**Press release**

**AFME comment on the EBA’s report on the use of Allowances**

15 October 2014

AFME and its members note the publication today of the EBA’s report on the use of allowances as part of banks’ compensation arrangements. We agree with the EBA that appropriate remuneration policies are an important tool for aligning employee incentives with the risk strategy and profile of institutions.

However, given that CRDIV offers little guidance, we are unclear how the EBA has derived the detailed characteristics it suggests be applied for classifying allowances into the variable or fixed parts of remuneration. In our view this requires a great deal more discussion, analysis and consultation. We will therefore be actively engaging in the forthcoming consultation process that will take place before the EBA issues final Guidelines.

Overall, we do not want a counterproductive outcome where the rules both prevent banks from competing for talent in global markets, and force them to increase base salary. This would be in nobody's interest. It would undermine the ability of banks to use remuneration to guide staff behaviour and reduce banks’ ability to respond to any downturn in business, potentially threatening financial stability.

-ENDS-

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**Notes:**

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu

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