

# Cap on bankers' bonuses to be abolished next week

The cap on bankers' bonuses is to be abolished, the financial services regulatory body has announced.

From 31 October, EU rules that limit bonus payments to twice a banker's salary will be removed, the Prudential Regulatory Authority (PRA) said.

The policy change was initially announced by former chancellor Kwasi Kwarteng in the infamous September mini-budget of the Liz Truss premiership.

It was one of the few announcements to be retained when Chancellor Jeremy Hunt took charge of the Treasury.

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City executives had complained that the cap was a barrier to

recruiting and retaining quality workers, and London was losing out on talented staff as a result.

From next week there will be no legislative barriers on bonus payments for employees of banks, building societies and major investment firms that are regulated by the PRA.

The move is being made to deal with what the PRA and Financial Conduct Authority (FCA) said are “unintended consequences” of the cap, namely that salaries have been increased.

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Having high fixed yearly payments, rather than variable bonus sums, makes it harder for firms to adjust to times when financial performance is poor or to react to potential misconduct by a senior executive, a statement by the bodies said.

The announcement follows a period of consultation conducted by the PRA.

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A spokesperson for the Treasury said, “Decisions on remuneration in the banking sector are for the PRA as the independent statutory regulator.”