

Circular CSSF 17/658 - CSSF officially adopts EBA Guidelines on sound remuneration policies

26 June 2017

In brief

On 16 June 2017 the CSSF published the Circular CSSF 17/658 to adopt the EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22).

This Circular is applicable to CRR firms according to EU regulation n°575/2013.

In detail

The Circular CSSF 17/658 confirms the adoption of the EBA Guidelines on sound remuneration policies (EBA/GL/2015/22).

Here's a brief summary of key changes:

- Introduction of a “bonus cap” in compliance with the article 94 of the CRD IV as transposed in the article 38-6 of the Law of 5 April 1993 on the financial sector: limitation of the ratio between fixed and variable remuneration to 100% (up to 200% if Member States allow shareholders or owners or members of the institution to approve a higher ratio);
- Material Risk Takers have to be identified according to an annual process;
- Non-CRR Subsidiaries within a CRR Group should be subject to remuneration policies in compliance with the remuneration policy that is applicable at Group level for all employees and respect requirements of articles 92, 93 and 94 of the CRD IV (including bonus cap) at least for identified staff whose professional activities have a significant impact on the risk profile of the Group;
- According to the EBA's interpretation of the article 92 of the CRD IV on the application of the “proportionality principle”, the wording of the article would not allow any more the neutralisation of the remuneration requirements for small companies with non-complex activities. Until the amendments of the CRD IV in this area, the CSSF decided to maintain the application of the Circular CSSF 11/505 allowing the application of the proportionality principle and the neutralisation of some requirements.

Repeal of CEBS Guidelines and Circular CSSF 10/496

The EBA Guidelines (EBA/GL/2015/22) repeal the Committee of European Banking Supervisors (CEBS) Guidelines on remuneration policies and practices of 10 December 2010 transposed by the Circulars CSSF 10/496 and 10/497.

Next Steps

The CSSF considers publishing a “Frequently Asked Questions” on the EBA Guidelines by the end of the year.

If you have any questions on this topic, feel free to contact our Reward Team.

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