Variable remuneration policy

To: The management of significant banks

The ECB pays close attention to the dividend and remuneration policies of the financial institutions under its supervision, and in particular any impact that such policies may have on an institution maintaining a sound capital base. As with dividend distribution policies, an institution’s variable remuneration policy may have a significant impact on its capital base.

We underline the need to adopt a prudent, forward-looking stance when deciding on your institution’s remuneration policy. We urge you to duly consider the potentially detrimental impact of your institution’s remuneration policy on maintaining a sound capital base, especially taking into account the transitional requirements set out in Regulation (EU) No 575/2013 (CRR) and Directive 2013/36/EU (CRD IV). Hence, when setting variable remuneration to be awarded, including the use of malus and clawback arrangements, under your institution’s remuneration policy, we recommend that you apply a policy that is consistent with a conservative – at a minimum, a linear – path towards your fully-loaded capital requirements.

Please keep your Joint Supervisory Team regularly informed of any decisions regarding your remuneration policy.

Yours sincerely,

[signed]
Danièle Nouy

National Competent Authorities are invited to look into the matter diligently and to consider for which less significant institutions a similar letter should be sent, taking into account the principle of proportionality.
