



## The end of the SIGN-ON bonus

The “sign-on bonus ban” has become reality as Board Notice 146/2014 was published on 4<sup>th</sup> December 2014, incorporating its provisions into the General Code of Conduct (the Code) and amending the Code. Although this was dealt with separately, the issue of sign-on bonuses was addressed in the RDR discussion paper, and supports the objective of addressing conflicts of interest and promoting fair competition.

The amendment provides that:

- A Category I provider that is authorised or appointed to give advice may not receive a **sign-on bonus** from any person.
- No person may offer or provide a sign-on bonus to any person, other than a **new entrant**, as an incentive to become a Category I provider that is authorised or appointed to give advice.

Masthead, along with other commentators, submitted comments in response to the draft amendments and the FSB addressed several concerns raised by the industry regarding the draft amendment released earlier this year.

The amendment defines:

- “**sign-on bonus**” as any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider; and includes, but is not limited to, compensation for potential or actual loss of any benefit including any form of income, or part thereof; or cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or a loan, advance, credit facility or any other similar arrangement.
- “**new entrant**” as a person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider.

The Registrar, as regards **providers who are not new entrants**, recognises that industry may have to restructure remuneration arrangements to provide for basic salaries. Therefore the prohibition does not restrict a provider from structuring its **remuneration arrangements** in such a manner that it provides for a basic salary. However, such remuneration arrangements must be equally available to all employees and not only a select few.

Whether or not a remuneration arrangement amounts to a sign-on bonus is a factual question that will be considered against the provider's normal remuneration arrangements, the extent and equivalence of participation by all employees and whether the arrangement is commensurate to the services being provided.

Please [click here](#) to download BN 146 of 2014 and [click here](#) to view the Response of the FSB to Comments Received.

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