



Looking Ahead To 2021:
Moving Beyond Brexit In Financial
Services Regulation

Webinar

Wednesday, 16 December 2020





A Word From The Chairman



**Professor Michael
Mainelli**

Executive Chairman

Z/Yen Group



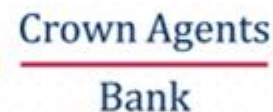


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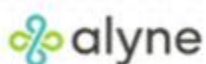
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Programme



- 12:00 – 12:05 Introduction
- 12:05 – 12:30 keynote address by Mark Simpson and Jeremy Edwards
- 12:30 – 12:45 Questions from the audience



Looking Ahead To 2021:
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Jeremy Edwards

Partner and
Head of Employee
Benefits Group

Baker & McKenzie
LLP



Mark Simpson

Partner - Financial
Services &
Regulatory Group

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Services Limited

Baker McKenzie.

Looking Ahead to 2021

Moving Beyond Brexit in Financial Services Regulation | Wednesday, 16 December 2020



Introduction



Mark is a partner in the Financial Services & Regulatory Group in the London office where he practices in the areas of financial regulation, financial crime, and regulatory investigations. He is a member of the Firm's EMEA Financial Services & Insurance Steering Committee, as well as its Global Funds and FinTech Groups. He participates actively in industry bodies including the Alternative Investment Managers Association. He has authored a number of articles and other publications, most notably acting as a general editor of and contributor to the International Guide to Money Laundering Law and Practice, and A Practitioner's Guide to the Law and Regulation of Financial Crime.

Mark advises on a wide range of financial services legal and regulatory issues. Clients who he works for include asset managers, banks, broker-dealers, payment and e-money institutions, insurers and brokers, and FinTechs. He advises throughout the lifecycle of regulated businesses - on launch and authorisation, global expansion, business and product innovation, new regulatory developments, and on responding to regulatory enquiries and investigations. He also advises on corporate and commercial transactions in the financial services sector. His experience spans the full scope of EU and UK financial regulations, covering prudential as well as conduct of business requirements, anti-money laundering and financial crime. As well as his commercial client base, Mark has advised governmental bodies on the development of financial services laws.

Introduction



Jeremy Edwards is a partner and the head of the Employee Benefits Group in Baker McKenzie's London office. He advises on all aspects of employee share plans and employee taxation. Jeremy has over 24 years' experience as a share plan lawyer and two years' experience as a corporate lawyer. He is currently serving on the advisory panel of ProShare and is a regular speaker at share plan conferences held in the United Kingdom.

Jeremy has substantial UK experience, including implementing plans for UK-listed companies and dealing with issues arising for UK-listed companies, including advising on executive remuneration developments, UK tax issues and the position on cessation of employment and dealing with share plans in the context of corporate transactions. He has extensive experience in connection with the implementation of share plans globally and working with multinational clients.

Agenda

1 Introduction

2 Brexit Overview

3 Policy

4 Investment Funds Regime

5 FS Remuneration – Key Topics

6 Remuneration & Brexit (General and CRD V)

7 COVID-19 Remote Working and CGT

8 Q&A

EU and UK regulatory considerations

Brexit Overview



EU and UK policy initiatives



CMU



EU Startup Nation Standard



Digital Finance Strategy



ESAs short-termism reports



ESG



Open Finance



Future UK financial services framework

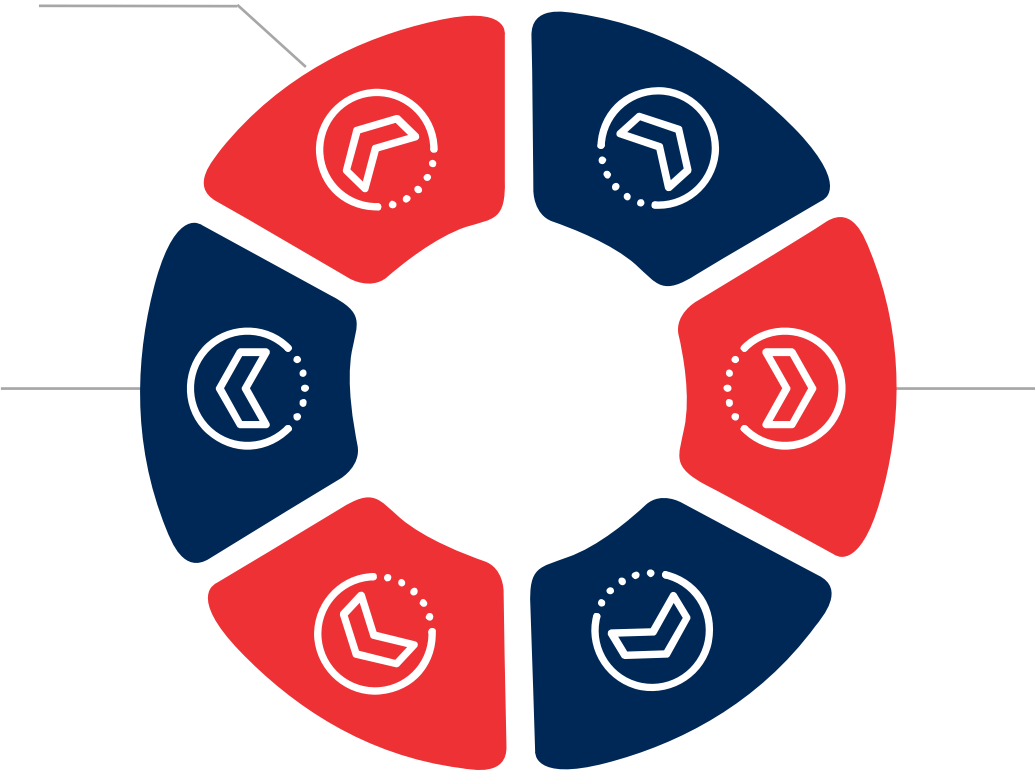
UK Investment Funds Prudential Regime

Regulation

Expected to apply from 1 January 2022

FCA CP1 launched 14 Dec, RemCode in CP2 expected Q2 2021

UK government intends to use IFR/IFD to “kickstart”



New RemCode replacing IFPRU and BIPRU codes

RemCode based on IFD provisions with FCA guidance

EU RTS vs FCA outcomes-based approach?

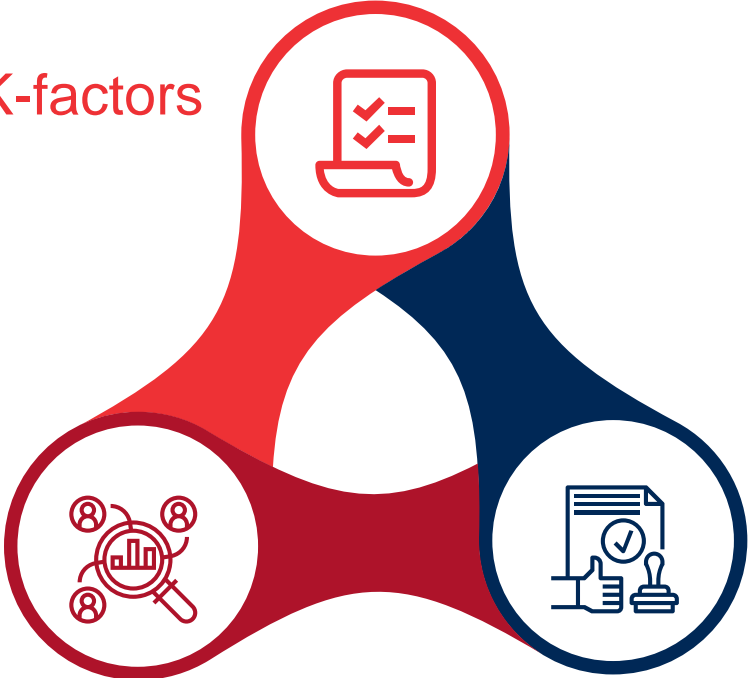
EU IFD/IFR regime

Investment Funds Regime

Major changes:

Investment firm reclassification

K-factors



New remuneration and governance rules



Applies in the EU from 26 June 2021

Will not apply in UK



EU IFD/IFR regime - remuneration

Investment Funds Regime

- Some divergence from equivalent rules under the CRR and CRD, e.g. gender balanced remuneration committees and no “bonus cap”
- Scope of remuneration requirements is a key change - where the firm hits certain size triggers, pay-out process rules will need to be applied to any individual whose annual variable remuneration exceeds EUR 50,000 for example
- Firms newly caught should be thinking about what may be required in terms of new responsibilities for their remuneration committee or revisions to employment contracts:

1

What type of event might require adjustments to variable remuneration

2

Whose variable remuneration actually gets adjusted?

3

How should the adjustment be communicated?

Financial Services Remuneration – Key Topics

Regulation - Capital Requirements Directive V
("CRD V")

Regulation - Implementation
of Investment Firms
Prudential Regime

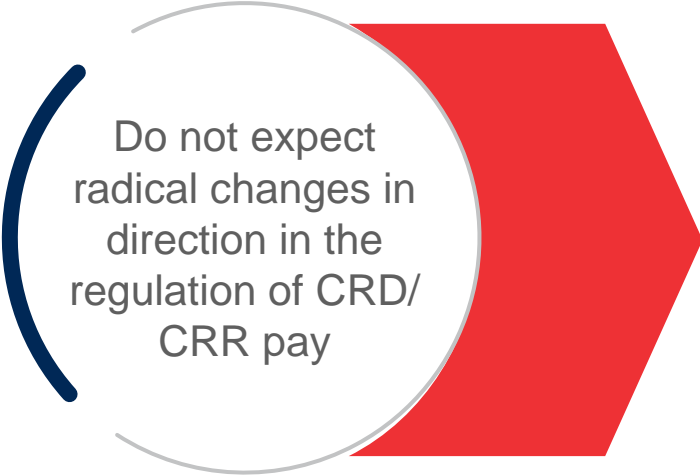


Impact of COVID-19

Changes to CGT regime in
the UK

Capital Requirements Directive V


Regulation



Do not expect radical changes in direction in the regulation of CRD/ CRR pay



The UK is committed to implementing CRD V Directive before Brexit (31 December 2020)




9 December 2020 - PRA published a Policy Statement on the implementation of CRD V Directive


Capital Requirements Directive V

Regulation

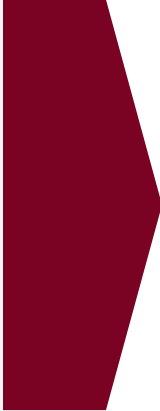
Firms must adopt remuneration policies that are consistent with and promote sound risk management, eliminating incentives towards excessive risk-taking, and aligning employee incentives with the longer-term interests of the business, while taking account of the timeframe over which financial risks crystallise



PRA expects all firms to continue to make every effort to comply with all aspects of the EBA's 2015 Guidelines, and all existing domestic requirements.



PRA provides additional clarification of its expectations regarding a number of specific remuneration requirements.



Remuneration & Brexit (General)

**Agreement with
the EU still
not reached**

**UK companies
can still launch
share plans into
the EU**

**Impact on
data transfers**

**Social security
contributions**

**Effect on
Administrators**

**Be prepared-
even if no deal**



COVID-19 – Impact - Remote Working



Challenges



What other companies say and do

Winmark report on mobility and homeworking

winmark



VP of Tax

"We'll likely embed a **practice of long-distance, remote working**, where a person is not physically located in the country where they would otherwise be (...). As a result I expect we'll need to have a lot more inter-company service agreements (...). This will create an **increase in intercompany recharges, thereby increasing the admin** of this."



Worldwide Tax & Treasury Director

"We are **prescriptive** and will continue to be so in the future to manage our tax risks (in particular of creating new taxable presences) (...). Our view is that **a more relaxed policy quickly becomes impossible to manage** and the tax risk significantly increases."



Principal EMEA Tax

"We **work closely with our global mobility team** (which is part of HR) (...). There are often employer and employee tax considerations which the global mobility team feed into the decision too."



Group Tax Director

"We are currently taking the line that people can only work outside their contractual country if they have **really exceptional circumstances**, e.g. stranded as a result of lockdown, critically ill family member etc. We do, however, have a working party looking at this issue and may change our position. The problem will be the additional resources required, e.g. **payroll, HR resource, extra soc sec costs etc.**"



Head of Tax EMEA

"We are in the process of **implementing an EMEA-wide policy** which requires anyone wishing to work outside their "home"country (...) to make a formal request, which is passed through to both the payroll and the corporate tax teams (...) which enable us to make an initial **assessment of risk regarding employment duties or PE creation/attribution.**"



Head of Tax

"Clearly, **PE and employee/payroll taxes are key risks**. We are currently reviewing our policies on this, but are **likely to discourage it** due to tax, compliance and insurance risks, but will probably overlay with a case by case exceptions approach."

compliance

social security, audit, regulation, immigration, business, law, manager, advisor, regulator, policy, quality, harmony, planning, illegal, control, document, equality, Home Office, compliant, regulate, strategy, guidance, dedication, internal laws, flexibility, rule, auditing, evaluation, fair, accord, duty, assessment, security, requirements, regulator, manager, advisor, regulator, duty, assessment, security, requirements

Remote Working





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Questions & Comments



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The Esop Centre's *newspad*, edited by Fred Hackworth, is a monthly publication providing in-depth coverage of the main international news in the employee share ownership field.

NB Reminder: The email address of Fred Hackworth, editor of *newspad*, has now changed to: fred_hackworth@zyen.com (please note the under-score). Please send all press releases, company bulletins and news items for *newspad* to the above address. Thank you.

December 2020

In this month's edition:

- Share plans threatened by big CGT rise plan
- Exec bonus culture decried by CEO
- Company pensions revolt looms
- Pandemic job cuts
- EMI continues post-Brexit transition
- Centre webinars: Reassessing how to manage share plans in a digital way and Insights into share valuation for employee share schemes
- Register now for online Centre share plans symposium: March 23-25
- Enter your best share scheme for the newspad 2020 Awards

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FS Club Bulletins

From 43,000 curated sources, you get a machine summary of the key point(s) from forward-looking articles, not just article titles:

CBO
 Progress Change in the Next Decade of Sustainable Development Goals by 2030

(LF.10) Reduced Inequalities

In September 2015, 193 world leaders agreed to 17 Global Goals for Sustainable Development. If these Goals are completed, it would mean an end to extreme poverty, inequality and climate change by 2030.

Goal 10: Reduce inequality within and among countries.

- If the distributions of income, access to education, and labor force follow CBO's projections, income inequality will be greater in 2030 than it was in 2015.
- High growth over the past decade has been based on unsustainable resource exploitation, allowing the resulting growth in inequality and environmental cost will be critical to ensure social stability and to ensure strong sustainable growth in the coming decade.
- The increase in inequality observed in the last 20 years is a warning threat to France's social contract.
- America's polarized political environment is pushing a tax plan that will further increase economic inequality at a time when income and wealth gaps are already widening.
- A failure to give the world's poorest nations control over their bodies could widen inequality in developing countries and divert progress towards global goals aimed at ending poverty by 2030.
- Under French leadership for G7 group of 7, target advanced economic plan for European Union will focus on fighting inequality, including poverty, income inequality, and climate change.
- Leadership might require companies to take positions and advocate for change on global inequality - including by work poverty.
- Advancing the 17 Sustainable Development Goals - which include clean water, clean energy, sustainable cities, climate action, responsible consumption, reduced inequality and more - could open a market opportunity of \$4 trillion by 2030.
- The next decade offers an opportunity to address Africa's urban poverty and inequality and shape development priorities to ensure that urbanization helps foster wealth, productivity, livable and sustainable cities.
- In Africa and in the LDCs, eradicating poverty by 2030 will require both double-digit GDP growth and dramatic declines in inequality, illustrating the scale of the current challenges faced.
- The economic catch up of Asia and the West will continue in the coming decade - thereby reducing global inequality among countries and among social classes.

(FS.3.05) Employee Share Ownership

Consolidating 75 percent of the 2020 global workforce will be Millennials and Generation Z. It's critical that organizations keep a pulse on employee engagement and it's a way that's consistent with how the emerging generations communicate.

- 2019 will see a continued evolution in designers' understanding of workplace optimization with design that boosts office morale and employee wellness while facilitating a creative work environment.
- By 2026, Customer Predicts Twice as Many Employee-On-Call Devices Used for Work than Enterprise-Owned Devices. With proposed revisions to the UK Corporate Governance Code, from 2020, companies will be required to report on employee engagement, as international entities this year by Financial Reporting Council.
- For UK business leading in better customer service attitudes that drive employee turnover and increase retention, using AI to provide insights into employee engagement will be crucial.
- By 2025, Artificial Intelligence (AI) will allow the rate of innovation in New Zealand to double. Employee productivity gains are expected to increase 1.4 times.
- Artificial Intelligence will double the rate of innovation improvements and improve employee productivity gains by 1.5 times in New Zealand by 2025.
- UK health benefit costs per employee will increase 4.1% next year - slightly higher than inflation and less than the double-digit increases seen in years past.
- With a tight labor pool, small businesses will find 2019 is the year to focus on employee engagement and happiness.
- Nearly 30 percent of companies also expect that automation will lead to some reduction in their full-time workforce by 2025, based on the job profiles of their employee base (10%).
- Employee wellness has been on trend for years, but expect to see some high-tech changes in 2019.
- By 2025, automation and artificial intelligence will reduce employee engagements in business shared-service centers to 85 percent, which says the RPA market will top \$1 billion by 2025.
- This year, more organizations will look to employee scheduling software to solve problems around creating, publishing and managing employee schedules that include options to open shifts or reduce overtime and improve data on when to hire/flexibly customer needs to optimize worker output.

Bill Need A Plan? Here's How To Create Your Company's COVID-19 Response Plan

COVID-19: The Ultimate Talenting Exercise

Assessing Incentives in a Compliance & Ethics Program

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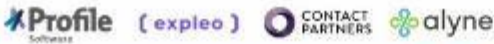
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- 21 December 2020 (15:00)** **The Future Of Ageing Societies Will Be Nothing Like The Past**
- 05 January 2021 (11:00)** **Brexit & Trade – New Ways Of Dealing With Paperwork**
- 07 January 2021 (11:00)** **Charting A New Chapter: How To Establish And Maintain a Portfolio Career**
- 11 January 2021 (11:00)** **The Share Valuation Worked Examples Group In The Changing Valuation Landscape**

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