

Law & Policy Group

GRIST

EU financial regulator updates sound remuneration guidelines

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The European Banking Authority (EBA) recently issued revised guidelines on sound remuneration policies to implement the European Union's (EU) CRD V directive. The guidelines, which will repeal the 2015 guidelines, will apply to certain financial institutions from 31 Dec 2021. Although the guidelines do not apply to the UK post-Brexit, the UK's Financial Conduct Authority and Prudential Regulation Authority are expected to clarify their approach to the guidelines later in 2021.

Highlights

- Remuneration policies should be gender neutral. Financial institutions will have to implement a gender-neutral remuneration policy, and evaluate all staff positions for equal value. The gender pay gap should be monitored by country for different categories of staff, and any material differences explained.
- Remuneration policies and practices should be reviewed at least annually.
- The required minimum deferral periods for variable pay will be extended to four to five years — up from three to five years.
- The guidelines on severance pay, retention bonuses and discretionary pension benefits have been clarified to avoid such payments being used to circumvent remuneration requirements. For instance, the payment of retention bonuses must be justified, and the definition of severance payments cannot include the payment of discretionary pension benefits.
- Clarification of how the remuneration framework applies on a consolidated basis to financial institutions subject to a specific remuneration framework — such as firms subject to the Investment Firms Directive, the Undertakings for Collective Investment in Transferable Securities Directive, or the Alternative Investment Fund Managers Directive.
- Further guidance is provided on the application of waivers of requirements to certain smaller institutions, such as the deferral of variable remuneration.
- Remuneration policies must be consistent with environmental, social and governance risk-related objectives.

Related resources

- [Draft final report on guidelines on remuneration policies](#) (EBA, 2 Jul 2021)
- [Press release announcing final revised guidelines](#) (EBA, 2 Jul 2021)
- [Directive 2019/878/EU](#) (EurLex, 28 Dec 2020)

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