

European Banking Authority (EBA)

Division Bank and Insurance
Austrian Federal Economic Chamber
Wiedner Hauptstraße 63 | P.O. Box 320
1045 Vienna
T +43 (0)5 90 900-DW | F +43 (0)5 90 900-272
E bsbv@wko.at
W <http://wko.at/bsbv>

Your ref., Your message of

Our ref., person in charge
BSBV 115/Kern

Extension
3132

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EBA Draft guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representation of the entire Austrian banking industry, appreciates the possibility to comment on the above cited discussion paper and would like to submit the following position:

1. Consultation question one: Do you agree with Guideline 1 on design (see pages 18 et seq.)?

4.1.4 - 4.1.5: Pursuant to paragraph 4.1.4 und 4.1.5 the institutions shall define appropriate qualitative and quantitative criteria to assess performance of a relevant person in the remuneration policy.

In this context due to the numerous number of different banking products and several categories of relevant staff members (service and client advisors, private bankers, branch managers) it is only possible for institutions to create a broad and wide range of performance-measuring criteria.

4.1.6 b): This paragraph of the guideline will severely limit the possibility of the banks to implement their product and risk strategies, limit their decision in which product portfolios the bank wants to grow or shrink, and might even lead to decreasing product offer for the customers, because banks might decide to offer just their main products in case the differentiation in weights of products/category of the products in motivational/compensation schemes will be forbidden. It might also "conserve" the status quo in the various products market shares, because it limits the possibility to "promote" products which fit to the bank's growth/sales/product strategy, which certainly will not be in the favour of the customers.

2. Consultation question two: Do you agree with Guideline 2 on documentation (see page 19)?

4.2.1, b): It is rather unclear, if all staff members who offer banking products to (potential) clients shall be documented or only those staff members, who receive a variable remuneration.

3. Consultation question three: Do you agree with Guideline 3 on approval and monitoring (see page 19 et seq.)?

4.3.1: An exact definition of the term “management body” is essential. Does it mean the management body in its management function (bank’s management) or in its supervisory function (supervisory board)?

4.3.2: A precise definition of the term “independent advice” is necessary. Can this “independent advice” also be given from an expert of the credit institution?

4.3.3: Does that mean that instead of the internal revision now the compliance function should confirm that the remuneration policies and practices comply with these guidelines? A confirmation of the internal revision is much more effective because the compliance department has to be involved in the design of the remuneration policy.

4.3.4: Same as above in point 4.3.1. The exact definition of the term “management body” needs to be defined.

4.3.5: We agree, if it can be carried out by the remuneration committee.

4. Consultation question four: Do you see a need for any additional requirements?

Not at all, the proposed requirements are more than sufficient. In practice we need some room for interpretation in order to consider the special situation of each credit institute and the needs of the consumers.

5. Consultation question five: Do you have any other comments?

We would like to point out that the business model of a retail bank naturally focuses on a good and fair relationship with customers. Therefore we do not agree to the statement that sales staff is currently motivated to missell banking products to the consumers. The CRD IV regulations are detailed enough, so there is no need for further regulation in this field, or if so the proportionality principle should be considered (e.g. for smaller financial institutions which offer only one type of banking-products). Additional regulations would make it more difficult to strengthen the capital basis and also to attract the best sales staff on the market.

Therefore we would like to underline the fact that it must still be permitted in the future that management leads the sales staff on the basis of sales figures. Financial incentives for meeting sales targets have to remain possible on a team level. In a second step, out of this team pool the bonus for the individual employee would be designed based not only on the sales figures but also on the economic situation of the company and qualitative criteria for the individual, such as customer satisfaction, risk costs etc.

For reasons of harmonisation it is appropriate to align the requirements with the Mortgage Credit Directive (in particular Art 9 in conjunction with Annex III RL 2014/17/EU).

We ask you to give our remarks due consideration.

Yours sincerely,

Dr. Franz Rudorfer
Managing Director
Division Bank and Insurance