

Paris, 7th May, 2014

Dear Madam, Dear Sir,

We have contributed to the answers prepared by FBF (French Banking Federation) to the two consultations on remuneration benchmarking exercise and on data collection on high earners which have been posted on the EBA website and we fully agree and support all answers to the questions prepared by the French banking industry.

We welcome the opportunity to comment on draft Guidelines on the remuneration benchmarking exercise and draft Guidelines on the data collection exercise regarding high earners. We fully support the EBA initiative to collect benchmarking data, in order to ease convergence of banking institutions practices and to update its 'Guidelines on the remuneration benchmarking exercise', which was originally published on 27 July 2012, following the changes to the reporting requirements set out in Regulation (EU) No 575/2013 and Directive 2013/36/EU. However, we do not consider that the changes to the Guidelines are limited to the adoption of changed requirements of the Regulation and Directive and to some additional clarifications, but we consider that the scope and granularity of the data collected is significantly increasing and does not ensure higher quality of the information. We would like to draw your attention on some major issues:

1 – The scope of inquiry in Annex 1 for “all staff” goes far beyond the CRD/CRR disclosure requirements

The purpose of these guidelines is to provide further details about the information to be submitted to the EBA regarding the benchmarking of remuneration trends and practices by competent authorities under Article 75(1) of Directive 2013/36/EU.

From a strictly legal point of view, we would like to raise the question of the legitimacy of such requests. Indeed, Article 75(1) of Directive 2013/36/EU states that competent authorities shall collect the information disclosed in accordance with the criteria for disclosure established in points (g), (h) and (i) of Article 450(1) of Regulation (EU) No 575/2013 and shall use it to benchmark remuneration trends and practices, and information on the number of employees per institution that are remunerated EUR 1 million or more per financial year, in pay brackets of EUR 1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution.

However, EBA has never addressed the objectives and benefits of collecting remuneration data for “all staff” which goes far beyond these disclosure requirements. Providing additional data on other employees' compensation would neither address the Directive requirements, nor provide useful information to stakeholders which would allow them to better assess whether sound compensation principles have been put in place. Moreover, the completion of Annex 1 creates additional costs for institutions, especially for large international banking groups, to the extent that the granularity of data requested is not readily available in the existing information systems on a group wide basis. The increased level of granularity will increase even more compliance costs, with no obvious benefits for benchmarking and transparency purposes.

2 – In annex 1 on “all staff”, excluding the mandatory contributions to social security and comparable national schemes addresses numerous technical and practical concerns.

Moreover, considering the nature of information on “all staff” and the breakdown by activities, EBA requests credit institutions to provide detailed information of all compensation awarded to



employees on a worldwide basis, excluding the mandatory contributions to social security and comparable national schemes.

As already mentioned to EBA in September 2012, this request still poses numerous technical and practical concerns, especially for large international banking groups based in several countries, and in particular with the new guidelines requesting a more granular breakdown of the remuneration data by activities/functions:

- From a benchmarking perspective, there will be major discrepancies due to national social security systems rather than to remuneration levels: institutions which are established mainly in countries where the national social security systems are not much developed will tend in general to compensate the state system by voluntary contributions to company schemes which will automatically increase the total compensation amounts disclosed in the annex I. On the contrary, the other institutions mainly set up in countries in which the mandatory contributions to social security systems are high will exclude from the total remuneration highest amounts of mandatory contributions and will disclose lowest amounts of total compensation.
- The breakdown among social charges between mandatory and company-wide schemes would require each legal entity in every country payroll department to complete these data, since the employer contributions tracked in the accounting systems do not distinguish between social security regimes and company schemes. In a group context, this may require requesting data from hundreds of entities. This appears to be disproportionate costs and efforts.
- As mentioned in paragraph 11 of CEBS guidelines of December 2010, ancillary payments or benefits that are part of a general, non-discretionary, institution-wide policy (i.e. company-wide pension or health care schemes) pose no incentive effects in terms of risk taking. They will generally be implemented in order to compensate insufficient coverage under national social security regimes. As such, it is not obvious why such data is required under the remuneration benchmarking exercise.

Consequently, for simplification purposes, we suggest that the reporting requirements should exclude employer contributions to non-discretionary institution wide retirement and benefits schemes as such data is not readily available in a group context.

3 – Data requested are becoming too granular and less confidential

Moreover, we would like to point out another major concern regarding the level of granularity/breakdown requested in the annex 1 and 2 of these guidelines.

Indeed, the breakdown between members of the supervisory functions and management functions with the inclusion of non-executive and executive directors of any board in the scope of consolidation add another level of complexity in particular for the annex 1 in so far as, as from now, it is not an information followed up neither in our HR/accounting systems at group level nor in HR/accounting systems at local level. Within large international banking groups, the number of separate legal entities, and so the number of boards within the scope of consolidation may amount to several hundred. The process of distinguishing precise remuneration data for each board member within the group will be operationally very time consuming and burdensome. This breakdown will also result in meaningless data which cannot be used for benchmarking purposes.

The templates have been revised, by introducing a more granular breakdown of remuneration data collected by different business areas, control and corporate functions, that were previously included in the 'All other' functions column in the preceding templates. According to internal organisation of European institutions, this level of granularity in activities is not the same between European banks



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and will not ease comparison and consistency of remuneration data collected. Finally, due to this finest granularity level, it would lead to disclose in some cases remuneration data by individuals.

Consequently, we would suggest keeping the same breakdown by business area as requested in the previous benchmarking exercises, which is consistent with the breakdown applied by the majority of European banking institutions (Investment banking, retail banking, asset management, and others). For the reasons set out above, only the data for the Supervisory function and Management function at the highest level of consolidation should be reported separately. Indeed, the more detail required in terms of activities and information, the more we increase the risk of discrepancies between banks and the less comparison is relevant. This comment is applicable both to remuneration benchmarking and data collection on high earners.

4- Data collection on high Earners

We understand that these guidelines facilitate the implementation of Article 75 (3) of Directive 2013/36/EU1 stating that competent authorities shall collect information on the number of employees per institution that are remunerated EUR 1 million or more per financial year, in pay brackets of EUR 1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. However, we consider that the remuneration data already collected in the preceding templates on data collection for high earners already complied with the provisions of the article 75 (3) and that remuneration data for those among high earners who are also Material Risk Takers are already disclosed in the new templates of the appendix 2 of benchmarking exercise.

Moreover, according to what has been previously indicated, we consider that the granularity level of the information requested does not make any sense for the purpose of this data collection and will not ease comparisons and consistency of the remuneration data between institutions. Consequently, we suggest keeping the templates used in the past for data collection on high earners which already provide clear and transparent breakdowns, by EEA member states and by activities: the number of High earner employees, among them the number of regulated employees, the details of their fixed, variable remuneration, discretionary pension contributions and the part of their variable remuneration subject to deferral. We do not consider that it is necessary to provide more detailed information concerning these employees for the purpose of this data collection.

5 – Implementation date

You point out that data relating to the performance year 2013 should be submitted by the institutions to competent authorities by 31 August 2014.

It seems that this deadline is not consistent with the 2-month “comply or explain” period given to local regulator after the publication of the guidelines translation. Consequently, we suggest extending the deadline for data submission by the end of 2014.

A handwritten signature in black ink, appearing to read 'Guylaine DYEURE', with a long horizontal stroke extending to the right.

Guylaine DYEURE
Head of Group Compensation & Benefits