
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.

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Contact

David Waller, david.waller@afme.eu

Tel: +44 (0)20 7743 9504

Mob: +44 (0)7793 903 509

Anna Schoeffler, anna.schoeffler@afme.eu

Tel: +44 (0)20 7743 9367

Mob: +44 (0)7825 081 686

Notes:

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Association for Financial Markets in Europe

London Office: St. Michael's House, 1 George Yard, London EC3V 9DH T: +44 (0)20 7743 9300 F: +44 (0)20 7743 9301

Brussels Office: Square de Meeûs 38-40, 1000 Brussels, Belgium T: +32 (0)2 401 8724 F: +32 (0)2 401 6868

Company Registration No: 6996678 Registered Office: St. Michael's House, 1 George Yard, London EC3V 9DH

www.afme.eu