

# Policy Statement – EBA Remuneration Guidelines: The Central Bank of Ireland’s approach to proportionality relating to the pay-out process applicable to variable remuneration

31 January 2017

The European Banking Authority’s (‘EBA’) ‘Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU (‘CRD IV’<sup>1</sup>) and disclosures under Article 450 of Regulation (EU) No. 575/2013 (‘CRR’) (‘EBA Remuneration Guidelines’<sup>2</sup>) apply to credit institutions, CRD IV investment firms and competent authorities from 1 January 2017. The Central Bank of Ireland (‘the Central Bank’), as the competent authority in Ireland for credit institutions which are Less Significant Institutions (‘LSIs’) and for CRD IV investment firms, confirmed compliance with the EBA Remuneration Guidelines on 30 August 2016<sup>3</sup> in line with European and Irish law.

The EBA Remuneration Guidelines complement the remuneration requirements of CRD IV and they address, inter alia,

- the governance process for implementing sound remuneration policies;
- the application of remuneration requirements in a group context;
- the process for identifying those categories of staff (‘Identified Staff’) to whom the specific remuneration provisions of CRD IV apply (including the bonus cap<sup>4</sup>).

Article 92(2) of CRD IV<sup>5</sup> provides for the principle of ‘proportionality’. This allows institutions and groups, when establishing and applying remuneration policies, to comply with the requirements ‘...in a manner and to the extent that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities’. Both quantitative and qualitative considerations apply.

In the context of the Central Bank’s assessment of compliance with the EBA Remuneration Guidelines, where firms seek to avail of the principle of proportionality in respect of the pay-out process<sup>6</sup> applicable to variable remuneration (e.g. on the basis that they are smaller, less complex institutions and/or on the basis of the level of variable remuneration that is paid to Identified Staff), the Central Bank’s assessment, in the context of the quantitative aspects will be guided by, inter alia, the

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<sup>1</sup> Implemented in Ireland by the European Union (Capital Requirements) Regulations 2014 (‘S.I. No. 158 of 2014’).

<sup>2</sup> [http://www.eba.europa.eu/documents/10180/1314839/EBA-GL-2015-22+Guidelines+on+Sound+Remuneration+Policies\\_EN.pdf/5057ed7d-8bf1-41b4-ad74-70474d6c3158](http://www.eba.europa.eu/documents/10180/1314839/EBA-GL-2015-22+Guidelines+on+Sound+Remuneration+Policies_EN.pdf/5057ed7d-8bf1-41b4-ad74-70474d6c3158)

<sup>3</sup> <http://www.centralbank.ie/regulation/marketsupdate/Pages/General.aspx>

The European Central Bank (ECB) as competent authority for Significant Institutions (SIs) confirmed compliance with the EBA Remuneration Guidelines on 5 August 2016

<http://www.eba.europa.eu/documents/10180/1314839/EBA+Guideline+2015+22-Compliance+Table-GLs+on+sound+remuneration+policies.pdf/8b8ad3a4-30b6-46c2-a239-28608aeab219>

<sup>4</sup> Article 94(1)(g) of CRD IV (Regulation 82(1)(g) of S.I. No. 158 of 2014).

<sup>5</sup> Transposed in Ireland by Regulation 80(2) of S.I. No. 158 of 2014.

<sup>6</sup> Article 94(1)(l), (m) and 2nd sub-paragraph of (o) of CRD IV (Regulation 82(1)(l), (m) and 82(8) of S.I. No. 158 of 2014).

European Commission's thresholds in Article 94(3) of its proposal for amendments to CRD IV published on 23 November 2016<sup>7</sup>.

The Central Bank will consider whether an amendment is required to this approach in the light of any future developments relating to the principle of proportionality in the European context.

The European Commission's proposals do not include any amendments to the requirements relating to the bonus cap and therefore this will continue to apply.

In the event of queries, firms should contact a member of their supervisory team.

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<sup>7</sup>[http://europa.eu/rapid/press-release\\_IP-16-3731\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-16-3731_en.htm?locale=en) and <https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/COM-2016-854-F1-EN-MAIN.PDF>.