

VARIANSE

ELECTRONIC TRADING. **ELEVATED**

## 1. Purpose

VARIANSE a trading name of VDX Limited ("VARIANSE", "VDX", "we") is a company registered in England and Wales and authorised and regulated by the Financial Conduct Authority ("FCA") with firm number 802012.

The aim of the Remuneration Code is to ensure that VARIANSE has risk-focused remuneration policies which are consistent with and promote effective risk management and do not expose them to excessive risk. It expands upon the general organisational requirements in the Financial Conduct Authority's ("FCA") Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC") chapter 4.

The Remuneration Code also fulfils the FCA's duty under section 139A of the Financial Services and Markets Act 2000 ("the Act") - General rules about remuneration, to have rules requiring certain firms to have and act in accordance with a remuneration policy which is consistent with the effective management of risks and with the Financial Stability Board's ("FSB") Compensation Standards.

## 2. Notifications to the FCA

The Remuneration Code does not contain specific notification requirements however general circumstances in which the FCA expects to be notified by firms of matters relating to their compliance with requirements under the regulatory system are set out in their Supervision Sourcebook ("SUP") chapter 15.3.

In particular, in relation to remuneration matters such circumstances should take into account unregulated activities as well as regulated activities and the activities of other members of a group and would include each of the following:

- Significant breaches of the Remuneration Code, including any breach of a rule to which the detailed provisions on voiding and recovery in SYSC 19A Annex 1 apply;
- Any proposed remuneration policies, procedures or practices which could:
- Have a significant adverse impact on VARIANSE's reputation; or
- Affect the firm's ability to continue to provide adequate services to its customers and which could result in serious detriment to a customer of VARIANSE; or
- Result in serious financial consequences to the financial system or to other firms;
- Any proposed changes to remuneration policies, practices or procedures which could have a significant impact on the firm's risk profile or resources;
- Fraud, errors and other irregularities described in SUP 15.3.17R which may suggest weaknesses in, or be motivated by VARIANSE's remuneration policies, procedures or practices.

Such notifications should be made immediately VARIANSE becomes aware or has information which reasonably suggests such circumstances have occurred, may have occurred or may occur in the foreseeable future.

### 3. General Requirement - Remuneration policies must promote effective risk management

VARIANSE must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

If the firm's remuneration policy is not aligned with effective risk management it is likely that employees will have incentives to act in ways that might undermine effective risk management.

The Remuneration Code covers all aspects of remuneration that could have a bearing on effective risk management including salaries, bonuses, long-term incentive plans, options, hiring bonuses, severance packages and pension arrangements. In applying the Remuneration Code, VARIANSE should have regard to applicable good practice on remuneration and corporate governance, such as guidelines on executive contracts and severance produced by the Association of British Insurers ("ABI") and the National Association of Pension Funds ("NAPF"). In considering the risks arising from its remuneration policies the firm will also need to take into account its statutory duties in relation to equal pay and non-discrimination.

As with other aspects of VARIANSE's systems and controls, in accordance with SYSC 4.1.2R remuneration policies, procedures and practices must be comprehensive and proportionate to the nature, scale and complexity of the common platform firm's activities. What VARIANSE must do in order to comply with the Remuneration Code will therefore vary e.g., while the Remuneration Code refers to a firm's remuneration committee and risk management function, it may be appropriate for the governing body of a smaller firm to act as the remuneration committee and for the firm not to have a separate risk management function.

The principles in the Remuneration Code are used by the FCA to assess the quality of the firm's remuneration policies and whether they encourage excessive risk-taking by VARIANSE's employees.

The FCA may also ask remuneration committees to provide the FCA with evidence of how well the firm's remuneration policies meet the Remuneration Code's principles, together with plans for improvement where there is a shortfall. The FCA also expects relevant firms to use the principles in assessing their exposure to risks arising from their remuneration policies as part of the internal capital adequacy assessment process ("ICAAP").

The Remuneration Code is principally concerned with the risks created by the way remuneration arrangements are structured, not with the absolute amount of remuneration, which is generally a matter for the firm's remuneration committee.

The specific remuneration requirements in this chapter may apply only in relation to certain categories of employee. But the FCA would expect firms, in complying with the Remuneration Code's general requirement, to apply certain principles on a firm-wide basis. In particular, the FCA considers that VARIANSE should apply the principle relating to guaranteed variable remuneration on a firm-wide basis.

The FCA would also expect the firm to apply at least the following principles on a firm-wide basis:

- Remuneration Principle 1 - Risk Management and Risk Tolerance;
- Remuneration Principle 2 - Supporting Business Strategy, Objectives, Values and Long-term Interests of the Firm;
- Remuneration Principle 3 - Avoiding Conflicts of Interest;
- Remuneration Principle 4 - Governance;
- Remuneration Principle 8 - Profit-based Measurement and Risk Adjustment;

- Remuneration Principle 9 - Pension Policy;
- Remuneration Principle 10 - Personal Investment Strategies;
- Remuneration Principle 12(e) - Payments Related to Early Termination; and
- Remuneration Principle 12(g) - Deferral.

#### **4. Record Keeping**

In line with the record-keeping requirements in SYSC chapter 9, VARIANSE should ensure that its remuneration policies, practices and procedures are clear and documented. Such policies, practices and procedures would include performance appraisal processes and decisions.

#### **5. Remuneration principles for Investment Firms**

##### **5.1 Application: Groups**

The firm must apply the requirements of this section at group, parent undertaking and subsidiary undertaking levels, including those subsidiaries established in a country or territory which is not an EEA State.

VARIANSE must ensure that the risk management processes and internal control mechanisms at the level of any UK consolidation group or non-EEA sub-group of which it is a member comply with the obligations set out in this section on a consolidated or sub-consolidated basis.

##### **5.2 Application: Categories of staff and proportionality**

This section applies in relation to all Remuneration Code staff.

When establishing and applying the total remuneration policies for Remuneration Code staff, VARIANSE must comply with this section in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities in keeping with the Remuneration Principles Proportionality Rule.

Remuneration Code staff comprises categories of staff including senior management, risk-takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, whose professional activities have a material impact on the firm's risk profile.

VARIANSE must:

- Maintain a record of its Remuneration Code staff in accordance with the general record-keeping requirements in SYSC chapter 9; and
- Take reasonable steps to ensure that its Remuneration Code staff understands the implications of their status including the potential for remuneration which does not comply with certain requirements of the Remuneration Code to be rendered void and recoverable by the firm.

In the FCA's view:

The firm's staff includes its employees;

Any person who performs a significant influence function for, or is a senior manager of VARIANSE, would normally be expected to be part of the firm's Remuneration Code staff;

The table below provides a non-exhaustive list of examples of key positions that should subject to (d), be within the firm's definition of staff who are risk-takers;

VARIANSE should consider how the examples in the table below apply in relation to their own organisational structure as the description of suggested business lines in the first row may be most appropriate to a firm which deals on its own account to a significant extent;

The firm should find it useful to set its own metrics to identify their risk-takers e.g., based on trading limits; and

VARIANSE should treat a person as being Remuneration Code staff in relation to remuneration in respect of a given performance year if they were Remuneration Code staff for any part of that year.

- High-level category Suggested business lines
- Heads of significant business lines (including regional heads) and any individuals or groups within their control who have a material impact on the firm's risk profile.
- Fixed income
- Foreign exchange
- Commodities
- Securitisation
- Sales areas
- Investment banking (including M&A advisory)
- Commercial banking
- Equities
- Structured finance; Lending quality; Trading areas
- Research
- Heads of support and control functions and other individuals within their control who have a material impact on the firms risk profile.
- Credit / market / operational risk
- Legal
- Treasury controls
- Human resources
- Compliance
- Money Laundering Prevention
- Internal audit

## 6. PRINCIPLES APPLYING TO THE FIRM AS A WHOLE

### 6.1 Remuneration Principle 1 - Risk Management and Risk Tolerance

VARIANSE must ensure that its remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the firm.

### 6.2 Remuneration Principle 2 - Supporting Business Strategy, Objectives, Values and the Long-term Interests of the Firm

The firm must ensure that its remuneration policy is in line with the business strategy, objectives, values and long-term interests of the firm.

### 6.3 Remuneration Principle 3 - Avoiding Conflicts of Interest

VARIANSE must ensure that its remuneration policy includes measures to avoid conflicts of interest.

### 6.4 Remuneration Principle 4 - Governance

The firm must ensure that its Board in its supervisory function adopts and periodically reviews the general principles of the remuneration policy and is responsible for its implementation and it must ensure that the implementation of the remuneration policy is at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the Board in its supervisory function.

VARIANSE should be able to demonstrate that its decisions are consistent with an assessment of its financial condition and future prospects. In particular, practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain should be evaluated carefully and the Board should work closely with the firm's risk function in evaluating the incentives created by its remuneration system.

The Board are responsible for ensuring that the firm's remuneration policy complies with the Remuneration Code and where relevant should take into account relevant guidance such as that issued by the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors ("IAIS") and the International Organization of Securities Commissions ("IOSCO").

The periodic review of the implementation of the remuneration policy should assess compliance with the Remuneration Code.

Guidance on what the supervisory function might involve is set out in SYSC section 4.3.3G.

### 6.5 Remuneration Principle 8 - Profit-based Measurement and Risk Adjustment

VARIANSE must ensure that any measurement of performance used to calculate variable remuneration components or pools of variable remuneration components:

Includes adjustments for all types of current and future risks and takes into account the cost and quantity of the capital and the liquidity required; and

Takes into account the need for consistency with the timing and likelihood of the firm receiving potential future revenues incorporated into current earnings.

The firm must ensure that the allocation of variable remuneration components within the firm also takes into account all types of current and future risks.

This Remuneration Principle stresses the importance of risk adjustment in measuring performance and the importance within that process of applying judgment and common sense. VARIANSE should ask the risk

management function to validate and assess risk-adjustment techniques and to attend a meeting of the Board for this purpose;

A number of risk-adjustment techniques and measures are available and the firm should choose those most appropriate to its circumstances. Common measures include those based on economic profit or economic capital. Whichever technique is chosen, the full range of future risks should be covered. The FCA expects a firm to be able to provide it with details of all adjustments that the firm has made under a formulaic approach;

The FCA expects that the firm will apply qualitative judgments and common sense in the final decision about the performance-related components of variable remuneration pools; and

VARIANSE's Board should take the lead in determining the measures to be used. It should offer the appropriate checks and balances to prevent inappropriate manipulation of these measures. It should consult closely and frequently with the firm's risk management functions in particular those relating to operational, market, credit and liquidity risk.

Long-term incentive plans should be treated as pools of variable remuneration. Many common measures of performance for long-term incentive plans, such as earnings per share ("EPS") are not adjusted for longer-term risk factors. Total shareholder return ("TSR"), another common measure, includes in its measurement dividend distributions which can also be based on unadjusted earnings data. If incentive plans mature within a two to four year period and are based on EPS or TSR, strategies can be devised to boost EPS or TSR during the life of the plan, to the detriment of the true longer-term health of the firm e.g., increasing leverage is a technique which can be used to boost EPS and TSR. Firms should take account of these factors when developing risk-adjustment methods.

Firms that have long-term incentive plans should structure them subject to appropriate performance conditions and awareness to their duration. They may be included in the calculation of the deferred portion of variable remuneration only if upside incentives are adequately balanced by downside adjustments. The valuation of the award should be based on its value when the award is granted and determined using an appropriate technique.

Assessments of financial performance used to calculate variable remuneration components or pools of variable remuneration components must be based principally on profits:

Performance measures based primarily on revenues or turnover are unlikely to pay sufficient regard to the quality of business undertaken or services provided. Profits are a better measure provided they are adjusted for risk, including future risks not adequately captured by accounting profits; and

Management accounts should provide profit data at such levels within the firm's structure as to enable VARIANSE to see as accurate a picture of contributions of relevant staff to the firm's performance as is reasonably practicable. If revenue or turnover is used as a component in performance assessment, processes should be in place to ensure that the quality of business undertaken or services provided and their appropriateness for clients are taken into account.

VARIANSE must ensure that its total variable remuneration is generally considerably contracted where subdued or negative financial performance of the firm occurs, taking into account both current remuneration and reductions in pay outs of amounts previously earned.

Where the firm makes a loss the FCA would generally expect no variable remuneration to be awarded. Variable remuneration may nevertheless be justified e.g., to incentivise employees involved in new business ventures which could be loss-making in their early stages.

## 6.6 Remuneration Principle 9 - Pension Policy

VARIANSE must ensure that:

- Its pension policy is in line with its business strategy, objectives, values and long-term interests;
- When an employee leaves the firm before retirement, any discretionary pension benefits are held by the firm for a period of five years in the form of instruments referred to in SYSC section 19A.3.47R(1); and
- In the case of an employee reaching retirement, discretionary pension benefits are paid to the employee in the form of instruments referred to in SYSC section 19A.3.47R(1) and subject to a five-year retention period.

#### 6.7 Remuneration Principle 10 - Personal Investment Strategies

The firm must ensure that its employees undertake not to use personal hedging strategies or remuneration, or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

VARIANSE must maintain effective arrangements designed to ensure that employees comply with their undertaking. In the FCA's view, circumstances in which a person will be using a personal hedging strategy include entering into an arrangement with a third party under which the third party will make payments directly or indirectly, to that person that are linked to or commensurate with the amounts by which the person's remuneration is subject to reductions.

#### 6.8 Remuneration Principle 12(c) - Remuneration Structures: Guaranteed Variable Remuneration

VARIANSE firm must not award, pay or provide guaranteed variable remuneration unless it:

- Is exceptional;
- Occurs in the context of hiring new Remuneration Code staff; and
- Is limited to the first year of service.

The firm should not award, pay or provide guaranteed variable remuneration in the context of hiring new Remuneration Code staff ('X') unless:

- It has taken reasonable steps to ensure that the remuneration is not more generous in either its amount or terms including any deferral or retention periods, than the variable remuneration awarded or offered by X's previous employer; and
- It is subject to appropriate performance adjustment requirements.

Contravention of the above may be relied on as tending to establish contravention of the rule on guaranteed variable remuneration being SYSC 19A.3.40R.

In the FCA's view, variable remuneration can be awarded to Remuneration Code staff in the form of retention awards where it is compatible with the Remuneration Code general requirement to do so. The FCA considers this is likely to be the case only where the firm is undergoing a major restructuring and a good case can be made for retention of particular key staff members on prudential grounds. Proposals to give retention awards should form part of any notice of the restructuring proposals required in accordance with the FCA's Principle 11 - Relations with Regulators and the general notification requirements in SUP section 15.3.

#### 6.9 Remuneration Principle 12(d) - Remuneration Structures: Ratios between Fixed and Variable Components of Total Remuneration

VARIANSE must set appropriate ratios between the fixed and variable components of total remuneration and ensure that:

- Fixed and variable components of total remuneration are appropriately balanced; and
- The fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components including the possibility to pay no variable remuneration component.

#### 6.10 Remuneration Principle 12(e) - Remuneration Structures: Payments Related to Early Termination

The firm must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

VARIANSE should review existing contractual payments related to termination of employment with a view to ensuring that these are payable only where there is a clear basis for concluding that they are consistent with the Remuneration Code general requirement.

#### 6.11 Remuneration Principle 12(h) - Remuneration Structures: Performance Adjustment

The firm must ensure that any variable remuneration including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the firm as a whole and justified according to the performance of the firm, the business unit and the individual concerned.

VARIANSE should reduce unvested deferred variable remuneration when, as a minimum:

- There is reasonable evidence of employee misbehaviour or material error; or
- The firm or the relevant business unit suffers a material downturn in its financial performance; or
- VARIANSE or the relevant business unit suffers a material failure of risk management.

For performance adjustment purposes, awards of deferred variable remuneration made in shares or other non-cash instruments should provide the ability for the firm to reduce the number of shares or other non-cash instruments.

Contravention of this clause may be relied on as tending to establish contravention of the FCA's rule on performance adjustment being SYSC 19A.3.51R.

Variable remuneration may be justified for example, to incentivise employees involved in new business ventures which could be loss-making in their early stages.

The Board should approve performance adjustment policies including the triggers under which adjustment would take place. The FCA may ask firms to provide a copy of their policies and expects firms to make adequate records of material decisions to operate the adjustments.

## 7. Effect of breaches of the remuneration principles

The detailed provisions on voiding and recovery in SYSC 19A Annex 1 apply in relation to the prohibitions on Remuneration Code staff being remunerated in the ways specified in:

- SYSC 19A.3.40R - Guaranteed Variable Remuneration.
- SYSC 19A.3.49R - Non-deferred Variable Remuneration; and
- SYSC 19A Annex 1.7R - Replacing Payments Recovered or Property Transferred.

This rule does not apply in relation to the prohibition on Remuneration Code staff being remunerated in the way specified in SYSC 19A.3.40R - Guaranteed Variable Remuneration, if both the conditions in paragraphs (2) and (3) of that rule are met.

This rule does not apply in relation to Remuneration Code staff (X) in respect of whom both the following conditions are satisfied:

- Condition 1 is that X's variable remuneration is no more than 33% of total remuneration; and
- Condition 2 is that X's total remuneration is no more than £500,000.

In relation to the paragraph immediately above:

References to remuneration are to remuneration awarded or paid in respect of the relevant performance year;

The amount of any remuneration is:

- If it is money, its amount when awarded;
- Otherwise, whichever of the following is greatest: Its value to the recipient when awarded or its market value when awarded and the cost of providing it;

Where remuneration is when awarded, subject to any condition, restriction or other similar provision which causes the amount of the remuneration to be less than it otherwise would be, that condition, restriction or provision is to be ignored in arriving at its value; and

It is to be assumed that the member of Remuneration Code staff will remain so for the duration of the relevant performance year.

Section 139A(9) of the Act enables the FCA to make rules that render void any provision of an agreement that contravenes specified prohibitions in the Remuneration Code and that provide for the recovery of any payment made or other property transferred, in pursuance of such a provision. SYSC 19A.3.54R together with SYSC 19A Annex 1, is such a rule and renders void provisions of an agreement that contravene the specified prohibitions on guaranteed variable remuneration, non-deferred variable remuneration and replacing payments recovered or property transferred. This is an exception to the general position set out in section 151(2) of the Act that a contravention of a rule does not make any transaction void or unenforceable.

## **8. Principles applying to 'Code' staff**

### **8.1 Remuneration Principle 5 - Control Functions**

VARIANSE must ensure that employees engaged in control functions:

- Are independent from the business units they oversee;
- Have appropriate authority; and
- Are remunerated:
- Adequately to attract qualified and experienced staff; and
- In accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

The firm's Risk Management and Compliance functions should have appropriate input into setting the remuneration policy for other business areas. The procedures for setting remuneration should allow Risk and Compliance functions to have significant input into the setting of individual remuneration awards where those functions have concerns about the behaviour of the individuals concerned or the riskiness of the business undertaken. Contravention of this may be relied on as tending to establish contravention of the rule on employees engaged in control functions having appropriate authority.

VARIANSE must ensure that the remuneration of the senior officers in Risk Management and Compliance functions is directly overseen by the Board in its supervisory function and that:

This Remuneration Principle is designed to manage the conflicts of interest which might arise if other business areas had undue influence over the remuneration of employees within control functions. Conflicts of interest can easily arise when employees are involved in the determination of remuneration for their own business area. Where these could arise they need to be managed by having in place independent roles for control functions including notably, Risk Management, Compliance and Human Resources. It is good practice to seek input from the firm's Human Resources function when setting remuneration for other business areas.

The need to avoid undue influence is particularly important where employees from the control functions are embedded in other business areas. This Remuneration Principle does not prevent the views of other business areas being sought as an appropriate part of the assessment process.

The FCA would generally expect the ratio of the potential variable component of remuneration to the fixed component of remuneration to be significantly lower for employees in Risk Management and Compliance functions than for employees in other business areas whose potential bonus is a significant proportion of their remuneration. Firms should nevertheless ensure that the total remuneration package offered to those employees is sufficient to attract and retain staff with the skills, knowledge and expertise to discharge those functions. The requirement that the method of determining the remuneration of relevant persons involved in the Compliance function must not compromise their objectivity or be likely to do so is also applicable.

## 8.2 Remuneration Principle 6 - Remuneration and Capital

VARIANSE must ensure that total variable remuneration does not limit the firm's ability to strengthen its capital base.

This Remuneration Principle underlines the link between the firm's variable remuneration costs and the need to manage its capital base including forward-looking capital planning measures. Where VARIANSE needs to strengthen its capital base, its variable remuneration arrangements should be sufficiently flexible to allow it to direct the necessary resources towards capital building.

## 8.3 Remuneration Principle 7 - Exceptional Government Intervention

If the firm benefits from exceptional government intervention must ensure that:

- Variable remuneration is strictly limited as a percentage of net revenues when it is inconsistent with the maintenance of a sound capital base and timely exit from government support;
- It restructures remuneration in a manner aligned with sound risk management and long-term growth including when appropriate establishing limits to the remuneration of senior personnel; and
- No variable remuneration is paid to its senior personnel unless this is justified.

The FCA would normally expect it to be appropriate for the ban on paying variable remuneration to senior personnel of a firm that benefits from exceptional government intervention to apply only in relation to senior personnel who were in office at the time that the intervention was required.

This clause is unlikely to apply to VARIANSE and its operations now or going forward but is included for information purposes.

#### 8.4 Remuneration Principle 11 - Avoidance of the Remuneration Code

VARIANSE must ensure that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the Remuneration Code.

#### 8.5 Remuneration Principle 12 - Remuneration Structures: Introduction

Remuneration Principle 12 consists of a series of rules, evidential provisions and guidance relating to remuneration structures.

Taking account of the Remuneration Principles Proportionality rule, the FCA does not generally consider it necessary for a firm to apply the rules referred to in the paragraph immediately below where in relation to an individual ("X"), both the following conditions are satisfied:

- Condition 1 is that X's variable remuneration is no more than 33% of total remuneration; and
- Condition 2 is that X's total remuneration is no more than £500,000.

The rules referred to in the above paragraph are those relating to:

- Guaranteed Variable Remuneration - SYSC 19A.3.40R;
- Retained Shares or Other Instruments - SYSC 19A.3.47R;
- Deferral - SYSC 19A.3.49R; and
- Performance Adjustment - SYSC 19A.3.51R.

#### 8.6 Remuneration Principle 12(a) - Remuneration Structures: General Requirement

VARIANSE must ensure that the structure of an employee's remuneration is consistent with and promotes effective risk management.

#### 8.7 Remuneration Principle 12(b) - Remuneration Structures: Assessment of Performance

The firm must ensure that where remuneration is performance related:

The total amount of remuneration is based on a combination of the assessment of the performance of:

- The individual;
- The business unit concerned; and
- The overall results of the firm; and
- When assessing individual performance, financial as well as non-financial criteria are taken into account.

Non-financial performance metrics should form a significant part of the performance assessment process and should include adherence to effective risk management and compliance with the regulatory system and with relevant overseas regulatory requirements. Poor performance as assessed by non-financial metrics such as poor risk management or other behaviours contrary to firm values can pose significant risks for VARIANSE and should as appropriate, override metrics of financial performance. The performance assessment process and the

importance of non-financial assessment factors in the process should be clearly explained to relevant employees and implemented.

The firm must ensure that the assessment of performance is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance based components of remuneration is spread over a period which takes account of the underlying business cycle of the firm and its business risks.

The requirement for assessment of performance to be in a multi-year framework reflects the fact that profits from VARIANSE's activities can be volatile and subject to cycles. The financial performance of firms and individual employees can be exaggerated as a result. Performance assessment on a moving average of results can be a good way of meeting this requirement however, other techniques such as good quality risk adjustment and deferral of a sufficiently large proportion of remuneration may also be useful.