THE
INVESTMENT
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INVESTMENT MATTERS

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Dear Sir/Madam

RE: EBA/CP/2015/03

Please find attached the response of The Investment Association to the above consultation. We are grateful for the opportunity to comment.

The Investment Association is the trade body that represents UK investment managers. We have over 200 members who manage more than £5 trillion for clients around the world.

Yours faithfully

Johannes Woelfing
Regulatory and Legal Specialist

Introduction

The Investment Association welcomes the opportunity to respond to this consultation. We would first like to set out our concerns about the change in EBA's interpretation of proportionality with regard to the remuneration principles in CRD IV. EBA itself reaffirmed on its workshop in October 2013 that the interpretation of proportionality adopted by the Committee of European Banking Supervisors (CEBS) in its guidelines on sound remuneration[1] would be also applicable under CRD IV. Apart from this changed approach towards the principle of proportionality we are deeply concerned about EBA's intention to significantly broaden the scope of the CRD IV regime.

Asset managers are subject to up to four different regimes with regard to their remuneration. UCITS and AIFMD were designed for the agency based business model of asset managers. Both directives take into account that asset managers are not taking balance-sheet risks as banks do and that assets are segregated and not commonly held by managers. According to both directives, asset managers are required to align their remuneration principles with the interest of investors.

It was a political decision to make investment firms subject to CRD IV, even though the regime originates in the recommendations the Basel committee on banking supervision designed for systemically important banks. Legislators adapted the rules to the business model of investment firms by disapplying or modifying several parts of the regime. The remuneration regulation in CRD IV is one of those areas, it would otherwise not be fundamentally suited to the agency-based business model. Legislators expressed at that time their intention not to apply all principles to all investment firms. The remuneration principles in CRD IV were never envisaged to apply to asset managers and were therefore not designed to suit their business.

We would welcome a prudential regime for asset managers suitable for asset managers, we do not believe that applying a regime on asset managers which was drafted for banks and then mitigating the detrimental effects by a number of exemptions will lead to efficient and stable markets, neither for investors, nor for investment firms.

The review of CRD IV which will hopefully follow the report the European Commission has to produce according to Article 508 CRR provides the opportunity to create such a regulatory framework fit for purpose and suitable for the business model of all firms which are subject to this framework. We would therefore suggest that the issue of remuneration with regard to investment firms should be addressed in this review instead of applying a piece of legislation designed for banks on asset managers by a reinterpretation of the law – a reinterpretation which we believe is flawed. If we are correct, the guidelines will have to be reworked so as to introduce true proportionality in particular for those European asset managers caught by CRD IV (on a solo basis and not because of parentage).

Q 1

Question:

Are the definitions provided sufficiently clear; are additional definitions needed?

Analysis:

EBA provides in its guidelines a definition of staff for the first time. The term "staff" was not defined in the ESMA guidelines on remuneration under AIFMD nor in the legal texts of AIFMD,

[1] CEBS Guidelines on Remuneration Policies and Practices, http://www.eba.europa.eu/regulation-and-policy/remuneration/guidelines-on-remuneration-policies-and-practices#

UCITS and CRD/CCR. According to Point 6 (g) of Chapter 3 – *Definitions* of the draft guidelines […] *any other person acting on behalf of the institution and its subsidiaries* shall be considered as staff of an institution. This definition is not entirely in line with the approach taken by ESMA in the guidelines on sound remuneration under AIFMD[2].

Article 13 AIFMD gives some guidance on the scope of persons falling under the category of *identified staff* according to their occupations and responsibilities.

According to Part V Paragraph 18 of the ESMA guidelines on sound remuneration under AIFMD, AIFMs have to ensure when delegating portfolio or risk management that the entities to which tasks have been delegated are subject to rules on remuneration that are equally as effective as those under AIFMD or appropriate contractual arrangements are put in place ensuring that there is no circumvention of the remuneration rules. This provision with regard to equally effective regimes implies that the AIFMD rules are applicable only to persons who are directly employed by the AIFM, and that delegates are captured indirectly through the requirement to ensure "equally effective regimes" for such staff. ESMA's response in their consultation paper on those guidelines supports the view that only individuals employed by an entity could be seen as staff of that entity[3]

Response:

The definition of staff proposed by EBA under Point 3.6 g) includes "*any other person acting on behalf of the institution and its subsidiaries".* This is too wide as it could include any person acting agent on behalf of the firm or its subsidiaries and too uncertain in its scope (the concept could be interpreted differently in different jurisdictions). We would encourage EBA to clarify that only employees of an entity subject to CRD IV are caught by the definition of "staff". The definition as it is proposed will lead to very different interpretations in different member states, depending on the national laws of agency. Circumvention should be eliminated by other means.

The proposed definition of 'Long term incentive plans' refers to remuneration components "…where a part of the remuneration is awarded at one point of time and under the same plan additional awards are made at future points in time subject to conditions…". The intention is presumably to capture performance-vesting long-term incentive plan awards. As drafted this definition might also capture deferred bonuses so it would also be helpful to specify that this is not the intention. This definition could also capture remuneration components that are not long-term in nature, such as a cash incentive that pays quarterly.

Q 2

Question:

Are the guidelines in chapter 5 (remuneration policies for all staff, including identified staff) appropriate and sufficiently clear?

Analysis:

Chapter 5 is a pretty accurate description of what performance related remuneration policies should look like. Unfortunately, the application of the bonus cap without any possibility to

[2] ESMA guidelines on sound remuneration under AIFMD, http://www.esma.europa.eu/system/files/2013-201.pdf

[3] Final report on guidelines on sound remuneration policies under the AIFMD, Paragraph 28, http://www.esma.europa.eu/system/files/2013-201.pdf

apply the limitations in a proportionate manner prohibits the use of remuneration policies as described by EBA in Chapter 5.

Response:

We agree with EBA's proposals for guidelines on remuneration policies in principle, but applying limits to performance related remuneration is not fully in line with EBA's proposals in chapter 5.

Where asset managers are subject to group-wide remuneration policies we would encourage EBA to allow institutions to align their remuneration policies with the interest of investors.

Where asset managers are owned by banks or insurers they may have to follow the remuneration policies of their parent institutions. Remuneration policies designed for banks rightly take account of the need to protect depositors and ultimately the taxpayer but are not aligned to and do not take into account the interest of investors. Such a misalignment could result in detrimental effects for investors in products managed by asset managers owned by banks or insurance companies. The remuneration policies designed for banks (and institutions which carry significant balance sheet risk) would therefore not be appropriate for asset managers and asset managers should therefore be excluded from the application of such rules.

We are also concerned about the potential impact of applying different rules to competing asset managers depending on their ownership structure.

Q 3

Question:

Q 3: Are the guidelines regarding the shareholders' involvement in setting higher ratios for variable remuneration sufficiently clear?

Response:

The guidelines regarding shareholders' involvement in setting higher ratios for variable remuneration are sufficiently clear.

The guidelines go beyond CRD when they suggest that shareholders should also approve up front the maximum termination payment that can be awarded for early termination. This provision should be removed.

Q 4

Question:

Are the guidelines regarding remuneration policies and group context appropriate and sufficiently clear?

Analysis:

According to Paragraph 40 of the draft guidelines, institutions should comply with the requirements of these guidelines concerning the remuneration committee whenever a remuneration committee is established in a non-significant institution. It is, according to Paragraph 40, permitted to combine in those institutions the tasks of a remuneration committee with other tasks as long as they do not create conflicts of interest.

There is no corresponding provision for significant institutions in the draft. CRD does not limit the tasks a remuneration committee might take on. Article 95 Paragraph 2 CRD only limits the membership in the remuneration committee to members of the management body who do not perform any executive function in the institution concerned.

This allows for two interpretations of Paragraph 40 of the draft, both of which seem to be unintended. Paragraph 40 could either be read in a way, that the guidelines do not apply to remuneration committees in significant institutions, or that in significant institutions a remuneration committee may not take over any other tasks than those described in the guidelines or in CRD.

According to Paragraph 41, in institutions which did not establish a remuneration committee, the requirements of these guidelines concerning the remuneration committee should be construed as applying to the supervisory function.

Furthermore, EBA requires in Paragraph 63 of their proposal subsidiaries within the group which are not themselves subject to the CRD, to apply the group-wide remuneration policies to all staff and the requirements of Article 92(2), 93 and 94 of CRD at least to those staff members whose professional activities have a material impact on the group's risk profile. This shall also apply to specific requirements of CRD, which have not been included in AIFMD and UCITS. EBA does not take into account where the remuneration is earned.

Response:

With regard to Paragraph 40 of the draft, further clarification is necessary. If it was the intention of EBA to limit the tasks of a remuneration committee in a significant institution it would be helpful to describe those tasks in a clearer way. The Investment Association would advocate strongly to allow institutions to tailor the tasks of their remuneration committees (if required) according to their needs and within the boundaries of CRD, as long as no conflicts of interest arise.

Applying the requirements of the draft guidelines accordingly to the supervisory function in an entity where no remuneration committee was established is not a workable approach, since the draft guidelines provide detailed provisions on the relation between remuneration committee and supervisory function. It would be preferable to define what a sound remuneration policy looks like and require either the remuneration committee or the supervisory function to apply and implement such a policy.

If EBA wishes to set requirements for the supervisory function in institutions which have not established a remuneration committee, a reference to the requirements in Paragraph 44 Points d., f., g., h., and i. would be an adequate approach.

The requirement in Paragraph 42 to allow only members of the supervisory function on the remuneration committee is not coherent with Article 95 Paragraph 2 CRD. CRD does not require any clarification on this point.

The application of the CRD IV remuneration principles on entities within a group which are themselves not subject to CRD IV is beyond EBA’s mandate and causes several problems. Asset managers who are rewarded for their work as a manager of an AIF or a UCITS, but who might happen to be involved in some functions on group level would be caught by the guidelines and by all remuneration principles of CRD IV. Neither under AIFMD nor under UCITS was it the intention of legislators to introduce remuneration principles designed for banking business for asset managers. EBA needs to clarify at this point that the remuneration principles can only apply for the remuneration that relates to activities having a material impact on the risk profile of the group.

Paragraph 31 of the cost-benefit analysis confuses the situation even further because it does not take into account the distinction between staff and identified staff.

The EBA proposal is also not in line with Article 109 of CRD IV. National supervisors are required to ensure that only parent and subsidiaries "subject to this Directive" meet the remuneration obligations of the directive. National supervisors should therefore not require subsidiaries not subject to CRD IV to comply with the CRD IV rules. UCITS and AIFMD are the appropriate regimes for those subsidiaries. It should not be presumed that asset management groups which have a CRD IV asset manager, are arranged under that manager. We agree that the part of the remuneration an employee of a subsidiary not subject to CRD IV that s/he receives for an activity at the parent level and which would bring him or her into the scope of identified staff at the parent level, could be subject to the remuneration principles of CRD IV.

Q 5

Question:

All respondents are welcome to provide their comments on the chapter on proportionality, with particular reference to the change of the approach on 'neutralisations' that was required following the interpretation of the wording of the CRD. In particular, institutions that used 'neutralisations' under the previous guidelines for the whole institution or identified staff receiving only a low amount of variable remuneration are asked to provide an estimate of the implementation costs in absolute and relative terms and to point to impediments resulting from their nature, including their legal form, if they were required to apply, for the variable remuneration of identified staff:

a) deferral arrangements,

b) the pay out in instruments and,

c) malus (with respect to the deferred variable remuneration)

In addition those institutions are welcome to explain the anticipated changes to the remuneration policy, which will need to be made to comply with all requirements. Wherever possible the estimated impact and costs should be quantified, supported by a short explanation of the methodology applied for their estimation and provided separately for the three listed aspects.

Analysis:

According to EBA's interpretation of the CRD, the application of the principle of proportionality as laid out in Article 92 Paragraph 2 CRD means that all firms subject to CRD and their subsidiaries will have to apply the principles laid out in Articles 92 – 94 CRD as a minimum. EBA is not taking into account the fact that Recital 66 of CRD IV states that it would not be proportionate to require certain types of investment firms to comply with all of those principles. According to Paragraph 72 of EBA's proposals, the limitation of the ratio between fixed and variable remuneration has to be applied to all identified staff in the institution and its subsidiaries.

Response:

According to Paragraph 63 of the EBA proposals, the remuneration principles of CRD shall be applied to those staff members of subsidiaries whose professional activities have a material impact on the group's risk profile. According to Paragraph 72 of the EBA proposals, the limitation of the ratio between variable and fixed remuneration in Article 94 Paragraph 1 Point g) shall apply to all identified members of staff in the institution and its subsidiaries. The limitation of the ratios is one of the remuneration principles laid out in Articles 92 – 94. There is no legal argument to treat or apply this principle in a different way. We would like to encourage EBA, therefore, to clarify that this principle has to be applied as all other principles as well. According to the EBA interpretation, this principle would only apply to individuals whose professional activities have a material impact on the group's risk profile. As we explained in our response to question 4 we think all principles can only apply to the part of remuneration granted for the professional activity which makes an individual an identified member of staff at group-level.

EBA's interpretation of the principle of proportionality does not reflect the intention of the legislators and contradicts the CRD IV text. According to the EU's inter-institutional style guide[4] recitals set out the reasons for the contents of the articles of an EU act. Recital 66 of CRD states that it would not be proportionate to require certain types of investment firms *to comply with all remuneration principles*. Article 92 Paragraph 2 states that institutions have to comply with the principles in a manner *and to the extent* that is appropriate to their size, internal organisation and the nature, scope and complexity of their activities (our emphasises applied).

The EBA's interpretation only takes into account that institutions have to apply the principles in an appropriate manner. The EBA ignores in its proposal that institutions have to apply the principles *to the extent that* it is appropriate. However, both factors are part of the principle of proportionality and have to be taken into account. The EBA interpretation of Article 92 Paragraph 2 is therefore even under a strict grammatical interpretation of the directive not in line with the directive, as well as being in disregard of Recital 66.

In EU law recitals are subject to a parliamentary vote and have therefore to be taken into account for a teleological interpretation of the relevant act. Recital 66 leaves no room for an interpretation of Article 92 Paragraph 2, which requires all investment firms to comply with all remuneration principles of CRD IV. We would, therefore, urge EBA to review their interpretation of Article 92 Paragraph 2. It does not represent the intent of the elected legislators and it is technically inaccurate.

The EBA proposals will also lead to a severe distortion of competition between asset managers in Europe.

Asset managers in the UK which are subject to MiFID and who are managing a UCITS are regarded as subject to CRD IV by the UK regulators to the extent that they engage in safekeeping and hold client money and assets. In many other European jurisdictions UCITS firms, which are running a MiFID add-on, are still regarded as UCITS firms and they are not subject to CRD IV and as a result can retain remuneration structures that are aligned to their business needs and to those of their clients, namely to reward investment performance. This would result in a situation where firms running the same business would be subject or not subject to the strict remuneration principles of CRD IV, only depending on where they are regulated.

Asset managers who are not falling under the definition of an investment firm pursuant to Article 4 Paragraph 1 Point 2 are running in most cases a business which is very similar to the one of the firms falling under that definition. The distinction between these so-called CRD3 asset managers and the CRD4 managers is provided by the legislation. We agree that entities which hold client money may cause additional risks, but the full application of the

[4] EU inter-institutional style guide, http://publications.europa.eu/code/en/en-120200.htm

remuneration principles without taking into account the principle of proportionality is not the right tool to mitigate those risks and creates a distortion in the market by increasing the running costs of those firms and disadvantaging them in the competition for talent.

Instead of fostering an EU-wide approach and ensuring that all asset managers are treated fairly, the EBA's approach will create distortions in the market which can be avoided by applying the different regimes under CRD appropriately and proportionately. The EBA's error of law in applying proportionality in the manner proposed will only lead to national supervisors needing to exercise their discretion to not comply with the guidelines.

We shall encourage them to do so, especially as direct rights of appeal by way of a legal challenge by institutions against EBA decisions do not extend to a decision to promulgate regulation 16 guidelines. At its worst, the current proposal would incentivise firms to relocate their businesses in Europe and to seek jurisdictions with less stringent supervision. Such a race (to the bottom) cannot be in the interest of EBA, industry or investors.

Q 6

Question:

Are the guidelines on the identification of staff appropriate and sufficiently clear?

Analysis:

In Paragraphs 92 – 96, EBA proposes several provisions with regard to the identification of material risk takers meeting the quantitative criteria of Article 4 of the regulatory technical standards on material risk takers[5]. The quantitative criteria within Article 4 of the regulatory technical standards on identified staff shall according to Paragraph 102 of the proposal apply to all staff on a consolidated basis, including all subsidiaries. Staff in a subsidiary earning EUR 500 000 or more would therefore considered to be identified staff.

Response:

The EBA proposals regarding the identification of material risk takers by applying quantitative criteria are not consistent with EBA's proposals in Paragraph 63. According to Paragraph 63 of their proposal, subsidiaries within the group, which are not subject to the CRD, will have to apply the group-wide remuneration policies and the remuneration principles to those staff members whose professional activities have a material impact on the group's risk profile. Using the quantitative criteria to identify material risk takers is only appropriate for entities subject to CRD. It would also be acceptable to apply the quantitative criteria on the portion of remuneration a member of staff receives for professional activity for an entity subject to CRD. Members of staff fulfilling the quantitative criteria in a subsidiary not subject to CRD are not subject to the remuneration principles. It is not appropriate to assume that they are material risk takers on a group level. We would advise EBA to clarify that the definition of material risk takers could only include individuals who are material risk takers in an institution subject to CRD IV. Meeting the quantitative criteria of the regulatory technical standards on material risk takers in a subsidiary not subject to those standards is not a valid criterion in the identification process. Only those individuals who are fulfilling the quantitative criteria in an entity subject to

[5] Commission delegated regulation (EU) No 604/2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile, http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0604&from=EN

CRD and those who are having a material impact to risk profile of an institution subject to CRD can be subject to the CRD remuneration principles.

Q7

Question:
Are the guidelines regarding the capital base appropriate and sufficiently clear?

Response:
The guidelines are sufficiently clear. It is however not a coherent approach to limit on the one hand the possibility of firms to reduce the cost of remuneration in periods when a firm is not performing well (due to application of the bonus cap) and on the other hand to encourage firms to do so. Our members are using remuneration as a buffer and they are currently able to cut down their costs dramatically in a very easy way by not paying the full variable remuneration. This helps to increase the stability of firms. We would urge EBA, therefore, to advocate for a regime, which allows firms to comply with Paragraph 108 of EBA's proposal. It is in the genuine interest of asset management firms to ensure that the award, pay out and vesting of variable remuneration is not detrimental to maintaining a sound capital base.

Q 8

Are the requirements regarding categories of remuneration appropriate and sufficiently clear?

Response:
The current definition of long-term incentive plans (LTIPs) captures both deferred bonus awards and also performance-vesting LTIPs. The proposal is to include LTIPs at the point of vesting, based on the vesting date value. A significant increase in share price would mean that some of the award would have to be forfeited to allow for LTIP payout without exceeding the bonus cap. This would remove the alignment to shareholders' interests. Alternatively other variable remuneration elements could be reduced (e.g. annual bonus), but again this would reduce performance alignment.

It is not clear whether existing LTIP awards, made in good faith prior to these guidelines coming into effect, would be grandfathered.

Q 9

Question:
Are the requirements regarding allowances appropriate and sufficiently clear?

Response:
The proposals regarding allowances are sufficiently clear.

Q 10

Question:
Are the requirements on the retention bonus appropriate a sufficiently clear?

Analysis:
A retention bonus is according to EBA's draft definitions a variable remuneration awarded on the condition that staff stays in the institution for a pre-defined period of time. Retention bonuses are according to Paragraphs 126 – 129 regarded as variable remuneration.

Response:
It is not fully clear what kind of remuneration would be considered as a retention bonus. In cases where staff earns a fixed amount on the only condition that staff stays in the institution for a predefined period of time, the remuneration can hardly be regarded as variable. It is not variable; its payout is contingent on predefined conditions and should, therefore, be regarded as fixed remuneration or at least treated as guaranteed variable remuneration. If EBA's intention was to treat those parts of fixed remuneration as variable remuneration we would consider this as inappropriate. Those retention bonuses incentivise firms only to keep those members of staff who are a real benefit for the firm. They help to establish a culture of long-term and sustainable values within their institutions and they incentivise members of staff not to take inappropriately high short-term risks and to move on if things go wrong. We would agree to set minimum periods which staff would have to stay with the entity before a retention bonus could be regarded as fixed remuneration. Treating all retention bonuses as variable remuneration is not appropriate.

Q 11

Question:
Are the provisions regarding severance payments appropriate and sufficiently clear?

Response:
The proposals regarding severance payments are sufficiently clear.

However, it is not appropriate to document a prescriptive severance pay framework in a company's remuneration policy as this could give rise to a contractual right for all employees, whether express or implied through custom and practice.

Q 12

Question:
Are the provisions on personal hedging and circumvention appropriate and sufficiently clear?

Response:
Awarding variable remuneration when effectively no positive performance by the staff member, business unit or institution was recorded would, according to Paragraph 162 b) I, be seen as a circumvention of the principles. This paragraph does not take into account cases of guaranteed variable remuneration and needs further clarification.

The requirement to review internal custodian accounts is disproportionately burdensome. As a control, it is of very limited value, since it is ineffective, covering only internally held accounts and not those that are held externally. As a process, it relies on data that may not currently be available and may require the express consent of identified staff due to data protection and privacy laws.

Q 13

Question:
Are the requirements on remuneration policies in section 15 appropriate and sufficiently clear?

Response:
Even though EBA is not consulting on its proposals in Section 14, we hope that comments on section 14 are taken into account. We agree that incentive-based mechanisms based on the performance of the institution should be excluded for members of the supervisory functions.

We have on the other hand serious doubts about EBA's proposal to exclude members of the supervisory function (namely members of the board of directors or the supervisory board) in principle from variable remuneration. Such an exclusion is not foreseen by CRD. Variable remuneration can help in a very efficient manner to establish a cultural change in institutions when the incentives are set in the right way and the institution's shareholders and governance structure have effective oversight and authority to determine these incentives. It is not helpful to ask for an enhanced role (and related responsibilities) for the supervisory function in institutions and making their positions financially unattractive at the same time. Improvements in risk management, successful challenges of business decisions and early identification of problems should be rewarded. We consider the exemption of the supervisory function from variable remuneration in principle as counterproductive and harmful.

With regard to chapter 15 we would appreciate if EBA could specify when and how often the shareholders' approval pursuant to Article 94 Paragraph 1 g) iii CRD, referred to in Paragraph 182, has to be renewed.

Q 14

Question:
Are the requirements on the risk alignment process appropriate and sufficiently clear?

Response:
With regard to the variable remuneration of control functions, we consider EBA's proposal in Paragraph 206 as not appropriate. The limits on the ratio between fixed and variable remuneration of 1:1 is already tight enough to prevent conflicts of interest with regard to control functions. Shareholders will only decide only under extraordinary circumstances to raise this limit to 1:2 for control functions, but they should be able to do so if necessary. The control functions are crucial with regard to a cultural change in some firms and variable remuneration can be the right tool to achieve such a change.

Q 15

Question:
Are the provisions on deferral appropriate and sufficiently clear?

Response:
Paying dividend equivalents on deferred shares and LTIP awards should be permitted. This is normal market practice and is necessary to align the interests of employees with those of shareholders. Dividends are generally 'rolled up' and only paid out on the shares that actually vest at the end of the vesting period, so there is no payment for failure. A supervisory approach could be used to prevent circumvention via dividend-like structures or payments.

Q 16

Question:
Are the provisions on the award of variable remuneration in instruments appropriate and sufficiently clear? Listed institutions are asked to provide an estimate of the impact and costs that would be created due to the requirement that under Article 94 (1) (l) (i) CRD only shares (and no share linked instruments) should be used in parallel, where possible, to instruments as set out in the RTS on instruments. Wherever possible the estimated impact and costs should be quantified and supported by a short explanation of the methodology applied for their estimation.

Response:
The EBA proposal could be clearer with regard to Paragraphs 253 and 254. It would be helpful if EBA could clarify that the valuation of deferred instruments at the end of deferral and retention periods is only used for the application of potential ex-post risk adjustments and malus or clawback measures. The ratio between fixed and variable remuneration is be based on the valuation of instruments at the point of their award.

Q 17

Question:
Are the requirements regarding the retention policy appropriate and sufficiently clear?

Response:
The proposal to stipulate a minimum retention policy of 12 months, or up to 5 years for the upfront element of the bonus paid in instruments to management body members and senior management, is disproportionate to the scope and complexity of the activities of many firms and the nature of the business risks they face.

Q 18

Question:
Are the requirements on the ex-post risk adjustments appropriate and sufficiently clear?

Response:
The requirements on the ex-post risk adjustments are sufficiently clear.

Q 19

Question:
Are the requirements in Title V sufficiently clear and appropriate?

Response:
The requirements in Title V are sufficiently clear.

Q 20

Question:
Are the requirements in Title VI appropriate and sufficiently clear?

Response:
Paragraph 305 suggests the split between senior management and other identified staff should extend across Article 450 (1) (g) to (j) whereas in CRR it applies on to Article 450 (1) (h). This is inappropriate and should be removed. Para 306 suggests institutions publish the total number of staff and their total remuneration broken down into fixed and variable. This is not a requirement of Article 450 and as such is not appropriate, so should be removed.