

DFSA's Remuneration Thematic Review Key Findings 2013

Agenda

- **Quick Background**
- **Detailed Findings**
- **DFSA's Expectations**
 - **Governance**
 - **Structures**

Introduction – Remuneration Report 2013



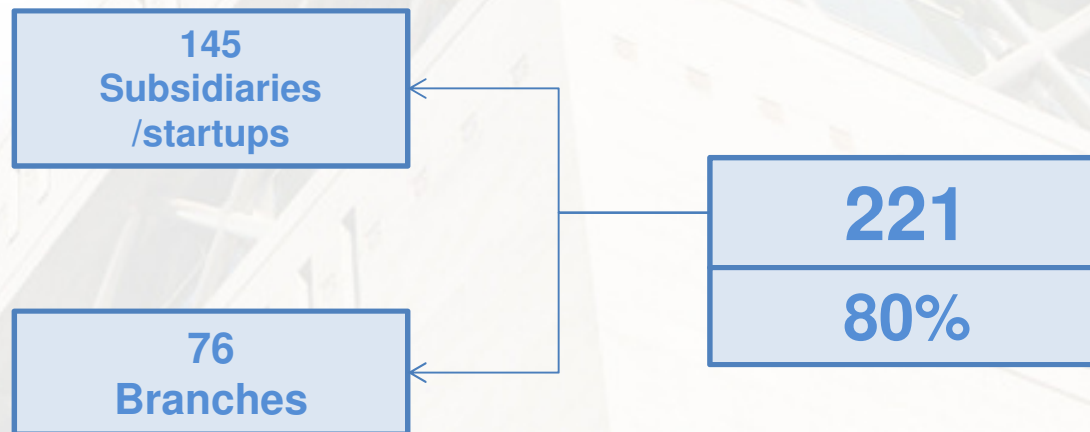
DFSA'S REMUNERATION THEMATIC REVIEW

Key Findings 2013

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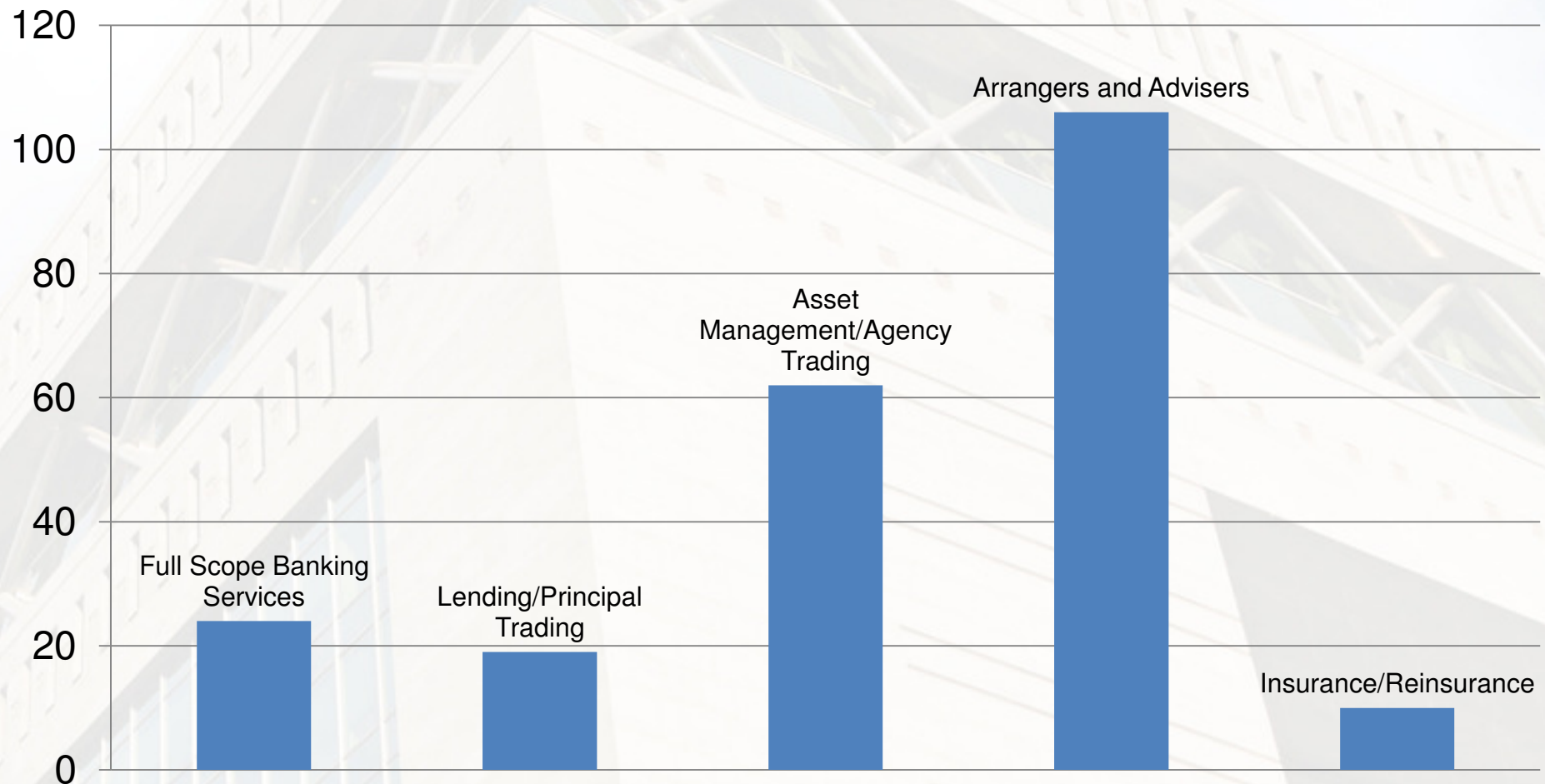
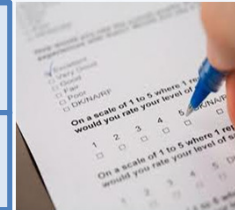
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Background - Participation

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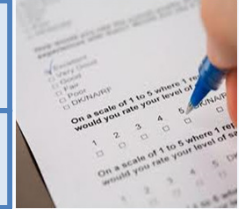
80%



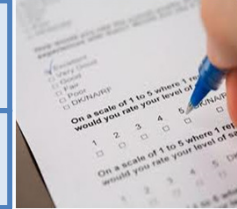
Key Findings

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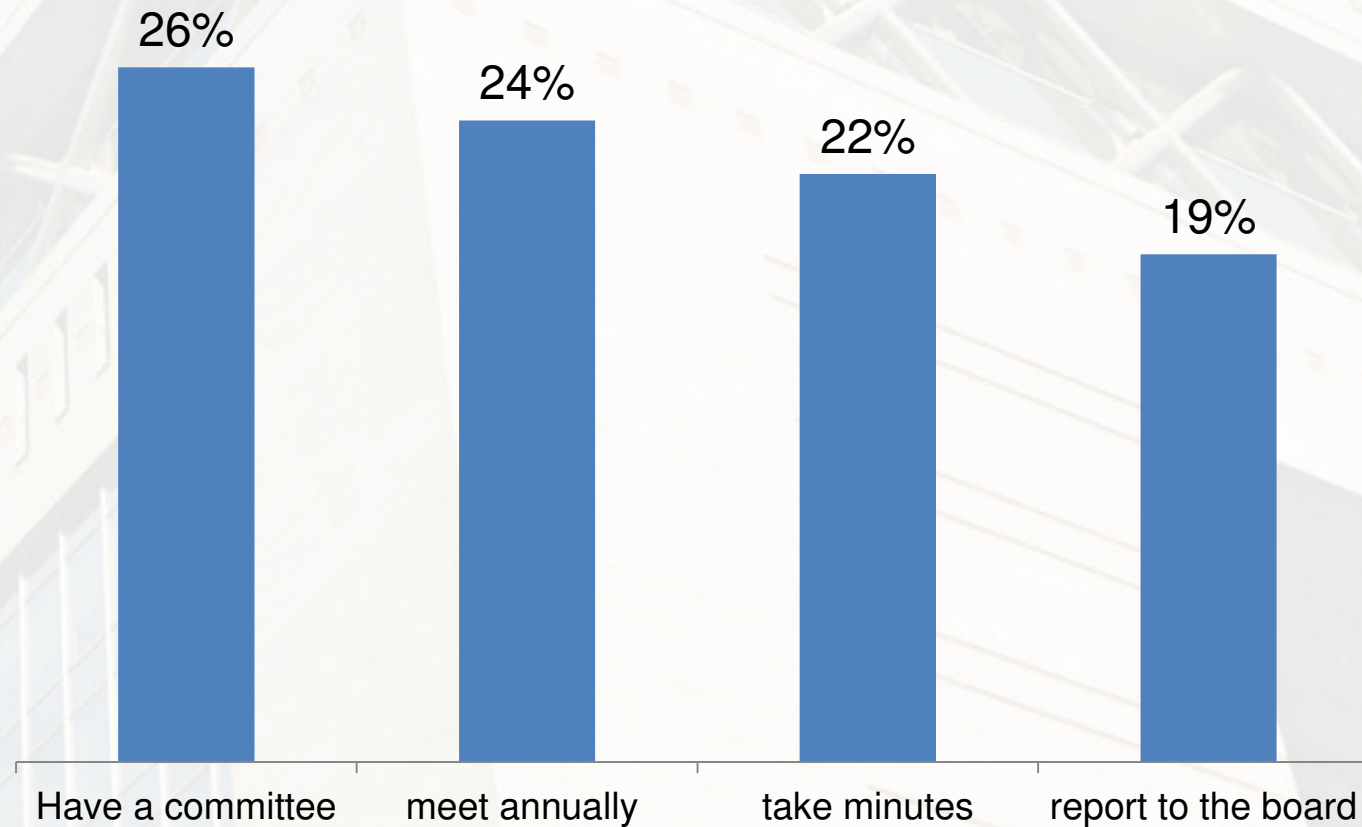
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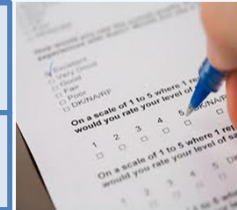


28% consider remuneration a key risk category

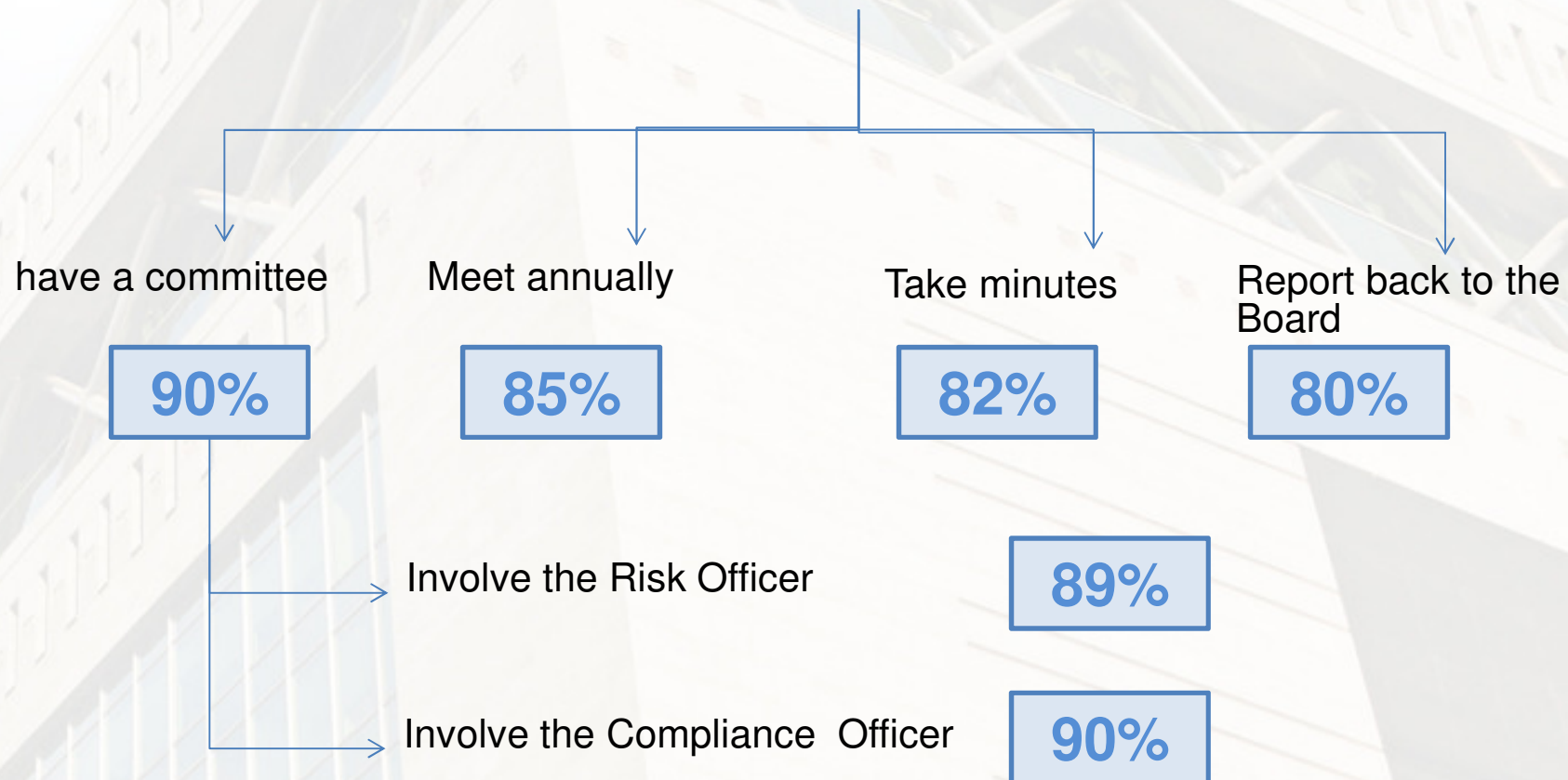


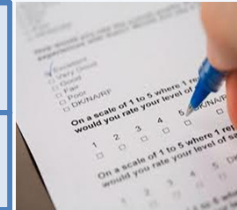
66% of the respondents said that they have a remuneration policy



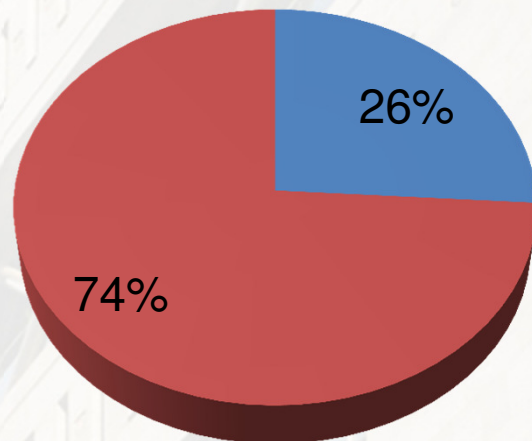


28% consider remuneration a key risk category

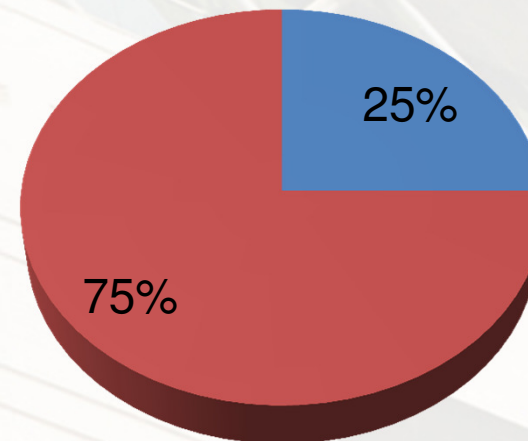




26% involve the
Risk Officer

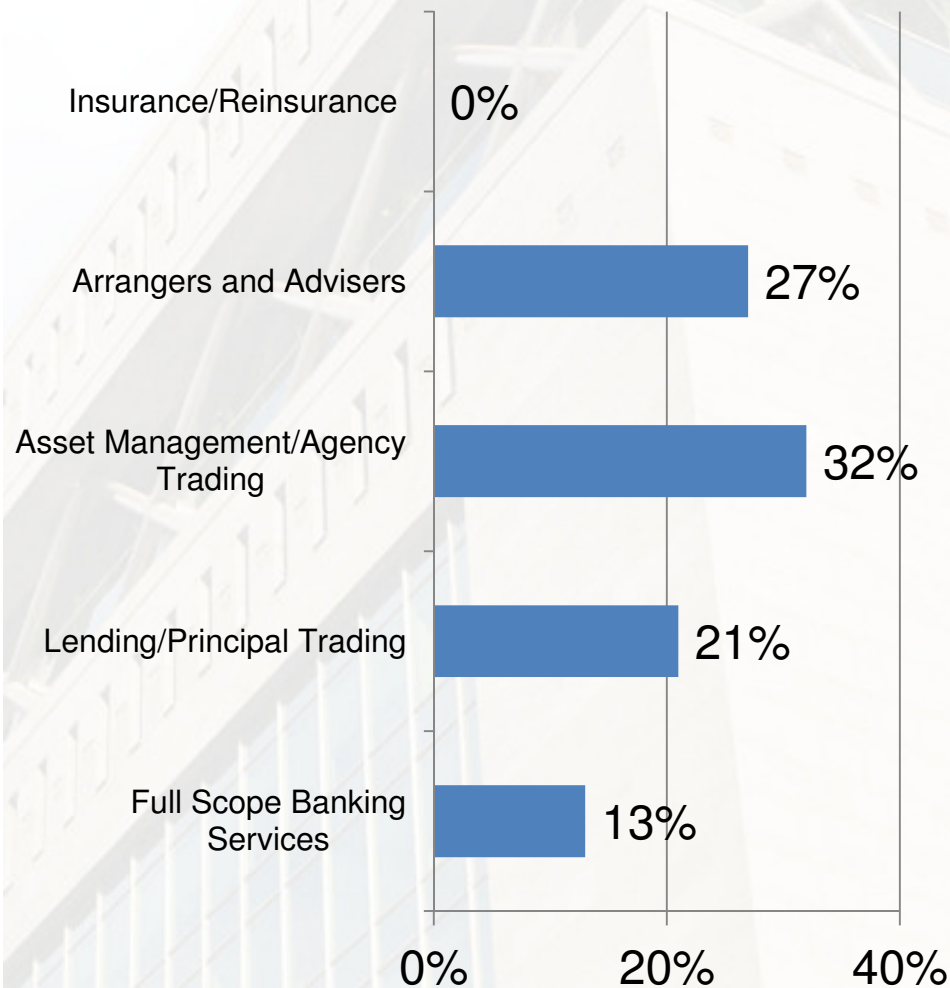


25% involve the
Compliance Officer

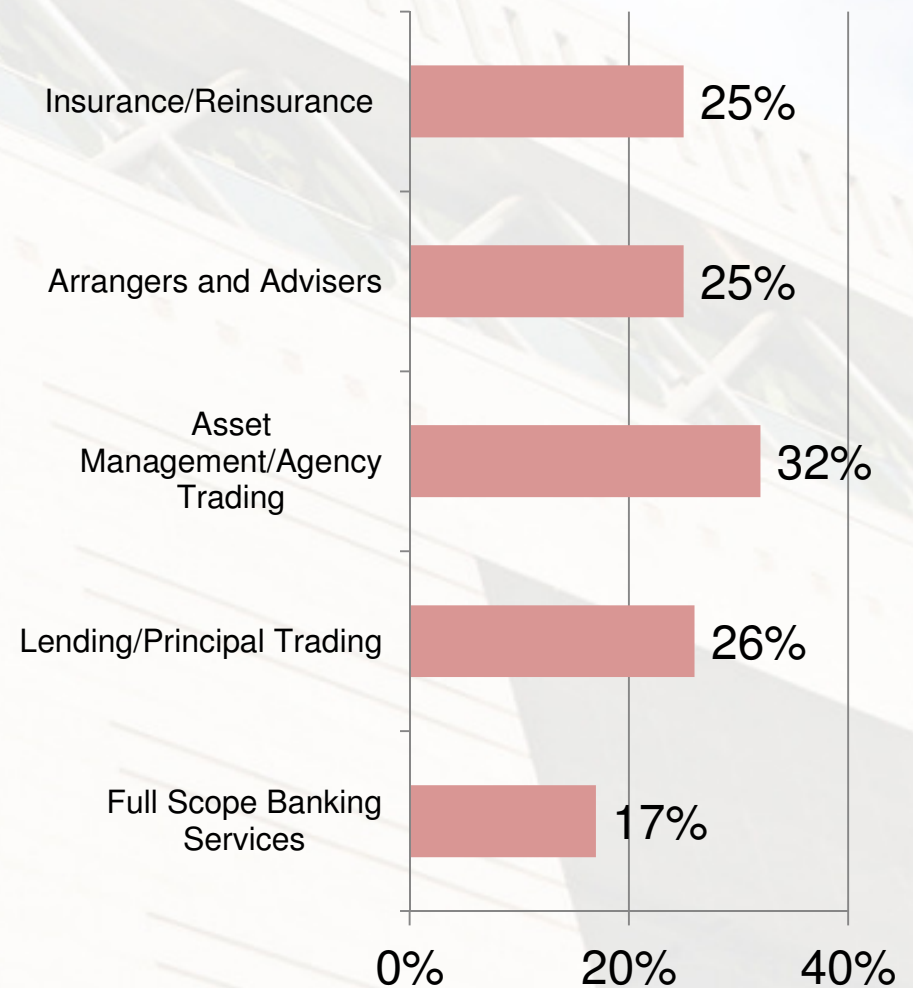


Controls

Compliance Officer



Risk Officer



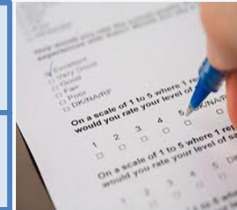
We highly encourage Firms to:

- 1) consider remuneration as a key risk activity
- 2) Include compliance and risk in formulation of the remuneration policy
- 3) Include remuneration activities in the management reporting pack

Key Findings

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80%



Fixed

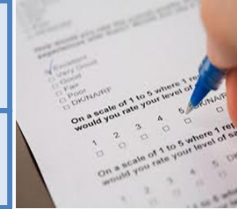
76%

Variable

Key Findings: Current Risks

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80%



Variable components of the compensation was not always clearly defined and the remuneration policy did not always include key individuals.

49%

Treat staff holding various functions differently

18%

treat individual products differently

Key Findings: Future Risks

The overall remuneration of staff lacked a long term view performance

42%

contains deferred compensation scheme

34%

have claw-back arrangements



14%

have separate claw-back provisions for DIFC

Key Findings



Strategic targets



Investors satisfaction



Effective risk management



Effective compliance

62%

Considered other non financial
criteria

We highly encourage Firms to:

- 1) Consider other non financial criteria when evaluating performance
- 2) Consider the long term view performance
- 3) The risk associated with the variable components

– Principle 12

“An Authorised Firm must have a remuneration structure and strategies which are well aligned with the long term interests of the firm, and are appropriate to the nature, scale and complexity of its business”

– GEN 5.3.31 (1)

Remuneration Structure and Controls

– GEN A3.2 Guidance

Best practices related to remuneration (development of structure, policy, performance assessment)



- **Development and monitoring of remuneration**
 - Responsibility of the Governing Body
 - Remuneration Committee
 - Reflected in a documented policy
 - Consistent application

- **Documented Remuneration Policy**
 - Appropriate to the firm's business and size of risk
 - All staff and directors to be covered by the policy
 - Formulated with involvement of key stakeholders, including Compliance and Risk functions
 - Discussed and approved by the Governing Body
 - Reviewed and updated regularly

- **Risk-sensitive Compensation Framework**
 - Separate bonus pools for risk-takers and control functions
 - Performance assessments
 - Where appropriate, long-term horizon for performance-based awards
 - Use of variable vs fixed components

- Disclosure requirement GEN 5.3.31
 - Must be approved by the Board of the Authorised Firm
 - In a format that is available to the DFSA.

GEN 5.3.1

[View whole section](#)[Whole Section PDF](#)**Versions**

(2 versions)



(1) An Authorised Person^G must establish and maintain systems and controls, including but not limited to financial and risk systems and controls, that ensure that its affairs are managed effectively and responsibly by its senior management.

(2) An Authorised Person^G must undertake regular reviews of its systems and controls.

Derived from [DFSA RM01/2004](#) (Made 16th September 2004). [VER1/09-04]
[Amended] [DFSA RM43/2007](#) (Made 1st June 2007). [VER14/06-07]

[« General requirement](#)[GEN 5.3.1 Guidance »](#)

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Conclusion

- Thank you for participation
- Remuneration “Business as Usual”
- Future Thematic surveys



Thank You