PRA will address these within its existing rule framework, the detail on which will be open for comment in their consultation.

Equal pay

- 5.4 Article 74 is updated by CRDV to determine that remuneration policies and practices should be gender neutral.
- 5.5 In addition, Article 92(aa) of CRDV stipulates that Member States must ensure that, when establishing and applying the total remuneration policies, inclusive of salaries and discretionary pension benefits, for categories of staff whose professional activities have a material impact on the institution's risk profile, institutions comply with the requirement for the remuneration policy to be gender neutral.
- 5.6 The definition of gender-neutral remuneration is given in Article 3 of CRDV as 'a remuneration policy based on equal pay for male and female workers for equal work or work of equal value'.
- 5.7 The aim of equal pay for male and female workers for equal work or work of equal value is laid down in Article 157 of the Treaty on the Functioning of the European Union (TFEU), in which pay is defined as 'the ordinary basic or minimum wage or salary and any other consideration, whether in cash or in

¹ https://www.fsb.org/wp-content/uploads/r_0904b.pdf

kind, which the worker receives directly or indirectly, in respect of his employment, from his employer'.²

- 5.8 The Equality Act 2010 includes equal pay provisions that makes it a legal requirement for employers to pay the same to men and women who carry out the same jobs, similar jobs or work of equal value. These provisions provide broadly the same protections on equal pay as specified in Article 157 of TFEU and Article 3 of the CRDV. Equal pay cases are enforced through employment tribunals and the courts.
- 5.9 The government considers that the current reporting and enforcement framework that is already in place will be sufficient to ensure firms operating in England, Wales and Scotland comply with their equal pay obligations under CRDV. Therefore, there will be no additional requirements for these firms with regards to reporting, and enforcement will continue via the judicial process.
- 5.10 Equality law has been devolved to Northern Ireland since 1998 and, therefore, we are aware that the Equality Act does not extend to Northern Ireland. The government is working with the Northern Ireland Executive to consider these requirements – and those related to the gender pay gap below - and their application in Northern Ireland.

Gender pay gap

- 5.11 Article 75 of CRDV stipulates that competent authorities shall collect the information disclosed in accordance with the criteria for disclosure established in Article 450(1) of the Capital Requirements Regulation, as well as the information provided by institutions on the gender pay gap, and shall use that information to benchmark remuneration trends and practices.
- 5.12 The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, requires organisations with 250 or more employees to report on:
- the difference between the mean hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees
 - the difference between the median hourly rate of pay of male full-pay relevant employees and that of female full-pay relevant employees
 - the difference between the mean bonus pay paid to male relevant employees and that paid to female relevant employees
 - the difference between the median bonus pay paid to male relevant employees and that paid to female relevant employees
 - the proportions of male and female relevant employees who were paid bonus pay
 - the proportions of male and female full-pay relevant employees in the lower, lower middle, upper middle and upper quartile pay bands.³

² <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12016E157&from=EN>

³ <https://www.legislation.gov.uk/ukdsi/2017/9780111152010>

- 5.13 The Equality and Human Rights Commission are responsible for monitoring compliance and enforcing the gender pay gap regulations.
- 5.14 The government is of the view that this information, provided by institutions, fulfils the requirements in CRDV that information on the gender pay gap is collected and published. Employers that need to report under these requirements have a legal obligation to ensure the data is accessible to the public, including publishing their data on a public-facing reporting service run by the government, and on their own websites.
- 5.15 The PRA will benchmark remuneration trends and practices using this publicly available information, as the competent authority for this activity. There should therefore be no additional reporting requirements placed on firms in England, Wales, and Scotland.

Box 5.A: Gender neutral remuneration framework and enforcement

- 6 Do you have any comments on the government's proposed approach?
- 7 Do you have any comments on the PRA benchmarking remuneration trends and practices using information currently available on the gender pay gap provided by institutions?

Chapter 6

Exemptions

- 6.1 CRDIV contains a list of entities that have been exempted from its scope in Article 2(5). These are public development banks and credit unions in certain Member States. The UK institutions listed consist of: the National Savings Bank, the Commonwealth Development Finance Company Ltd, the Agricultural Mortgage Corporation Ltd, the Scottish Agricultural Securities Corporation Ltd, the Crown Agents for overseas governments and administrations, credit unions and municipal banks.
- 6.2 Article 2(5) of CRDV amends the list of exempted entities. The UK list under CRDV consists of: National Savings and Investments (NS&I), CDC Group plc, the Agricultural Mortgage Corporation Ltd, the Crown Agents for overseas governments and administrations, credit unions and municipal banks.
- 6.3 In transposing CRDV, we will also exempt various EU entities from its scope. However, these exemptions will be examined as part of the process for ensuring that, once these provisions form part of retained EU law, they continue to operate effectively at the end of the Transition Period in a UK-only context. We do not foresee any impact on UK institutions.

Box 6.A: Exemptions

- 8 Do you have any comments on the government's approach to exempted institutions under CRDV?

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
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1 Horse Guards Road
London
SW1A 2HQ

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