CP on Comprehensive ITS for financial institutions´ public disclosure

About NFU

NFU – Nordic Financial Unions is an organization that promotes the interests of the Nordic financial trade unions in Europe. Through a high level of competence and dialogue, NFU contributes to shaping a sustainable financial sector, fundamental for job creation. Currently, NFU represents seven trade unions in the bank, finance and insurance sector in Denmark, Finland, Iceland, Norway and Sweden.

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Consultation Paper replies

Q66: Are the instructions, tables and templates clear to the respondents?

On a general note, NFU remarks on the described purpose behind the disclosure requirements on remuneration and their suggested compatibility with the remuneration rules ´to establish and maintain … remuneration policies and practices that are consistent with effective risk management´. While we strongly support the idea of remuneration policies and practices being consistent with and promoting sound risk management, collective agreements hold the primacy when it comes to remuneration policies. This is the cornerstone of the Nordic model, where social partners are assuming responsibility for sound remuneration policies and practices. It is also in accordance with Article 153,5 TFEU; Recital 69 of CRD, recital 10 in Directive 2014/91/EU and Recital 14 in Directive 2010/76/EU. Thus, it must be clarified that any provisions or suggested actions within the ITS do not apply to matters agreed within the scope of collective agreements.

Furthermore, increased transparency concerning how companies work with their remuneration policies is a positive development, especially in the context of the increased publicity of the financial sector. Against that background, this issue should also be addressed with caution, especially having in mind the proposed line of thinking concerning the integration of Pillar 3 disclosure requirements and supervisory reporting. While the idea of facilitating administrative burden is commendable, the amount of information that needs to be available, and in some cases also made public, could move those proportions. The essential precondition to keep in mind is that the professional and personal integrity of employees is protected i.e. specific amounts earned by individual employees etc. should not be made publicly available.

Ultimately, in order to maintain proportionality, it is important that the disclosure applies to ´identified staff´ (material risk-takers with a certain level of salary) and not to all employees.

Q67: Do the respondents identify any discrepancies between these templates and instructions and the calculation of the requirements set out in the underlying regulation?

Generally, and as mentioned above, a clear indication to collective agreement provisions primacy is needed as rules set in collective agreements cannot be unilaterally changed by institutions.

Under Annex 37, REMA (e), there is a mention of ´weak´ performance matrix and associated evaluation of variable remuneration in accordance to that. It should be clarified if this relates to individual, business unit or institutional performance. Since the focus should be on clearly identified staff, a more individual focus can be practiced, but that should not be the case for other groups of staff whose influence on risk is smaller, as it would lead to more pressure among employees.

Additionally, under the same point, the ´description of ways in which the institution seeks to link performance during a performance measurement period with levels of remuneration´ suggests a clear link between variable remuneration and performance only. It is important to acknowledge that most employees do not receive excessive amounts of variable remuneration, with local agreements on variable remuneration being extremely limited. In this case variable remuneration could play limited/no role in, for example, credit granting.

As a principle, NFU stands for the fact that employees should be adequately paid for performing their job and that variable pay should be an additional income. As stated earlier, we trust that remuneration policies and practices should be decided upon by the social partners. Also, on a principle basis, to reduce or reverse any compensation, as indicated under d) in connection to long-term performance, is not a means of addressing or managing risk, especially not when employees have been following internal rules and policies.