The voice of banking & financial services

The European Banking Authority
Tower Forty Two
Old Broad Street
London

18th January 2014

Dear Sir / Madam,

Consultation Paper - Draft Guidelines
On the applicable notional discount rate for variable remuneration under Article 94(1)(g)(iii) of Directive 2013/36/EU

The British Banker's Association is pleased to respond to the consultation paper.

In summary, we have serious reservations with respect to the EBA proposals.

It is our opinion that the EBA proposals do:

- Not comply with the objectives of the CRD to provide an incentive to defer variable compensation for five years or more.
- Not comply with the spirit or letter of the CRD that is focussed only on the 25% (or lower percentage if mandated by a member state).
- Not differentiate between the riskiness of each institution or the capital instruments.
- Not enable institutions to implement remuneration policies aligned with the long-term growth and strategy.
- Not enable institutions to differentiate the calculation of the increased variable remuneration for employees that might be included in the scheme.

In conclusion, if the current EBA proposals are adopted as proposed, institutions do not expect to avail themselves of the facility to increase variable compensation using the proposed formula and methodology set out by the EBA.

The following sets out a summary of our concerns:

We believe that at the heart of our concern is our belief that the EBA has misinterpreted the Directive. It has concluded that the application of the discount rate is a maximum of 25% of the revised variable compensation. The consequence is that to all practical purposes when prior year inflation and government bond rates vary between 2% and 5% the additional variable remuneration vesting for 5 years will vary between 14% and 22%. Also it permits pro-rata vesting for a period of less than 5 years.

We believe that the intention of the Directive was to apply a discount rate to a maximum of 25% of the base variable remuneration and that the minimum period for vesting should be 5 years with no pro-rata vesting less than 5 years.

The EBA proposals also result in an increase in the portion of revised variable remuneration that is not subjected to the discount rate (payable in an increased amount in cash and increased deferred and pro-rata vesting remuneration) equal to the same overall increase. We do not agree with this and believe that the amount of the immediate pay-out and pro-rata vesting (not subjected to the discount rate) should be unaffected by the application of the discount rate. The EBA

The EBA proposals do not provide any incentive to introduce retention periods or to receive a lower percentage in cash, or longer deferral periods for the portion not subject to the discount rate.

We believe that the EBA has also not considered or included all relevant risk factors. We believe that a discount factor should differentiate the riskiness of each institution (overall cost of capital), by lines of business and the capital instruments (Core Tier 1 Equity, Hybrid, Tier 2 or Senior) in which the deferred incentive is paid. We believe that the inclusion of the Government Bond rate as fixed at 10 years is not only inappropriate because it does not align with the vesting period, but inclusion of the rate is reward for the absence of risk. We believe the term rate should be used as a deduction from the institution specific cost of risk. Inflation risk should take into account market expectations of future inflation not prior year's inflation. The incentive factor has been fixed at 10 % p.a. Yet, as explained above and documented in the response, the rationale for this value is neither explained or has any material impact upon the additional variable remuneration because of the limiting approach included in the EBA formula.

There may be a perception that the EBA proposal on the calculation of the formula, determination of and application of the discount rate is a concern for only a few member states. Such a perception is without basis when the facts are stated. We have read the Directive, and the EBA consultation paper in conjunction with:

- **EBA report on High Earners 2012** in accordance with Directive 2010/76/EC (CRDIII) that introduced the requirement that home Member State competent authorities have to collect information on the number of individuals per credit institution in pay brackets of at least EUR 1 million, including the business area involved and the main elements of salary, bonus, long-term award and pension contribution. The analysis of this report reveals that all 20 EU member states that contributed to the High Earners Report have employees with variable remuneration of more than 100% of fixed remuneration. All business areas are affected, Investment banking, Retail banking (including Commercial & Corporate banking), Asset management and Other and that 18 of the 20 reporting member states have employees where the average multiple of variable to fixed exceeds 200%.
- **EBA RTS/2013/11 – "Identified Staff"** that sets out the criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94(2) of Directive 2013/36/EU. In these finalised technical standards published on 13th December 2013 it is made clear that the number of employees that will be captured by the CRD Articles 92 and 94 will increase significantly for all member states.

There are implications of the implementation of the EBA proposal - unless suitably amended - for all institutions headquartered in EU member states operating globally and EU subsidiaries of non-EU headquartered institutions. Yet on the contrary the proposals have no impact upon "Pass-porting branches" of non-EU institutions operating within the EU and non-

EU institutions operating outside the EU. We believe that this results in a competitive disadvantage for EU incorporated institutions and is not in the best interest of EU banking sector.

In conclusion if the EBA proposal is not amended, in order to comply with the Article 94 (1) g (i and ii), i.e. to ensure that the ratio of variable to fixed remuneration is confined to the ratio approved by an institution's management body (capped at 200%), it will be necessary for all EU incorporated institutions to implement one or more combinations of the following actions:

1. To increase the fixed remuneration and reduce variable remuneration in order to reduce the multiplier, consequently increasing an institution's fixed costs. This poses risks in that it increases the costs of business restructuring in the event that the number of employees are reduced. It also increases other associated employment 'on-going' costs such.
2. To obtain shareholder approval for multiples of greater than 100% up to the cap of 200%.
3. Reduce total remuneration compared with prior years.
4. Introduce a form of remuneration that is considered by the institution to be not captured within the "legal" definition of variable remuneration and so is excluded from the constraints imposed by the CRD and EBA technical guidance.
5. Review the business strategy to divest of a business and or legal entity that on a stand-alone basis is no longer viable if remuneration is to be reduced to the CRD policies.
6. Consider moving domicile of incorporation of the parent company outside the EU and conduct EU business inside a "pass-porting" EU branch that is not subject to the CRD and EBA policies.

It is the opinion of institutions that above implications are NOT in the best interest of the affected institutions and therefore society more generally.

Institutions are of the opinion that it is possible to develop an approach and thus a model that would:

- Overcome all of the shortfalls of the EBA proposal
- Obviate the need to take many of the actions set out above
- Be simpler to comprehend and use
- Differentiate the risk of institutions, lines of business and capital instruments
- Take into account only risk factors
- Be compliant with both the spirit and the letter of the CRD Article 94 and Recitals 62– 69

In order to assist the EBA with its assessment of the responses to the consultation paper, the BBA will be writing separately to the EBA setting out an alternative model for its consideration.

Should the EBA and or others wish to discuss our response, the BBA would be happy to meet to discuss and explain our comments.

Yours faithfully

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Proposed Answers to the EBA questions

The EBA Consultation Paper[1] includes questions.

The following are the institution's responses.

Words in italics represent extracts from the EBA and or CEBS documentation.

1

http://www.eba.europa.eu/documents/10180/456620/EBA+CP+2013+40+%28CP+on+draft+Guidelines+on+the+discount+factor+for+variable+remuneration%29.pdf

Q1. Is the scope of variable remuneration which can be discounted sufficiently clear?

The EBA proposals are **not** clear.

1. The EBA proposals do **NOT** use a discount rate to scale up 25% of the variable remuneration. Instead the formula uses a discount rate to scale up 100% of the variable remuneration and then reduces that value by a function that takes into account the ratio of the threshold [2] to 1 minus the threshold to derive a small increase in total variable remuneration of c 14% - 20%, when inflation and government bond rates are within the range of 2% and 5% per annum.

2. The proposal does **NOT** result in 25% of the variable remuneration being deferred for a minimum of 5 years. It results in 25% of the increased variable remuneration being deferred for 5 years.

3. The consequence of the above is that since 75% of the increased variable remuneration is greater than 75% of non-increased variable remuneration, the employee also receives an increase in the amount of non-long term variable remuneration. It is questionable as to whether this was the European Parliament's intention.

4. Although the EBA proposals are explicitly unclear they are implicitly clear in that they endorse an interpretation that utilising the EBA formula it is permitted to increase the amount paid in cash immediately. This is illustrated in first part of example 2 in the EBA consultation paper.

5. The example 2 in the EBA CP clearly illustrates that it envisages that the 25% of the total increased remuneration can be vested pro-rata and thus portions of that total amount can be paid out in less than 5 years (i.e. in years 1, 2, 3 and 4 with retention that is not mandatory). This is evidenced by the value of *n* (vesting period being shown as less than 5 on page 19). The effect of this is that the employee would be permitted to realise more in year 3 than had they not been given the "long-term incentive". In fact the additional compensation is only realised in the year 8.

Institutions do **NOT** believe that any of the above outcomes (1 through 5 set out above) were the intention of the European Parliament (EP) when it enacted Article 94 (1) (g) (iii).

Institutions do **NOT** believe that the EU CRD is written in a way such that giving an incentive and thus deferring compensation for a minimum of 5 years should also result in an increase in the residual variable compensation not subjected to the discount rate.

Institutions believe that the EU CRD should be interpreted as follows:

1. Only the prescribed percentage of the variable remuneration that would be paid if no long-term incentive plan was included (up to a maximum of 25% as defined by each member state or a lower percentage defined by an institution) is subject to the long-term minimum 5-years deferral incentive scheme;

2. There should **NOT** be any change to the balance i.e. 75% of the total variable remuneration (not subject to the discount rate) that is payable less than 5 years;

[2] The Threshold is the 25% (or a lower % as defined by member states)

3. There should **NOT** be capability to increase the portion paid immediately.

Implications of the implementation of the EBA proposal unless suitably amended

There are implications of this EBA proposal for all:

- Institutions headquartered in EU member states operating globally

and

- EU subsidiaries of non-EU headquartered institutions.

Yet on the contrary the proposals have no impact upon

- "Pass-porting branches" of non-EU institutions operating within the EU

nor

- Non-EU institutions operating outside the EU.

If the EBA proposal is not amended, in order to comply with the Article 94 (1) g (i and ii), i.e. to ensure that the ratio of variable to fixed remuneration is confined to the ratio approved by an institution's management body (capped at 200%), it will be necessary for all EU incorporated institutions to implement one or more combinations of the following actions:

1. To increase the fixed remuneration and reduce variable remuneration in order to reduce the multiplier. This poses risks in that it increases the costs to restructure businesses and reduce the number of employees. It also increases associated costs.

2. To obtain shareholder approval for multiples of greater than 100% up to the cap of 200%.

3. Reduce total remuneration compared with prior years.

4. Introduce a form of remuneration that is considered by the institution to be not captured within the "legal" definition of variable remuneration and so is excluded from the constraints imposed by the CRD and EBA technical guidance.

5. Review the business strategy to divest of a business and or legal entity that on a stand-alone basis is no longer viable if remuneration is to be reduced to the CRD policies.

6. Consider moving domicile of incorporation of the parent company outside the EU and conduct EU business inside a "pass-porting" EU branch that is not subject to the CRD and EBA policies.

It is the opinion of institutions that above implications are **NOT** in the best interest of the affected institutions.

Institutions are of the opinion that it is possible to develop an approach and thus a model can that would:

- Overcome all of the shortfalls of the EBA proposal
- Obviate the need to take many of the actions set out above
- Be simpler to comprehend and use
- Differentiate the risk of institutions, lines of business and capital instruments
- Take into account only risk factors
- Be compliant with both the spirit and the letter of the CRD Article 94 and Recitals 62– 69

Institutions have an idea with respect to an alternative approach that it would like to discuss with the EBA that will be sent in a separate letter.

Q2. Is the suggested factor to consider inflation appropriate?

Response

The suggested factor is **NOT** appropriate.

1. There is no provision for indexation of the award against changes in the future inflation rate. In effect the employee is being asked to take a risk of future inflation rates without any ability to hedge that risk and without the incentive granted taking into account future inflation risk.

2. Using the current inflation rate that is based upon changes in prices during the past year, does not reflect the risk of changes to inflation in the future. Thus there is an inconsistency and inappropriateness in the measurement of risk.

3. The inflation rate is proposed to be based upon the currency of the payment. It should instead be based upon country of the employment of the employee for tax purposes.

The most appropriate approach should be to determine the inflation rates for each of the future years until vesting derived from the forward inflation yield curve so as to take into account current future expected changes to inflation.

From this can be derived an implied annual future inflation rate for the vesting period.

It would be even more equitable if a fixed date was chosen on which the inflation rates were determined. From a practical perspective this could be 3 months before the end of the financial year (thus allowing sufficient time for the factors included in the variable remuneration to be determined).

Q3: Is it appropriate to consider the rate for EU government bonds within the discount rate as a proxy for the opportunity costs of deferred remuneration and for inflation risk?

Response

It is our opinion that the use of Government Bond rate has **NOT** been used appropriately.

1. The government bond rate is fixed at 10 years and is not related to the period of the vesting period.

2. The inclusion of a government bond rate is seen by the EBA as a risk.

3. On the contrary it is customary to think of the government bond rate as the risk-free rate. Thus the inclusion of the rate is in fact an increase in variable remuneration for the absence of risk.

The use of the Government bond rate is therefore inappropriate.

The EBA assumes that the cost of risk for each institution, each line of business and each of the eligible capital instruments are the same for all institutions. These factors have NOT been identified by the EBA as a risk.

Institutions believe that the logical approach is to allow institutions to use institution-specific cost of risk rates and also for each different capital instrument that is multiplied by a line of business beta factor and then to deduct the local currency government bond rate for the same term as the vesting period to derive a net risk rate.

These parameters should be subject to an appropriate internal approval and governance process, annually ratified and published.

It is recommended that

1. The government bond rate should be the period equal to the vesting period;

2. It should be for the currency in which the award is made;

3. It would be even more equitable if a fixed date was chosen on which the government bond were determined. From a practical perspective this could be 3 months before the end of the financial year (thus allowing sufficient time for the factors included in the variable remuneration to be determined);

4. In the absence of a government bond rate, an institution should establish a process to determine a “risk-free rate”

Q4: Is the incentive factor for the use of long-term deferred variable remuneration appropriate?

There is no explanation of how the fixed incentive factor of 10% p.a. has been derived.

However, the incentive factor (and the inflation and government bond rate) has a very limited impact upon the overall incentive because of the approach the EBA has taken to define the formula to increase the total variable remuneration.

This is because

1. The theoretical maximum increase in total variable remuneration is 33.33% [3] for member states that approve the 25% threshold.

2. In practise the actual total increase in total variable remuneration will range only between 14% and 22% because of the way the formula has been designed based upon inflation and government bond rates ranging between 2% and 5% with a fixed incentive factor of 10% p.a.

3. In the event that a member state imposes a lower threshold than 25%, the increase in total variable remuneration is broadly reduced pro-rata. [4]

The way that the EBA formula works (assuming that inflation + government bond rate are ignored in the scenario, i.e. are zero) for 5 years vesting is as follows:

For 5 years vesting, an incentive rate of
10% p.a. results in only 10.5% increase in total variable remuneration

A stress-test of different incentive rates reveals the following
25% p.a. results in 20.2% increase in total variable remuneration
50% p.a. results in 27.7% increase in total variable remuneration
100% p.a. results in 32.2% increase in total variable remuneration
500% p.a. results in 33.3% increase in total variable remuneration

Thus in conclusion the increase in total variable remuneration is largely insensitive to the size of the incentive rate. In effect it means that the prescriptive nature of the EBA approach means that all employees in all institutions will be subjected to same formula and thus calculation. There is no flexibility for institutions. This has competitive implications.

In summary, the formula is designed in such a way that the theoretical maximum additional compensation is 33.33%. This would be reached if annual inflation was 500%, Government Bond yields were 500% p.a. and the long-term incentive was 500% p.a.

The EBA proposals do not appear to provide any flexibility for institutions to set a lower incentive factor.

In summary institutions do **NOT** agree with the approach that has been taken to include the incentive rate in the formula.

[3] This is achieved when annual inflation and government yields are de facto above 1000% p.a. (i.e. infinite). The theoretical maximum is equal to threshold 25% / 1- threshold i.e. 75%. Thus when the threshold is 10% then the maximum increase is 11.11% (10% / 90%)

[4] i.e. a threshold of 12.5% results in the total increase reducing by c. 50% to a range of between 7% and 11%. In this paper 25% threshold is used for illustration for consistency

Q5: Is an additional incentive factor for the use of retention periods for long term deferred instruments appropriate?

The proposals include a further "incentive" for retention. However, the proposals suffer from a number of flaws in that they do **NOT** provide a meaningful incentive for retention:

1. The minimum retention period is defined as 2 years.[5] There is no rationale for this minimum period and no rationale for why a 1 year retention is not permitted.

2. The factor is defined as 1% p.a. i.e. 10% of the fixed incentive factor. There is no rationale for this percentage.

3. The impact of the retention factor results in immaterial additional variable remuneration for the material risk of those additional retained years.

   This is illustrated in example 1 that the employee is invited to give up EUR 26,525 that would have invested in a minimum of 3 years for a EUR 30,000 (an increase of EUR 3,475 i.e. 13%) that will vest in 5 and 6 years with further retention of 2 and 3 years.

It would seem that the EBA might not have clearly understood the difference between vesting and retention. Extracts from CEBS 10 December 2010 Guidelines on Remuneration Policies and Practices:

> *'141. A retention period is not a substitute for a longer deferral period.*
>
> ***Vesting process**: An amount of remuneration vests when the staff member receives payment and becomes the legal owner of the remuneration. Once the remuneration vests, no explicit ex-post adjustments can occur apart from claw-back clauses.*
>
> ***Retention period**: period of time during which variable remuneration that has been already vested and paid out in the form of instruments cannot be sold. The retention period is independent from the deferral period. This means that, in order to meet the requirement of a minimum deferral period of three to five years, the retention period counts for nothing. The retention period can last for a shorter or longer period than the deferral period applied to the instruments that are not paid upfront'*

If an incentive for retention should be included, it should **not** have a minimum additional period. There does not seem to be any justification of the incentive rate for retention. The following sets out the EBA approach for example 3 with different combinations:

5 years vesting	EUR 28,546
6 years vesting	EUR 29,453
7 years vesting	EUR 30,297 v 5 yrs vesting + 2 yrs retention EUR 28,890
8 years vesting	EUR 31,041 v 5 yrs vesting + 3 yrs retention EUR 29,052
8 years vesting	EUR 31,041 v 6 yrs vesting + 2 yrs retention EUR 29,879

The key comparisons are:

- the additional benefit of waiting 2 or 3 years before becoming the legal owner
- the difference between vesting and retention

[5] On page 12 it states "two percent for a retention period **of at least** two years. The factor should increase for each full year of retention by one percentage point"

Although a higher amount is received for a longer vesting period, the EBA proposals result in very little difference for the additional retention period.

Thus, even if any institution were to put in place a 5 year vesting period, the EBA proposals provide no incentive to extend the vesting period and / or to retention periods, because a) of the minimum 2 years and b) immateriality of the additional benefit.

A problem is that in the formula the value of *n* is equal to vesting period only. It should at least be equal to the vesting + retention period.

In summary, even if the above proposal was to be adopted, institutions do not believe that the EBA proposals add any value because of the immateriality of the overall effect.

The effect is an unequal share of the reward for risk that is skewed heavily in favour of the institution.

The more logical approach is a totally separate calculation of the benefit of the vesting period and the retention period.

However, if the EBA formula is implemented as proposed, any such separation of the calculation would be irrelevant because of the dampening effect of the calculation and the basis of the EBA approach that is predicated on defining the long-term compensation as 25% of the increased total remuneration.

Treatment of retention in member states

Further negative aspects of requiring retention (as oppose to deferral) are:

- The need for clarity on whether retained money is taxed in different Member States – and whether retention applies to pre- or post-taxed amounts vested;

- National labour law in some Member States prevents adding claw back provisions for vested variable remuneration subject to retention, therefore, this option may not be possible to use in practice;

- The administrative burden of ensuring that shares (or similar) are kept during retention period is significant and costly for a minimal additional benefit to employees.

Q6: Is the calculation of the discount rate sufficiently clear?

The EBA has chosen to define the "discount rate" as follows:

$$\frac{1}{(1 + (i + g + id + ir))^{n}}$$

Where the values are defined as and illustrated in example 3

2.00%	*i*	*= inflation rate;*
2.73%	*g*	*= interest rate for government bonds EU average;*
10.00%	*id*	*= incentive factor for use of long-term deferral – minimum 5 years*
2.00%	*ir*	*= incentive factor for additional retention – minimum of 2 years*
5	*n*	*= length of the vesting period.*

The value is simply the inverse of the formula (1 + (i + g + id + ir)) ^ n.

Thus in the above example the:

- Actual discount rate for 5 years vesting plus 2 years retention is 2.1673
- This 46.14%

It is not the calculation of the discount rate that is unclear; it is the application of the discount rate in calculation of the amount that is to be paid that is considered to be inappropriate.

This is because the discount rate is not utilised to scale up a portion of the variable remuneration. It is instead utilised to scale up the total variable remuneration and then scale back that notional grossed up value by a percentage that is based upon the threshold percentage (25% or lower) determined by each member state. Refer to question 7 below for a full explanation.

Implications for increases in the award or valuation of the award for IRFS

Institutions draw the EBA's attention to the fact that it is normal practice during a vesting period for the value of the award to be increased by the receipt of dividends (in the form of additional shares) and interest income on debt / bonds.

It is noted that the EBA proposals are silent on these matters. For the avoidance of doubt, it would be beneficial for the EBA to confirm explicitly that these future awards are excluded from the calculation of the discount rate.

However, we believe that the EBA will be aware of IFRS2 that requires the fair value of the award to be taken into account, that in turn might indeed need to take into account the probability of market–based conditions being fulfilled or otherwise.

The EBA will be aware that an institution may have a different policy with regard to future performance conditions (quantitative and/or qualitative) that can impact the future vesting including an outcome that can be zero vesting for 'non-malus' condition. This is typical for senior management. The EBA does not differentiate between these conditions and 'malus' type conditions that might be only applicable to other employees. Thus the EBA treats all employees in all institutions the same and being subject to the same calculation. This does not seem to be proportionate to the risk for different categories of employees or the institution and eliminates institutions from differentiating / tailoring their remuneration schemes.

Q7: Is the application of the discount rate sufficiently clear?

The application of the discount rate is **unclear** because institutions consider that as a concept:

- It has been applied in an inappropriate way,
- It does not represent or differentiate risk, and
- It does not provide any incentive to promote long-term incentive programs.

When looked at in isolation, it is possible that some might think that the discount rate used in isolation would have been used to determine the amount of additional variable compensation.

Thus taking example 3, the "discount rate" as per the above formula is 46.1%. The inverse is 2.1673.

Thus one might have presumed that this value would have been used to replace the 25% of the variable compensation i.e. EUR 25,000 that was to be vested over a minimum of 3 years into an increased value of EUR 54,182 (EUR 25,000 x 2.1673)

This would have provided a revised total variable remuneration of EUR 129,182.

- (EUR 100,000 – EUR 25,000 + EUR 54,182).

However, the EBA has not chosen this simple concept. It has chosen to use the "discount rate" in a different manner.

The EBA has interpreted the CRD as at **four - step model process** as follows:

1. **Increase the total variable remuneration (without incentive) by the discount rate to calculate the total revised gross notional variable remuneration.**

   In the example 3, this shows that
   - Variable remuneration = EUR 100,000
   - Reciprocal of the discount rate = 2.16727
   - Total revised **notional** variable remuneration = EUR 216,727

2. **Reduce the total notional variable remuneration by the following formula to derive the total net revised variable remuneration**

   - Threshold % + ((Reciprocal of Discount Rate X (1-Threshold%)) [6]
   - For example, the "reducer" is as follows:
     - 0.25 + (2.16727 x 75%) = 1.8755

     - Total revised notional variable remuneration = EUR 216,727
     - Reducer = 1.8755
     - Total net revised variable remuneration = EUR 115,560

3. **Calculate the components of the revised variable remuneration**

   I. 25% that must be deferred for 5 years
      - 25% of EUR 115,560 = EUR 28,890 - Deferred 5 years minimum

[6] The threshold is a maximum of 25% or lower, if prescribed by the member state.

II. Retain the amount that was agreed to be paid out immediately (in cash and or payable in capital instruments if cash is equal to more than 50%).
   - For example 60% of EUR 100,000 = EUR 60,000 [7]

III. Calculate the residual adjusted balance that is required to be paid out with a minimum vesting period of 3 years.
   - For example
   - EUR 115,560 - EUR 28,890 - EUR 60,000 = EUR 26,670

The effect of the above process is that that EUR 40,000 that would have vested in 3 years has been reduced to EUR 26,670 i.e. a reduction of EUR 13,330. In return the employee receives EUR 28,890 that is deferred for 5 years as well as 2-years retention. This is a net increase of EUR 15,560 equal to 15.56% (c. 3.7% p.a. compound growth over the additional 4 years (2 additional years + 2 years retention).

4. Verify that the Fixed vs Variable remuneration is not more than the agreed percentage (100% <> 200%). Variable remuneration is equal to the sum of

1. Deferred 5 years compensation EUR 28,890 divided by the reciprocal of the discount rate (2.16727) = EUR 13,330 +
2. Amount payable in 3 years EUR 86,670 (EUR 60,000 + 26,670)
3. Total = EUR 100,000 that must not be more than the fixed amount EUR 100,000.

Institutions do not agree with the proposed application of the "discount rate" as set out by the EBA.

It is the opinion of institutions that the above approach was not what was intended by the European Parliament in Article 94 (1) (g) (iii). In fact institutions believe that an increase in a portion of the award with respect to the amount that is **NOT** within the long-term incentive scheme is contrary to the CRD.

Institutions opinion is that the intention of the CRD is as follows:

1) The portion of the award that is required to be vested for a minimum of 3 years deferred, i.e. in the above example EUR 15,000 should remain as EUR 15,000 and thus is unaffected by the long-term incentive:

   - EUR 100,000 Award without incentive
   - EUR 60,000 - Immediate pay-out
   - EUR 25,000 - 25% maximum of the award
   - EUR 15,000 Balance to be vested for minimum 3 years

2) A discount rate should only be applied to the 25% of the total variable remuneration (i.e. EUR 25,000), and;

3) *"the total non-discounted variable remuneration"* should remain unchanged. In the example the amount remained at EUR 75,000
   - EUR 60,000 Immediate pay-out
   - EUR 15,000 To be vested for minimum 3 years
   - EUR 75,000 Sub-total remains unchanged

[7] Refer to the answer to Q9 that explains that it is possible to interpret the EBA guidance as allowing the immediate pay out percentage to refer to the revised increased total variable remuneration.

Q8: What additional costs would be triggered by the documentation and transparency requirements?

The costs of implementing the EBA proposals need to be weighed against the benefits to institution and the employee.

Given the immateriality of the increase in the remuneration that results from the EBA proposals, it is likely that only institutions that have scale and size will be to likely to even consider the proposed scheme.

However, the principal reason is that we believe that institutions will not envisage spending any costs on documentation and transparency and or reporting is because they we do not anticipate any institution making use of the EBA proposals as set out.

The EBA proposals do **not** provide any incentive to defer compensation by 5 years or more as expressly requested by the Directive.

On the contrary they reaffirm the benefits of paying the;

1) Maximum percentage possible in cash up-front (or a mandated balance in capital instruments up-front with the ability for immediate sale (or a sale soon thereafter) when the amount is permitted to exceed 50% to a maximum of 60%)

2) Minimum amount in capital instruments deferred for the minimum period (3 years) vesting without any further retention.

The reasons are that there are;

- No incentives for deferring any immediate pay-out, or deferring for longer than the minimum number of years or for introducing any retention period.

- The additional compensation that will be between 10% and 20% for every employee in every EU institution is not an incentive.

If the EBA proposals are implemented it would result in;

- Variable compensation being equal to between 100% and 200% of fixed compensation,

- An employee taking the maximum % immediately,

- Deferring the balance (40% to 60%) for the minimum period of 3 years,

- Opting for no retention period.

The formula is structured in such a way that the maximum additional remuneration even with all values and %s being equal to 1-infinity would only be an additional 33.33%.

In summary, the minimal benefit for the cost of implementing and maintaining the processes is unlikely to lead to many institutions implementing the EBA proposals.

Q9: Is the example 1 sufficiently clear and helpful to understand the application of the guidelines?

Comment

The EBA example 1 is unclear because it is incomplete.

On page 17 in the penultimate paragraph the calculated variable for purposes of comparison is shown as EUR 132,797.96. The amount should be EUR 132,622.73.

The example only shows the calculation of the values to be included in the calculation of the ratio of variable remuneration to fixed remuneration.

But the example set out by the EBA does **NOT** explain that the amount not subjected to the discount rate that will be paid in less than 5 years i.e. EUR 120,000 is **NOT** the amount that could be paid if no 5 year deferred compensation is paid. It does not make it clear that the amount in the example would be EUR 132,622.73.

Of this amount EUR 132,623,

- 60% could have been paid out immediately (50% in cash and 10% in capital instruments) = EUR 79,574. [8]

- 40% would have been vested for a minimum of 3 or 4 years = EUR 53,049.

  This in turn can be thought of
  - EUR 26,524 = 20% that could be increased
  - EUR 26,525 = 20% that will excluded

Therefore:

- In return for agreeing to exclude the 20% of EUR 26,525
- The EBA propose that the 40% of EUR 132,623 (i.e. EUR 53,049) can be increased to EUR 70,426, an increase of EUR 17,377.

This amount it will be noted is the difference between;

EUR	30,000	Gross value that will be vesting in 5 and 6 years + retentions
EUR	12,623	Discounted value
EUR	17,377	Discount

However this increase is in fact attributable to;

EUR	13,902	Increase in the amount vesting in a minimum of 3 or 4 years
EUR	3,475	Additional amount that is awarded for changing EUR 26,525 vesting in 3 or 4 years into EUR 30,000 vesting in 5 and 6 years

[8] The EBA will be aware that as per Article 94 ((1) (l) that no more than 50% can be paid in cash

The following sets out the table

	No incentive	**Change**	**Incentive**
"Cash"	EUR 79,574	0	EUR 79,574
Min 3 yrs vesting	EUR 26,524	+ 13,902	EUR 40,426
Sub-Total	EUR 106,098	+ 13,902	EUR 120,000
Min 3 yrs vesting	EUR 26,525	- 26,525	
5 year vesting	0	+ 30,000	EUR 30,000
(and 2 and 3 years retention)		+ 3,475	
Total	EUR 132,623	+ 17,377	EUR 150,000

The point is that EUR 106,098 should remain fixed.

The introduction of the deferred long-term incentive scheme (in the example 5 and 6 years) should **NOT** have any impact upon the amounts that are paid out immediately or will vest over the minimum period of 3 years.

The employee now sees that 20% of the EUR 150,000 i.e. EUR 30,000 is deferred for 5 or 6 years.

Instead the employee could have received EUR 26,525 vesting in a minimum of 3 years.

Conclusion

When the full explanation of the EBA example 1 is set out it shows that the EUR 30,000 made up of:

- EUR 20 000 deferred for 5 years with 2-year retention and
- EUR 10 000 deferred for 6 years with 3 year retention

This is an illusion of a benefit. That is because had the employee opted for no incentive, then EUR 132,623 can be paid out 100% by 3 years. Thus the employee is now being asked to wait a further 5 / 6 years to receive a further 17,377. This represents an internal rate of return of 2.5% for those 5 years. That is **NOT** even the bond yield. Thus the employee would be better off taking the EUR 132,623 and investing the proceeds themselves and obtaining more than EUR 150,000.

Hence, it is a fact what the employee would be doing is as follows:

- Giving up EUR 26,525 that would have vested in a minimum of 3 years
- Extending the vesting period to 5 and 6 years with 2 and 3 years retention and
- Receiving an additional EUR 3,475 for this change in the terms and conditions.

Thus in conclusion, there is no benefit and it can be reasonably concluded that no employee would regard this as a benefit.

On the contrary, an employee is likely to regard the change as a restriction and reduced benefit.

Q10: Is the example 2 sufficiently clear and helpful to understand the application of the guidelines?

Comments

There are in fact two examples not one.

We consider that the two examples are confusing.

Furthermore, the present value formula is not general, but applies when the ratio is 100% (and not, for instance, 200%).

The example sets out an example where the EUR 150,000 is deemed to be a "*particularly high amount*" as set out in CRD Article 94 (m) second paragraph, second sentence.

The amount that is subjected to the long-term deferral incentive is shown as 25% of the EUR 150,000 i.e. EUR 37,500.

It illustrates two sub-examples

a) EUR 37,500 is vested pro-rata over 6 years

b) EUR 37,500 vests at 6 years

Both EBA examples 2 a) and 2 b) are unclear because they are incomplete in the same way that example 1 as set out in response to question 9 is incomplete.

The examples only show the calculation of the values to be included in the calculation of the ratio of variable remuneration to fixed remuneration.

The examples set out by the EBA do **NOT** explain that the amounts that are not subjected to the discount rate that will be paid in less than 5 years.

In summary, the EBA proposals do not provide a sufficient incentive for the employee.

Q10 Sub-example a)

Assumptions for 2a)

In the sub-example 2a) the EBA makes the following assumptions;

1. 60% of the total revised variable remuneration of EUR 150,000 is considered eligible for deferral i.e. EUR 90,000.[9]

2. A compensation that is "*deferred for a six-year period*" vesting pro-rata with a further retention period of 2 years for each vested amount of EUR 6,250 is deemed by the EBA to be permissible as per the CRD.

3. The effect is that the EBA considers that the discount rates **can use** a period of (*n*) of less than 5 years.

4. The effect is that the employee can sell the deferred compensation that is subject to the discount rate in 3 years (1 year vesting + 2 years retention) and in 4 years (2 year vesting + 2 years retention). Note, if the retention is changed to 0 years, the pro-rata amounts can be paid out after year 1. (We consider this contrary to the Directive's intention)

5. By utilising the long-term discount rata formula the pro-rata vested amount (EUR 6,250) that can be paid in year 3 is more than could have been paid if no discount rate had been used.

6. The amount that can be paid immediately is 40% of the proposed remuneration of EUR 150,000 that includes the long-term incentive.

The EBA example:

- It indicates that the employee is to receive the variable compensation that is not subjected to the discount rate deferred and pro-rata vesting for 6 years. Yet there is no incentive or benefit for the employee to accept this.

- Advises that the total of the 6 discounted amounts is EUR 21,457.

- Added to the non-discounted amount of EUR 112,500 (that is not shown).

- Is equal to EUR 133,957 and

- Is thus less than the fixed remuneration of EUR 135,000.

- This is equal to a ratio of 99.23%

Thus the proposed remuneration is permissible according to the EBA.

However, it is our opinion that none of the above outcomes are the intention of the European Parliament when enacting the legislation. Also the EBA has an error in its calculation of the formula to calculate the value of the discounted variable remuneration set out on page 20.

[9] We disagree with this interpretation and consider that only 60% of 100% (or a higher % if approved by shareholders) of the fixed remuneration of EUR 133,957 i.e. EUR 80,374.20 is eligible

Inflation	2%	i
Bond yield	2.73%	g
Deferral incentive	10%	id
Retention incentive	2%	ir
r	1.1873	

The formula set out on page 20

vrpr	6,250.00
dvr = vrpr x (r^n - 1) / n (r - 1)	
(r^n - 1)	1.8013
n (r - 1)	1.1238
dvr = vrpr x (r^n - 1) / n (r - 1)	10,018.02

Amount not subject to discount	112,500.00
Adjusted total	122,518.02
Percentage of Fixed	90.75%

This compares with the amount calculated by the EBA on pages 19 and 20 (for each of the six pro-rata vesting years) of EUR 21,457.

Therefore the EBA formula is **incorrect**. If it were to be used it calculate the amount to be paid, it would imply that a higher deferred remuneration would be payable.

The correct formula
It should be based on calculating a geometric progression as follows:

vrpr	6,250.00
dvr = vrpr x (1 - 1 / r^n) / (r - 1)	
(1 - 1 / r^n)	0.6430
(r - 1)	0.1873
dvr = vrpr x (1 - 1 / r^n) / (r - 1)	21,457.07

Amount not subject to discount	112,500.00
Adjusted total	133,957.07
Percentage of Fixed	99.23%

Fixed pay	133,957.07
Maximum deferral period in years	6
Pro-rata per year	16.67%
r	1.1873
Threshold	25%
Residual (not subject to discount)	75%
Max Total Variable Remuneration (TVR)	150,000.00

Check		
TVR x Non-LTDS	75%	112,500.00
Discounted value of TVR	25%	21,457.07
Total		133,957.07

Therefore using the information provided the employee is being provided with a choice

- EUR 133,957 Variable compensation without incentive
- EUR 150,000 Variable revised compensation **with** incentive

Reconciliation

- EUR 37,500 25% of Variable revised compensation **with** incentive
- EUR 21,457 Discounted Value

- EUR 112,500 75% of Variable revised compensation **with** incentive
- EUR 21,457 Discounted Value
- EUR 133,957 Adjusted compensation.

Amount payable immediately

The EBA have read the CRD Article 94 (m) that states that for "*particularly high amounts*" that 60% should be deferred. Institutions agree with this statement.

However, the EBA has deemed that this statement refers to the total that includes the amount(s) that are subjected to discount rate i.e. the increased long-term incentive.

Thus in the 2a) example, the EBA has applied 60% to EUR 150,000 i.e. EUR 90,000.

The net effect of this interpretation is that 40% of EUR 150,000 would be payable immediately i.e. EUR 60,000.

We note that had no long-term incentive been paid, the maximum variable remuneration would have been 100% of the fixed remuneration of EUR 135,000, not EUR 133,957.

This would have meant that the maximum amount payable immediately would have been EUR 54,000 i.e. 40%.

The consequence of the EBA interpretation is that by including an amount of long-term deferred compensation subject to a discount rate, the consequence is that the employee will receive EUR 6,000 more immediately i.e. EUR 60,000 instead of EUR 54,000.

Institutions opinion is that this is **NOT** the intention of the CRD or the EU Parliament when the legislation was enacted.

Institutions believe that the percentage amount that is paid immediately in all examples must be based upon the approved percentage of the fixed remuneration.

Thus in the example with a cap of 100%, the maximum amount payable immediately remains unchanged by an increase attributable to use of the long-term incentive process.

Pro-rata vesting of variable compensation not subject to the discount rate

The EBA example on page 18 proposed that "*60% of the total variable remuneration, i.e. EUR90 000, would be deferred for six years……. of which EUR 37 500 of this variable remuneration is deferred for a six-year period*". However, the illustration in Figure 2 shows that the entire 60% (EUR 90,000) will vest pro-rata over the six years. Thus the portion not subjected to the discount rate (EUR 52,500) will also be vested and payable pro-rata over the 6 years.

The EBA example does **NOT** explain why an employee would agree to this, because the employee derives no additional compensation. On the contrary it would be reasonable for the employee to expect for the deferred compensation to vest pro-rata over 3 years.

Thus the EBA proposals in fact reduce the benefit to the employee.

Discount rate for period of less than 5 years

On page 18 the EBA states that "*the discount rate can be applied to a maximum of 25% of the total variable remuneration provided it is paid in instruments deferred for a period of at least five years*".

Yet the EBA example shows that amounts will vest pro-rata from year 1 and that following a period of 2 years of retention will be permitted to be disposed of by the employee. [10] The effect is that EUR 6,250 will be available at the end of years 3 and 4 (following 2 years of retention). The EBA has used a value of *n* of less than 5 years.

In order to more clearly illustrate the EBA proposals, we have reworked the EBA example without the 2 years retention, using the same EUR 37,500 long-term incentive amount, vesting and being paid out pro-rata.

Institutions do **NOT** agree with the EBA interpretation of the CRD.

Institutions believe that the intention of the CRD is that the minimum period on *n* in the discount rate should be 5 years.

Thus in the example, the first 5 payments do not comply with the CRD intentions because they use a value of *n* that is less than 5 years that is in contradiction with Article 94 (g) (iii).

We believe that the minimum value of *n* to be used in a discount rate is 5 years.

[10] In fact the EBA proposals would imply that retention is NOT mandatory, in which case amounts would vest and be paid out commencing after year 1. Institutions consider this in contravention of the spirit and intention of the CRD.

Retention

The example in Figure 2 shows retention of “one year”. This is a typo and should be “two years”.

As explained in the answer to question 5 the EBA proposals with respect to adding 2 years of retention do **NOT** result in any material increase to the total revised variable remuneration.

The following sets out a comparison of the difference between an approach without retention and with 2 years retention assuming 6 years pro-rata vesting.

- Fixed compensation EUR 133,957.07
- Revised Variable Compensation EUR 148,740.77 (no retention)
- Revised Variable Compensation EUR 150,000.00 (with retention)
- Additional Compensation EUR 1,259.23 (0.85%)
    - Additional benefit EUR 14,783.37 (no retention)
    - Additional benefit EUR 16,042.93 (with retention)

Comparison of compensations

The EBA example 2 does not explain that there are material impacts for the employee with respect to the different cash flows over the 6 to 8 years (including retention) for variable remuneration

- Not utilising the EBA formula for long-term incentive
- Utilising the EBA formula

The deferred vesting pro-rata per annum for 6 years is as follows

- Deferred not subject to discount EUR 8,624.10 (no retention)
- Deferred subject to discount rate EUR 6,250.00 (no retention)
- Total EUR 14,874.10 (no retention)

From this it is self-evident that the employee is worse off for each of the first 5 years and only receives the additional compensation in the 6th year.

If the employee were to have been provided with the option to pro-rata vest the amount not subject to the discount factor over 3 years, then the EBA proposals are even more of a lack of incentive.

In conclusion the opinion of institutions is that the EBA proposals as set out in example 2a)

- Do not provide an incentive to introduce a pro-rata long term incentive plan
- Are not compliant with the CRD guidance.

Q10 Sub-example b)

The example set out on page 21 is as follows:

- It confirms that the discounted amount is EUR 13,387
- added to the non-discounted amount of EUR 112,500 (that is not shown)
  - is equal to EUR 125,887 and
  - is thus less than the fixed remuneration of EUR 135,000.
  - A ratio of 93.25%
- Thus the proposed remuneration is permissible according to the EBA.

The alternative way to look at this example is as follows:

• Fixed compensation	EUR 135,000.00	
• Variable Compensation	EUR 125,886.54	(no incentive)
• Revised Variable Compensation	EUR 148,307.69	(no retention)
• Revised Variable Compensation	EUR 150,000.00	(with retention)
• Additional Compensation	EUR 1,692.31	(1.14%)
o Additional benefit	EUR 22,421.15	(no retention)
o Additional benefit	EUR 24,113.46	(with retention)

The point of concern for institutions is that the example does not make it clear that the choice is between;

- EUR 125,886.54 received 100% by year 3
- EUR 112.500.00 received by year 3 (i.e. 89.40%
- EUR 37,500.00 received by year 8

Thus the employee suffers 5 years reduction of EUR 13,386 (i.e. the discount) for the benefit of receiving an additional EUR 24,114. This is an internal rate of return of 12.5%.

It is also noted that since the fixed remuneration in the example is EUR 135,000, the employee in fact is much more likely to prefer EUR 135,000 (40% paid immediately and 60% deferred to vest in 3 years), rather than receive EUR 112,500 as set out in the example instead of the future total compensation of EUR 150,000.

The difference between EUR 135,000 and EUR 150,000 represents EUR 15,000. This is equal to internal rate of return of 2.1% over the additional five year period.

In conclusion this example illustrates why the EBA proposals do not provide any incentive to introduce a long term incentive scheme utilising the proposed formula.

Q11: Is the example 3 sufficiently clear and helpful to understand the application of the guidelines?

The example sets out the EBA interpretation of the CRD with respect to calculate;

- The revised variable remuneration
- of which the maximum amount that can be paid in a deferred amount with a minimum of 5 years

The calculation and the example is **no**t as clear as it could be and is shown as only an abbreviated formula.

The formula set out by the EBA includes the fixed value of the threshold of 0.25 (25%) and 0.75 (residual threshold %).

This is incorrect. The two values are variables with maximum and minimum values.

0.25 should be defined as MAX to represent a value between 0 and 0.25 equating to the maximum value of 25% that can be paid in instruments that are *deferred for a period of not less than five years,* since member states may set a lower maximum percentage.

The value 0.75 should be replaced in the formula with 1-MAX to indicate that value can range between 0.75 and 1.00 equating a maximum value of 100% indicating that no long-term incentive is permitted.

$$tvr = \frac{fr \times [\,(1 + i + g + id + ir)\ ^\wedge\ n\,]}{1\text{-}MAX \times [\,(1 + i + g + id + ir)\ ^\wedge\ n\,] + MAX} = \frac{100{,}000 \times 2.1673}{0.75 \times 2.1673 + 0.25}$$

In the example

25%	*MAX*	*= percentage to be paid in long-term incentive*
100,000	*fr*	*= fixed remuneration*
2.00%	*i*	*= inflation rate;*
2.73%	*g*	*= interest rate for government bonds EU average;*
10.00%	*id*	*= incentive factor for use of long-term deferral – minimum 5 years (2.00% for each additional year beyond 5 years)*
2.00%	*ir*	*= incentive factor for additional retention – minimum of 2 years (1.00% for each additional year beyond 7 years)*
5	*n*	*= length of the vesting period.*
115,559	*tvr*	*= total variable remuneration*
28,890	*MAXamt*	*= tvr x MAX equals the maximum amount to be vested in n years*

Q 12: Do you agree with our analysis of the impact of the proposals in this CP? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

Institutions have reviewed the EBA proposals and set out in detail its response to questions 1 to 11 above.

Response

The summary of those responses is that EBA has set out the following:

1) **Calculation of the amount subject to long-term deferral**

   The EBA has interpreted the CRD with respect to the amount that is subject to the calculation of a long-term incentive to be paid in instruments that are deferred for a period of not less than five years as set out in Article 94 (g) (iii) as follows:

   The EBA proposes that the maximum amount (a percentage between 0% and a maximum of 25%) that can be deferred is based upon a formula that has as its starting point the approved percentage (100% minimum – 200% maximum) of the fixed remuneration,

   Institutions **disagree** with the conceptual rationale of the EBA proposal.

   The EBA formula increases that amount by a discount rate to derive a revised total notional remuneration to which the 25% (or whatever % agreed) is applied to determine the amount of long-term deferred compensation.

   Institutions **disagree** with the conceptual rationale of the EBA proposal that includes a formula for increased compensation that is derived from **not** just the discount rate.

   Because of the way the formula has been designed, a ”stress-test” of the formula reveals that with inflation + 10 government bond rates remaining at current levels an employee would need to accept 20 years deferral to receive 33% additional variable remuneration. The period reduces to 10 years when inflation + 10 year government bond rates were each 20% p.a.

   In effect this would result in a situation where 75% of the total revised remuneration would equal 100% of the fixed remuneration. Thus the only additional benefit would be an additional 33% that would be deferred for a minimum of 5 years.

   Institutions do **NOT** believe that the intention of the CRD is to impose such restrictive approaches to additional remuneration for a long term incentive scheme.

2) Calculation of amount paid immediately

If example 2 is applied to all examples, the EBA has interpreted the CRD as permitting the percentage to be paid immediately (40% to 60%) is based upon the total revised remuneration (inclusive of amounts subjected to the discount rate as set out above).

The effect is that if an employee were to elect to have a portion subjected to the long-term incentive, then there would be an increase in the amount paid immediately, offset by equal and opposite reduction in the amounts vesting in future years

Institutions **disagree** with the conceptual rationale of the EBA proposal.

3) Pro-rata vesting for long-term incentives

The EBA has interpreted the CRD as permitting an employee - who elects to have a portion subjected to the long-term incentive – to receive and dispose of capital instruments pro-rata that could commence in 1 year.

The EBA has used a value of less than 5 for *n* in the formula.

The effect is that the employee de facto receives an amount more than is permitted if the employee had not opted for the long-term incentive scheme.

Institutions **disagree** with the conceptual rationale of the EBA proposal. The value of n should be a minimum of 5 years.

Conclusions

Institutions have concluded that:

1. The EBA has misinterpreted;
    a. Calculation of the amount subject to long-term deferral
    b. Calculation of amount paid immediately
    c. Pro-rata vesting for long-term incentives

2. The EBA proposals do not provide any material incentive for long-term deferred compensation and furthermore do **NOT** provide any incentive to defer immediate cash awards, or vest for longer than the minimum of three years, or add a retention period.

3. The costs of introduction and administration and calculation outweigh the financial increase.

4. It most unlikely that any employee will see the EBA proposals as providing any benefit.

5. It is most unlikely that any bank will ever implement the EBA proposals.

In addition institutions believe that the EBA has not conducted a sufficient thorough assessment of the drivers of long-term deferral incentive scheme *taking into account all relevant factors including inflation rate and risk, which includes length of deferral.*

Institutions do not believe that the proposed *EBA guidelines on the discount rate specifically consider how to incentivise the use of instruments which are deferred for a period of not less than five years*;

It is the opinion of institutions that the EBA proposals do:

- NOT comply with the objectives of the CRD to provide an incentive to defer variable compensation for five years or more.
- NOT comply with the spirit or letter of the CRD that is focussed only on the 25% (or lower percentage if mandated by a member state).
- NOT differentiate between the riskiness of each institution or the capital instruments.
- NOT enable institutions to implement remuneration policies aligned with the long-term growth and strategy.
- NOT enable institutions to differentiate the calculation of the increased variable remuneration for employees that might be included in the scheme.

In conclusion, if the EBA proposals are adopted as proposed institutions do not expect to avail themselves of the facility to increase variable compensation using the proposed formula and methodology set out by the EBA.

The BBA has prepared a paper setting out an alternative model that it believes should be considered. A separate submission has been made to the EBA with a spread-sheet that supports the comments made in this response.

Responsible executive

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