



EBA Public Hearing 17 February 2021

EBA Guidelines on Remuneration policies under IFD

EBA Guidelines on internal governance under IFD

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Public hearing structure

Introduction

- Next step
- Overview of the main amendments

Q&A sessions

- 1) **GL on remuneration policies**
- 2) **GL on internal governance**

Suggestions for an efficient session

Should you need assistance or would like to intervene:

- **write on WebEx chat to any of the hosts or publicly;**
- **raise your hand on WebEx.**

To avoid background noise, please stay muted unless you take the floor.

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Please identify yourself (if you don't use full name on WebEx).

Draft guidelines on sound remuneration policies



- CP published 17 December 2020
- Consultation period ends **17 March 2021**
- The EBA is aiming for a publication of the guidelines before end of June 2021
- Implementation date for Guidelines likely 31.12.2021

A new prudential framework for investment firms under Directive (EU) 2034/2019 (IFD), implementation date for Member States 26 June 2021

- Currently investment firms are subject to CRD
- As of 26 June 2021, investment firms are subject to IFD. Some large firms will remain under CRD and must apply for CRD authorisation.
- Requirements on governance and remuneration apply **only to investment firms (class 2)**, unless they are small and non interconnected (class 3 investment firms excluded from the specific provisions on governance and remuneration)
- Specific **waivers** for the application of **deferral and pay out in instruments**, subject to implementation by Member States

A new prudential framework for investment firms under Directive (EU) 2034/2019 (IFD)

- General approach in the Guidelines: where requirements under IFD and CRD are equivalent, the **GL under IFD should be consistent with the CRD GL**, but IFD GL should allow for a more proportionate approach (proportionality criteria amended to reflect IF business model, class 3 firms excluded)
- Requirements under **Directive 2014/65/EU (MiFID)** and the **Commission Delegated Regulation (EU) 2017/565** of 25 April 2016 on organisational requirements **apply in addition to all investment firms**
- **Guidelines are consistent with requirements under MiFID and Commission Delegated Regulation (EU) 2017/565**

Main differences to framework currently in place

- **Gender neutral remuneration policies** – equal pay for equal work, but differentiation allowed if not based on gender,
- **Gender balanced remuneration committee** for IF with EUR 100mn assets or more on a 4-year average, may be established at group level
 - Consists of non-exec. directors and, as applicable, staff representatives
 - Chair and majority should qualify as independent
- Investment firms (IF) to set an **appropriate ratio between the variable and fixed remuneration**
 - Considering business model, need to align with risks and cost flexibility
 - Criteria for the mapping variable and fixed remuneration still important
 - Fully flexible policy on variable must be possible
- **Wider set of instruments available** – no balance of different instruments

EBA Guidelines on internal governance under IFD



Main differences to framework currently in place

Articles 88 (board responsibilities) and 91 (fitness and propriety)

CRD apply via reference in Article 9 MiFID to all IF

- Guidelines on related party transactions, including loans
- Larger firms to set up risk and remuneration committees, where establishment with 3 members not possible, delegation to one member with support by staff possible

GL take into account that risk management and internal audit functions might not be established

- New product process removed as regulated under MiFID for all IF
- Risk management section aligned with MiFID requirements and different risk-profiles of IF



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