

LIBA

LONDON INVESTMENT BANKING
ASSOCIATION



1 October 2009

Sir David Walker
Walker Review
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Sir David

Re: A Review of Corporate Governance in UK Banks and Other Financial Entities

This is a joint response by the London Investment Banking Association (LIBA) and SIFMA Europe to the Review referenced above[?]. Details of our organisations are attached.

We are grateful for the opportunity to comment on the themes and recommendations put forward in the Review of Corporate Governance in UK Banks and Other Financial Institutions [the Review]. As our comments below reflect, our members are most concerned with the Review's recommendations on the Governance of Risk, on Remuneration, and on the application of the recommendations as a whole to UK resident subsidiaries of foreign owned BOFI entities.

Corporate Governance of Risk

We agree with the Review's premise that governance failures at BOFIs contributed in some cases to excessive risk-taking in the lead up to the financial crisis. We agree that the principal deficiencies at BOFI boards were the result of patterns of behaviour, mostly errors of omission, rather than the result of the organization or structure of boards. The

[?] Note that the views and comments pertaining to Recommendations 23 – 27 on the governance of risk are those of LIBA's members only. SIFMA's collaboration extends to views on Recommendations 28 et seq. on Remuneration.

Review is focused on improving the effectiveness of non-executive directors and we support moves to that end (such as improving training and greater flexibility in appointing or retaining people with prior links to the organization). We believe that non executives should have access to all employees and to the resources they need (although it does not make sense to create a parallel, dedicated support group). We are concerned by recommendation 5 which appears to suggest that third party advisors would help the FSA to interview proposed non executive directors: it is not appropriate for employees of competitors or counterparties to be involved in this FSA process.

However, we doubt that it is realistic to assume that there is a large enough pool of sufficiently skilled individuals available and willing to take on the full role proposed for the non-executive directors of all BOFIs of systemic importance. This is particularly true in relation to the non-executive chairman and members of the proposed non-executive board risk committee overseeing complex and diverse businesses. This concern may be addressed in some firms by improving clarity regarding the role and responsibility of NEDs in the area of risk management. Here we note that Higgs and the Combined Code state that in the area of risk “non-executive directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible”.

We therefore caution against placing too much responsibility on non executives who may not be able to meet the very high expectations being raised and who are likely to have growing concerns regarding the liabilities that they may be assuming. The primary focus should remain on having the right culture in place to minimize the risks of significant problems arising, with appropriate involvement and oversight from suitably skilled executives.

We agree that the Combined Code is fit for purpose and that there is no need for primary legislation to address the governance defaults. That is, there is no need to change the unitary board paradigm which places full responsibility for overseeing the enterprise on the board acting as a whole. The Review has prudently stated that flexibility and judgment are necessary to establish a balanced, effective board with appropriate technical and business skills and excellence in teamwork. Hence, the retention of the Comply or Explain approach with respect to the principles of the Combined Code is most appropriate. In our view, a more prescriptive approach would unduly reduce the ability of a board to regulate its affairs in the most effective way in all the circumstances. For example, if the mix of independent, non-executive, and executive board members were fixed, a board would be less able to find the right mix of financial industry capability and high level experience in other industries (cross-fertilisation), given the limited availability of candidates with high-level financial industry experience at a particular time.

Remuneration

Our members are very aware of the point made on page 90 of the Walker Review that, with reference to the financial crisis of the last two years, ‘political, taxpayer and social

tolerance of (finance sector) practices, including unsafe remuneration policies, is understandably low.’

Recognising that the main factors precipitating the significant recent turmoil were fundamental misunderstandings/mis-pricings regarding risk and significant complexity obscuring the effective appraisal of risk positions, remuneration practices and, in particular, their interaction with risk mitigation are appropriately receiving close review as one of several potential secondary contributing factors. The industry has recognised for some time that there is scope for progressive improvement and proportionate regulatory oversight, to ensure that remuneration incentives are better aligned with the effective management of risk and is working closely and constructively with the FSA, and also, globally, with other regulators and internally, to review and improve practices. However, if we are to achieve the aspiration also set out on page 90 of the Review, that the sector is able ‘to contribute to the nation’s economic recovery and wellbeing’, it is important to ensure that regulatory attention remains proportionate and principally focused on remuneration as solely a risk management issue. To do otherwise, risks the capacity of the finance sector to attract and retain talent at the very time when the best minds are needed to drive sustained stability and responsible prosperity in the sector.

It is also important that increased regulatory oversight of remuneration structures does not remove the scope for commercial differentiation and stifle further progressive innovation that may enhance best practices. Consequently, we believe it is critical that regulatory principles on remuneration policies should remain high-level, outcome focused and avoid prescription on structures and other matters where firms should have the flexibility to adopt different approaches.

FSA Code for remuneration practices and the Walker Review

The focus of the FSA’s final Code, published after the Walker Review, is on delivering a regulatory framework for the alignment of remuneration incentives with good risk management, in systemically important financial firms. In our view, the Code addresses the key risk-related remuneration issues in an appropriate and proportionate way, and consequently represents an appropriate and comprehensive regulatory standard on this matter.

Moreover, the FSA’s Code is consistent with the principles for sound compensation practices, finalised by the Financial Stability Board (FSB) on 2 April and endorsed by the G20 leaders at their summit in London. We support a global approach such as that taken by the G20 and believe it appropriate to get to one set of high level principles which form a framework for consistency across jurisdictions. More progress was made towards a global approach with the FSB principles issued at the G20 summit in Pittsburgh . A high degree of alignment among the national regulators is now necessary to maximise the standard’s impact on a global sector where firms frequently span multiple regulatory regimes.

We recognise the Walker Review's focus on enhancing the role of good governance in remuneration practices, it is however important that additional proposals on remuneration do not prescribe specific requirements or create unintended consequences and significant costs, as these are unlikely to be balanced by the perceived benefits and may be damaging to the UK Financial Services industry.

Ideally, the Walker Review should endorse or complement the FSA's platform; maintaining consistency with the FSA's principles-based approach which provides a credible framework for both immediate and continuous improvement.

Our key concerns with the Walker Review are:

- * Insufficient practical recognition of the need for global consistency in corporate governance requirements on remuneration;
- * The degree of prescription in some of the recommendations on remuneration. These are inconsistent with the overall conclusion of the Review that reliance on principles and guidance in parallel with the Combined Code and the FSA Code continues to be preferable to a more specifically rule-based or regulatory approach to corporate governance. This point is particularly pertinent given that some of the recommendations, such as Recommendations 33 and 34, cover the same ground as the FSA Code, but in a more prescriptive way and in a manner implicitly rejected by the FSA during the consultation on its own Code;
- * The potential for some of the recommendations, in particular, the approach to determining which employees are in scope, to distort the labour market for senior financial sector professionals (e.g. through avoidance such as appointing high earners to the Board to minimise disclosures);
- * The proposals for public disclosures that have the potential to threaten the privacy of individuals and create the potential for continuous or seasonal ill-informed and populist public commentary on reasonable remuneration practices; and
- * Imprecision as to which firms or businesses are in scope for the recommendations set out in the Review.

These points are highlighted in the remainder of this response.

Public disclosure of remuneration practices

We support appropriate disclosure of firms' remuneration policies. We believe that appropriate disclosure to relevant external stakeholders with a material interest in a firm can help them to form judgements on a firm's risk profile. However:

- * The nature of the public disclosure should be high-level and no more detailed than the other relevant information that is required currently to be disclosed to shareholders. To do otherwise risks elevating the importance of a firm's remuneration practices above other equally or more important aspects of a firm's business and risk management, to the detriment of good decision making by relevant stakeholders.

- * Any disclosures should not prejudice confidentiality and data protection provisions. Beyond Board level, regular disclosure of a firm's remuneration policy should remain at a sufficient level of generality so as to respect the interests of commercial confidentiality and the privacy of individuals. It should not be possible for the remuneration packages of any individual to be deduced or surmised from external disclosures. We are very concerned that the implementation of the 'bands' may, in their implementation, make such deductions possible, or, at the very least, create the potential for public supposition and conjecture on a regular basis by increasing media attention. The privacy and personal security of individuals and their families may possibly be compromised as a result.
- * More generally, disclosure should be to relevant external stakeholders of the firm. We do not support general and extensive public disclosure of remuneration practices, as the public interest in a firm's approach to risk management is and should be met through the activities of financial regulators.

Scope

In the final report and recommendations, the Walker Review should provide much greater clarity on the firms to which these proposals should apply having regard to international governance and regulatory structures. It is not clear which banks and other financial institutions are in scope, and which are not; greater clarity should be provided, including clarifying the intentions regarding the applicability to non-UK listed entities that are not passported under European Directives but are regulated by the FSA for the provision of financial services.

Comments on Specific Recommendations

Risk Management

Recommendation 23

The board of a BOFI should establish a board risk committee separately from the audit committee with responsibility for oversight and advice to the board on the current risk exposures of the entity and future risk strategy. In preparing advice to the board on its overall risk appetite and tolerance, the board risk committee should take account of the current and prospective macro-economic and financial environment drawing on financial stability assessments such as those published by the Bank of England and other authoritative sources that may be relevant for the risk policies of the firm.

Taking account of the size and complexity of the business undertaken by BOFIs, we agree that it would be appropriate for the boards of BOFIs to establish a separate risk committee with responsibility for setting risk limits and monitoring compliance with them. The risk committee should report back to the board on a regular basis.

However we disagree with the presumption in the Review that the board risk committee would operate in parallel to an "executive risk structure". We believe that flexibility must

be introduced to allow different approaches. For example, the focus of a non-executive board risk committee could be the oversight of risk management, especially systems and execution, rather than direct involvement with the executive risk function as proposed in the Review's recommendations. We anticipate possible disadvantages to maintaining two parallel risk structures within the same organization. Having two structures raises a concern as to selective disclosure of information and the possibility of the board risk committee structure not having the necessary overview of all operations. We are strongly of the view that a risk committee structure embedded in the "control side" of a BOFI (albeit with reporting and input from the business as appropriate) with sufficiently senior people that they comprise an effective counterpoint to the business advocates can (and does already in some BOFIs) provide effective independence comparable to that provided by a non-executive board risk committee with oversight responsibilities.

We believe that the issues to be considered at the risk committee (including market and credit risk, liquidity and capital needs) are sufficiently complex and different to the issues typically covered by an audit committee that very few individuals would have the skills necessary so that they would be appropriate members of both committees. As such, we believe that BOFIs should have flexibility to decide whether or not to have cross memberships (including whether or not the chairman of the audit committee should be a member).

The Review suggests that the risk committee should be chaired by a non-executive and have a majority of non-executive members. However, as is stated in the Review, NEDs cannot be expected to replicate the industry expertise of the executive team; and in our view the suggested efforts to educate and expose non-executive directors to the factors of risk in the company's activities and plans would not in all cases overcome this gap. We believe that it will be very difficult to find non-executives with the degree of experience necessary to enable them to influence the risk profile of the entity in an appropriate way. We would urge that any recommendations allow suitable flexibility so that BOFIs can appoint the best people to the committee rather than having to "tick the box" by appointing people who do not have the right skills.

Provided the risk committee is properly staffed, we believe that there should be flexibility as to organizational structure provided the structure chosen produces the right outcome. Whilst many BOFIs may prefer to have their audit and risk committees reporting separately to the board, others may choose to have the risk committee report to the audit committee (which is then able to report a consolidated view of the various different types of risks affecting the BOFI).

We agree with the recommendation that the risk committee should take into account the macro-economic and financial environment, drawing on financial stability assessments published by the Bank of England and other authoritative sources.

Recommendation 24

In support of board-level risk governance, a BOFI board should be served by a CRO who should participate in the risk management and oversight process at the highest level on an enterprise-wide basis and have a status of total independence from individual business units. Alongside an internal reporting line to the CEO or FD, the CRO should report to the board risk committee, with direct access to the chairman of the committee in the event of need. The tenure and independence of the CRO should be underpinned by a provision that removal from office would require the prior agreement of the board. The remuneration of the CRO should be subject to approval by the chairman or chairman of the board remuneration committee.

We agree that the complexity of the risk function requires someone to fulfill the role of CRO (whether or not having that exact title). This person should be very senior and on the “control side” (and therefore independent from the business units within a BOFI).

We believe there should be flexibility as to the CRO’s status vis a vis the board risk committee. We believe it would be appropriate, for example, for the CRO to be the Chair (or co-Chair) of the Committee, reflecting the importance of the position, should the BOFI wish to organize itself in that way as opposed to having a non-executive board risk committee and Chair. In the latter case, the CRO may be a member of the board risk committee or available to it. In any event, the CRO should have ready access to all members of the committee and to the Board.

Recommendation 25

The board risk committee should have access to and, in the normal course, expect to draw on external input to its work as a means of taking full account of relevant experience elsewhere and in challenging its analysis and assessment.

We agree that the risk committee should have access to external input where it believes it would be beneficial to do so. We anticipate that some BOFIs, particularly those that do not already have a risk committee, may well wish to seek external advice in relation to the structure of the committee and in framing how the committee should operate as a general matter.

As described above, however, we believe that an executive board risk committee would be formed of senior employees who have the skills, experience and day-to-day involvement necessary to enable the committee to perform its functions to the highest level possible. We believe that a group of that type would not need to consult external advisors “in the normal course”. In truth, we believe that it is unlikely that an appropriately staffed executive board risk committee would need to seek external help, except in unusual circumstances (for example, where a new business line was in contemplation and the BOFI did not have the skills necessary to consider the implications). However, a non-executive board risk committee would perhaps have more need for external advice.

Recommendation 26

In respect of a proposed strategic transaction involving acquisition or disposal, it should as a matter of good practice be for the board risk committee to oversee a due diligence appraisal of the proposition, drawing on external advice where appropriate and available, before the board takes a decision whether to proceed.

We agree that it is good practice for the board to undergo an appropriate due diligence process (including external advice where appropriate) where it is considering a strategic acquisition or disposal. The internal group that should carry out that exercise should consist of representatives from appropriate departments within the BOFI, chosen specifically by reference to the nature of the transaction contemplated. It is possible that the entire risk committee might be the right group to oversee the due diligence process. However, in many BOFIs it may be more appropriate for others to take the lead (for example an M&A team), drawing in others whose input is necessary in considering the transaction (bearing in mind the need to restrict the numbers involved to maintain secrecy). We suggest, therefore, that the reference to the risk committee be removed or amended to allow BOFIs to organize themselves in the way which makes most sense.

Recommendation 27

The board risk committee (or board) risk report should be included as a separate report within the annual report and accounts. The report should describe the strategy of the entity in a risk management context, including information on the key exposures inherent in the strategy and the associated risk tolerance of the entity and should provide at least high level information on the scope and outcome of the stress-testing programme. An indication should be given of the membership of the committee, of the frequency of its meetings, whether external advice was taken and, if so, its source.

We support the inclusion of a report by the Board Risk Committee (or board) which would indicate the work undertaken by the committee during the period and describe the risk management strategy of the entity. We agree that the report should give information on the firm's risk tolerance as it relates to the key exposures of the enterprise which should be described. The membership of the committee, the frequency of its meetings and information regarding usage of external advice, if taken, would be helpful to a shareholder.

We are not convinced that meaningful information on the scope and outcome of the firm's stress-testing programme is suitable for inclusion in a public report. The Review recognises that commercial sensitivity will constrain the level of detailed information that can be included in a public report, and we would add that shareholders are not well placed to assess stress-testing *inter alia* because they generally lack the detailed exposure to the BOFI's trading strategies and investments. Our view is that stress-testing is an area over which regulators must shoulder full external oversight responsibility.

We agree with the Review's conclusion that the risk report should not be subject to a non-binding, advisory shareholder resolution.

Remuneration

Recommendation 28

The remit of the remuneration committee should be extended where necessary to cover all aspects of remuneration policy on a firm-wide basis with particular emphasis on the risk dimension.

We support this recommendation with the proviso that a global remuneration committee should have this responsibility, and that there is no requirement to form a local UK remuneration committee.

Recommendation 29

The terms of reference of the remuneration committee should be extended to oversight of remuneration policy and remuneration packages in respect of all executives for whom total remuneration in the previous year or, given the incentive structure proposed, for the current year exceeds or might be expected to exceed the median compensation of executive board members on the same basis.

Recommendation 30

In relation to executives whose total remuneration is expected to exceed that of the median of executive board members, the remuneration committee report should confirm that the committee is satisfied with the way in which performance objectives are linked to the related compensation structures for this group and explain the principles underlying the performance objectives and the related compensation structure if not in line with those for executive board members.

Recommendation 31

The remuneration committee report should disclose for "high end" executives whose total remuneration exceeds the executive board median total remuneration, in bands, indicating numbers of executives in each band and, within each band, the main elements of salary, bonus, long-term award and pension contribution.

These three Recommendations raise the following issues:

- * The recommendations propose a highly specific approach for identifying individual employees below Board level who would fall within the extended oversight of the remuneration committee. This is in contrast to the FSA's approach which is to focus on employees whose activities have or could have a significant impact on the firm's risk profile. In our view the FSA's approach is the correct one. It is not

open to avoidance, cuts to the heart of the remuneration issue (i.e. risk impact may be determined by factors other than remuneration level, for example by role or by seniority) and avoids the potential for unintended outcomes such as those that might arise in years where executive Board members' remuneration is unusually high or low. For example, compensation for Board executives may be reduced significantly in difficult years, therefore a reasonable median would not be determinable in such years and could also result in an abnormally high number of regular employees falling unintentionally within scope for a temporary period of time.

- * We suggest the following alternative drafting:

Recommendation 29

The terms of reference of the remuneration committee should be extended to oversight of the remuneration policy of all employees whose role or seniority results in a material influence on the strategy or risk profile of the company, as determined by the committee.

- * The proposed definition of 'total remuneration' is made complex by the inclusion of pension contributions which vary from country to country, may not reviewed as part of the annual bonus or incentive process and may have reference years that do not perfectly align with the relevant performance / remuneration years. We suggest that a pragmatic approach is taken to the valuation of pension rights for these purposes and would be happy to work with the Walker Review team on this exercise.
- * If Recommendation 29 is re-cast as suggested (i.e. applies to employees whose role or seniority results in a material influence on the strategy or risk profile of the company) and the definitional issues raised by 'total remuneration' are resolved, we agree in principle with Recommendation 30 on the assumption that it applies only to UK listed entities and provisions for others are covered only by Recommendation 32.
- * However, for the reasons set out in our discussion of public disclosure above, we do not agree with Recommendation 31. We do not see that this improves either risk management or provides other benefits. If it is, nevertheless, decided to proceed in this direction, then it will be important for firms to have the flexibility to define bands in the best way to minimise the potential for a breach of personal privacy. Bands should certainly contain no fewer than ten people.

Recommendation 32

Major FSA-authorized BOFIs that are UK-domiciled subsidiaries of non-resident entities should include in their reporting arrangements with the FSA disclosure of the remuneration of "high end" executives broadly as recommended for UK-listed entities but with detail appropriate to their governance structure and circumstances agreed on a

case by case basis with the FSA. Disclosure of “high end” remuneration on the agreed basis should be included in the annual report of the entity that is required to be filed at Companies House.

Subject to our views on Recommendations 29 to 31 above, we support the principle of placing the emphasis on allowing the FSA and the firm to agree an appropriate reporting arrangement to the FSA of necessary information that is relevant to their particular governance structure. However, there is no legal framework for reports to Companies House of the type set out in the Recommendation. For the aforementioned reasons we do not support the increased level of disclosure of such information to Companies House and we suggest this requirement is removed.

Recommendation 33

Deferral of incentive payments should provide the primary risk adjustment mechanism to align rewards with sustainable performance for executive board members and executives whose remuneration exceeds the median for executive board members. Incentives should be balanced so that at least one-half of variable remuneration offered in respect of a financial year is in the form of a long-term incentive scheme with vesting subject to a performance condition with half of the award vesting after not less than three years and of the remainder after five years. Short-term bonus awards should be paid over a three year period with not more than one-third in the first year. Clawback should be used as the means to reclaim amounts in limited circumstances of misstatement and misconduct.

Recommendation 34

Executive board members and executives whose total remuneration exceeds that of the median of executive board members should be expected to maintain a shareholding or retain a portion of vested awards in an amount at least equal to their total compensation on a historic or expected basis, to be built up over a period at the discretion of the remuneration committee. Vesting of stock for this group should not normally be accelerated on cessation of employment other than on compassionate grounds.

We believe that remuneration design should mitigate imperfect risk adjustment through the use of deferral of an appropriate portion of the flexible component of pay against future performance. Indeed, many of our members already pay a substantial proportion of bonuses on a deferred basis and we agree that the use of forfeiture of deferred compensation is appropriate in the circumstances set out in this recommendation. It is also normal practice to require top level executives to maintain a shareholding in the firm.

However, these recommendations are too prescriptive and not aligned with the FSA’s final Code and likely global regulatory developments which are expected to take a more

principles-based approach to linking pay and incentives to long-term behaviour. We also consider that:

- * A firm should be able to establish and defend appropriate deferral levels and periods in line with its business model and risk appetite; one-size does not fit all. The recommendations, as drafted, diminish the remuneration committee's discretion and remit regarding the structure of such policies and will potentially inhibit the evolution of best practice;
- * The prescriptive nature of the recommendations could have an adverse impact on attracting and retaining talent in the UK market, and more generally negate the ability to have an enduring impact as it reduces flexibility in remuneration design where required;
- * It is well understood that employees will significantly discount incentives that are deferred for more than three years. As a result of prescribing significant and lengthy deferrals, firms may increase overall remuneration costs in order to recruit and retain key employees, particularly when competing with non-regulated and /or non-financial sectors;
- * The shareholding requirement is too prescriptive. We support shareholding requirements, but they should be for the remuneration committee to decide in conjunction with the remuneration structure, remuneration levels, role and seniority of the person; and
- * With respect to the vesting of equity on cessation of employment, the wording of recommendation 34 is prescriptive and allows little room for special situations (e.g., termination of employment as a consequence of closure, reorganisation, downsizing or good leaver provisions (including death and disability)).

We suggest these recommendations are redrafted as follows:

Recommendation 33

Deferral of incentive payments should provide the primary risk adjustment mechanism to align rewards with sustainable performance for employees whose role or seniority results in a material influence on the strategy or risk profile of the company as determined by the committee. Incentives should be balanced so that an appropriate portion of variable remuneration offered in respect of a financial year is in the form of a long-term incentive scheme. The vesting period should reflect the reasonable time horizon of the risks as determined by the firm. Flexibility should exist to allow for forfeiture in the event that conduct or judgement results in a restatement of the firm's financial statements or other significant harm to the firm's business.

Recommendation 34

Employees whose role or seniority results in a material influence on the strategy or risk profile of the company as determined by the committee should be expected to maintain an appropriate interest in the shares of the firm, as determined by the

remuneration committee. Vesting of stock for this group should not normally be accelerated on cessation of employment other than in special circumstances (for example, termination of employment as a consequence of closure, reorganisation, downsizing or good leaver provisions (including death and disability)).

Recommendation 38

The remuneration consultants involved in preparation of the draft code of conduct should form a professional body which would assume ownership of the definitive version of the code when consultation on the present draft is complete. The proposed professional body should provide access to the code through a website with an indication of the consulting firms committed to it; and provide for review and adaptation of the code as required in the light of experience.

This a further matter where establishing global alignment will be an important prerequisite to reaching final conclusions. In particular, it is not clear that the current US and the UK approaches to this matter are aligned, which they should be if any regulation is to be effective.

International Dimension

Risk Management by UK Resident Subsidiaries of Foreign owned BOFIs

The principal focus of the Review is on the governance of entities that are listed on the London Stock Exchange. The Review states that BOFIs which are foreign owned could take into account the best practices (the Review's recommendations) to the extent that they are appropriate to their circumstances and can be accommodated within understandings between regulators on regulation and supervision of international corporate structures.

The Review also postulates that many of its recommendations should be at least broadly applicable to UK resident subsidiaries and that the applicability of other recommendations will depend in part on progress toward international convergence in corporate governance standards. We believe this is likely to be a consideration where there are listed UK resident subsidiaries. For unlisted subsidiaries, many recommendations are not applicable (for example 14 to 22 which relate to institutional shareholders) and many others are not appropriate in their current form. We agree that it will be important to ensure that the approach adopted (and the timing of adoption) needs to be consistent with developing international practice.

We understand that the FSA is likely to be publishing its views on the applicability of the Review's recommendations to subsidiaries in the next month or so. Rather than giving our detailed views in this response we intend to wait for the FSA's paper and respond to that.

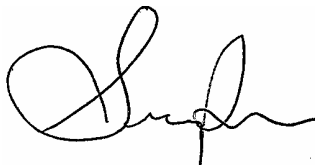
Remuneration

The financial services industry operates in a global and highly competitive market. Without a co-ordinated international approach, reform will be difficult to implement consistently and will have only a limited effect.

Therefore we clearly support the point made both in this Review and by the FSA that international alignment of remuneration regulation is essential if the UK is to remain a competitive financial centre. However, some of the remuneration recommendations in this Review go further than the FSB Principles and the final FSA Code, the latter of which was revised in recognition of the importance of global consistency. Consequently, in making final recommendations, it is very important that this Review explicitly consider each recommendation against the direction being taken by other major regulators.

We are pleased to have had the opportunity to consider and respond to the thoughtful recommendations in the Review. We would be happy to discuss the issues raised by this Review or our response, if that would be helpful to you or your team.

Yours sincerely



Samantha Barrass
Director, LIBA



William Ferrari
Director, LIBA



Lorraine Charlton
Managing Director, SIFMA

About our associations:

LIBA is the principal trade association in the United Kingdom for firms which are active in the investment banking and securities industry. The Association represents its members on both domestic and international aspects of this business, and promotes their views to the authorities in the United Kingdom, the European Union, and elsewhere. More information LIBA is available at www.liba.org.uk

SIFMA brings together the shared interests of more than 650 securities firms, banks, investors, and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services, and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in London, New York, Washington DC, and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong. More information about SIFMA is available at www.sifma.org