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INDIA PROPOSES MORE EXECUTIVE PAY RESTRICTIONS FOR FINANCIAL INSTITUTIONS

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The Royal Bank of India (RBI) has [proposed](#) changes to its executive pay [guidelines](#) for financial institutions and will accept comments until 31 Mar 2019. The changes aim to better align the RBI guidelines with the international Financial Stability Board's [Principles for Sound Compensation Practices](#) and [Implementation Standards](#).

HIGHLIGHTS

Highlights of the proposed changes are:

- At least 50% of compensation should be variable.
- Employee stock ownership plans (ESOPs) should be included as a component of variable pay.
- Variable pay should be capped at 200% of fixed pay.
- At least 50% of variable pay should be via a noncash component.
- A compulsory deferral mechanism for variable pay would be required, regardless of the amount.
- Malus/clawback would be mandatory in certain circumstances.
- New quantitative and qualitative criteria would identify “material risk takers.”

RELATED RESOURCES

- [Information on Proposed Guidelines](#) (RBI, 25 Feb 2019)
- [Guidelines on Compensation of Whole Time Directors, Chief Executive Officers, Risk takers and Control Function Staff](#) (RBI, 13 Jan 2012)
- [Principles for Sound Compensation Practices](#) (FSB, 2 Apr 2009)
- [Implementation Standards](#) (FSB, 25 Sep 2009)

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