



EUROPEAN COMMISSION

PRESS RELEASE

Brussels, 4 March 2014

Commission adopts new standards to increase transparency over bankers' pay and risk profiles

The European Commission has today adopted Regulatory Technical Standards (RTS) on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (so-called 'material risk takers'). These standards identify risk takers in banks and investment firms. This matters because the risk takers are the people who have to comply with EU rules on variable remuneration (including bonuses). These standards supplement the requirements of the [Capital Requirements Directive \(CRD IV\)](#) which entered into force on 17 July 2013 (see [MEMO/13/690](#)) and which strengthened the rules regarding the relationship between the variable (or bonus) component of total remuneration and the fixed component (or salary). For performance from 1 January 2014 onwards, the variable component shall not exceed 100% of the fixed component of the total remuneration of material risk takers. Under certain conditions, shareholders can increase this maximum ratio to 200%.

These RTS were developed by the [European Banking Authority](#) (EBA) and have now been endorsed by the European Commission. Their endorsement strengthens the harmonised rules applicable to the remuneration of staff in banks and investment firms within the European Union (EU). They set out a methodology for identifying material risk takers that is consistent across the EU and based on a combination of qualitative and quantitative criteria and will have to be applied by all institutions subject to CRD IV. It is all about making the rules on remuneration work in reality.

Internal Market and Services Commissioner Michel Barnier said: *"Some banks are doing their utmost to circumvent remuneration rules. The adoption of these technical standards is an important step towards ensuring that the capital requirement rules on remuneration are applied consistently across the EU. These standards will provide clarity on who new EU rules on bonuses actually apply to, which is key to preventing circumvention. In addition, the European Banking Authority has a mandate to ensure consistent supervisory practices on remuneration rules among competent authorities. The Commission will remain vigilant to ensure that new rules are applied in full."*

Key elements of the technical standards adopted today:

As a general principle, staff shall be identified as having a material impact on the institution's risk profile if they meet one or more of the criteria set out in the technical standards. These include:

- A set of 15 standard **qualitative criteria** related to the role and decision-making power of staff members (e.g. they are a member of the institution's management body, a senior manager, or they have the authority to commit significantly to the institution's credit risk exposures, etc.)
- Standard **quantitative criteria** related to the level of total remuneration of the staff member concerned in absolute or relative terms. In this respect, staff not caught by any of the qualitative criteria should still be identified as material risk takers if:
 - their total remuneration exceeds € 500 000 per year, or
 - they are included in the 0.3% of staff with the highest remuneration in the institution, or
 - their remuneration is equal or greater than the lowest total remuneration of senior management and other risk takers.

The RTS allow institutions to rebut the presumption that individual staff members are material risk takers if identified solely by virtue of the quantitative criteria referred to above, under very strict conditions and always subject to supervisory review. In this respect:

- for members of staff with a total remuneration of €500 000 or more, any rebuttal of the presumption that the member of staff is a material risk taker needs to be notified to the competent authority
- for staff with a total remuneration of €750 000 or more, or for staff included in the 0.3% of the highest earners, prior approval from the competent authorities is required
- for staff with a total remuneration of €1 000 000 or more, competent authorities need to inform the EBA of any intended approval before the decision is made. In each case, the burden of proof will rest squarely on the institutions to demonstrate that, despite the very high remuneration, the staff member in question does not in fact have any material impact on the institution's risk profile, on the basis of the business unit they are working in, as well as of their duties and activities.

Background

The detailed requirements in Articles 92 and 94 of CRD IV relating to the remuneration policies of institutions and the structure of the remuneration awarded by them apply to all staff whose professional activities have a material impact on the risk profile of the institution concerned. Institutions are therefore required in any event to identify all such material risk takers taking into consideration all relevant risks for their institution. Article 94(2) in CRD IV delegated to the Commission the power to adopt regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify such staff and for this purpose gave the European Banking Authority (EBA) the task of developing a draft of the regulatory technical standards and submitting it to the Commission by 31 March 2014 at the latest.

What's next?

The European Parliament and the Council have one month to exercise their right of scrutiny, with the possibility to extend this period for a further two months at their initiative. Following the expiry of this scrutiny period, the RTS will be published in the Official Journal of the European Union and will enter into force on the twentieth day following the date of their publication. As with any other EU Regulation, their provisions will be directly applicable (i.e. legally binding in all Member States without implementation into national law) from the date of entry into force.

More information:

http://ec.europa.eu/internal_market/bank/regcapital/legislation_in_force_en.htm

http://ec.europa.eu/internal_market/company/index_en.htm

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