



Governance

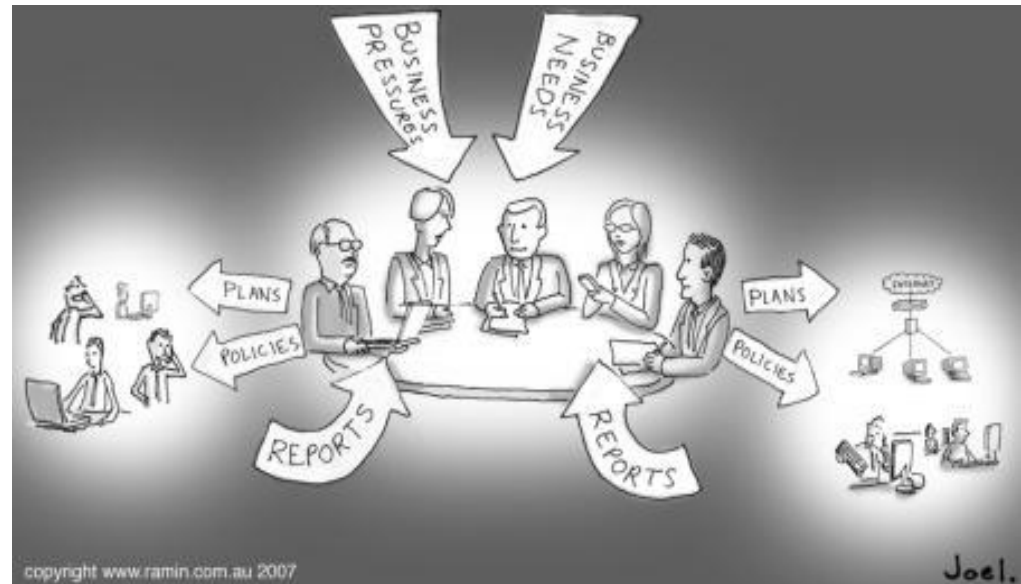
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Supervisory Policy/Coordinator Governance

Governance

Introductory remarks Main changes CRD IV

- Management Body
- Risk management
- Remuneration
- Transparency



NL Timetable Remuneration

Introductory remarks (1/2)

Issuing of capital instruments

1. Higher requirements
2. Additional buffers
3. Formal CET1 and T1 requirements

$$\frac{\text{Definition of Capital}}{\text{Total Risk Exposure Amount}} \geq \text{Capital Requirement}$$

Internal Governance

1. Clear organisational structure and clear allocation of responsibilities;
2. Fit and proper requirements
3. Adequate system internal controls
4. Effective processes to identify, manage, monitor and report to risks
5. Sound remuneration policies

Note:

Sound remuneration policies in NL have a broader scope than CRD IV

Governance

26-09-2013

Introductory remarks (2/2)

- CRD includes
 - Authorisation of banks (13)
 - Three capital buffers
 - Powers and duties of supervisors
 - Governance, including remuneration (74-76; 88-96)
 - Consolidated supervision
 - Pillar II
- CRR includes disclosure requirements:
 - Governance (435)
 - Risk management (435)
 - Remuneration (450)

Management body (1/3)

- Governance structures
CRD embraces both one-tier and two-tier structures
- Definitions
 - Management body (in its supervisory function)
 - Senior management
- Authorisation (13)
 - At least 2 persons effectively direct the business
 - All members fit and proper

Management body (2/3)

Fit and proper

- Supervisory function
- Fitness = knowledge, *skills* and experience
- Individually and collectively
- Nomination committee (significant institutions):
 - Prepare a description of roles and capabilities
 - Recommend candidates
 - Annual assessment individual and collective fitness
- Disclosure:
 - recruitment policy
 - the actual knowledge, skills and expertise of the MB

Management body (3/3)

Composition

- Balance knowledge, skills, broad range of experience
- Honesty, integrity and independence of mind
- Sufficient time - number of directorships (1-7-'14)
- Diversity
 - Aim: prevent 'groupthink'
 - Age, gender, geographical provenance, background
 - Target for under represented gender
- MB not dominated by individual or small group
- Disclosure:
 - number of directorships
 - diversity target, policy and implementation

EBA Guidelines

To issue by 31-12-2015

- GL on time commitment
 - GL on collective knowledge
 - GL on notion of honesty, integrity and independence
 - GL on adequate resources for induction and training
 - GL on diversity
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- GL system internal governance

Risk management

- Responsibility management body
 - Ultimately accountable for risk strategy and adequacy of risk management system
 - Establish a risk committee (insignificant: combination with audit committee): composition and fitness requirements
 - Supervisory function: access to information
- Risk management function:
 - Independent from operational and management functions;
 - Head: requirements
 - Sufficient authority, stature, resources and access to MB
- Disclosure: extensive requirements in art 435 CRR

Remuneration

CRD IV few changes:

- Description of fixed and variable remuneration
- Guaranteed bonuses more explicitly forbidden
- Malus and claw back:
 - Explicitly up to 100%
 - Also in case staff member is not fit or proper or in case of conduct which resulted in significant losses to the institution
- Ratio between variable and fixed:
 - 1:1
 - 2:1 with support of specific quorum of shareholders
 - Discount rate

Remuneration RTS and GL

EBA

- RTS Identified staff (already consulted): March 2014
- RTS on instruments: March 2014
- GL on discount rate
- GL on remuneration policies (replace CEBS GL)
- GL on data collection high earners
- GL on benchmark study

ESMA

- GL for staff involved in provision of investment services

RTS Identified staff

Consultation paper

- Qualitative criteria:
 - Functions and responsibilities
 - Credit risk and market risk
- Quantitative criteria:
 - based on total or variable remuneration, including the existing remuneration bracket
- Process and expected publication date
- Implementation by institutions

Disclosure remuneration and Transparency

- Disclosure Remuneration (CRR and CRD):
 - CRR more detailed for high earners
 - Ratio variable to fixed
 - Number of meetings of remuneration committee / supervisory body
 - Total remuneration of members MB
- Transparency:
Institutions should explain on their website how they comply with governance and remuneration requirements

NL Timetable Remuneration

