European Banking Federation

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Launched in 1960, the European Banking Federation (EBF) is the voice of the European banking sector from the European Union and European Free Trade Association countries. The EBF represents the interests of some 4,500 banks, large and small, wholesale and retail, local and cross-border financial institutions. Together, these banks account for over 80% of the total assets and deposits and some 80% of all bank loans in the EU alone.

EBF response to the EBA Consultation Paper on Draft Guidelines on the data collection exercise regarding high earners

Main points

The European Banking Federation (EBF) welcomes the opportunity to comment on the proposed Guidelines. Effective updates to the reporting framework can only make it easier for regulated organisations to comply with the requirements set out in the Capital Requirements Directive IV (CRD IV). It remains important that the request for more detailed provision of information is justified by a clearly stated legal base. With this in mind, the EBF has noted that the information requested in this data collection exercise is already disclosed under the benchmarking exercise, Appendix 2 and the previous templates on data collection for high earners. Similarly, it is equally important, bearing in mind the need to avoid non value-adding work, that the update to the templates is based on real and empirical evidence resulting in the conclusion that these changes are necessary. The EBF members observe that this evidence should be more clearly presented by the European Banking Authority (EBA).

The EBF members generally noted that the scope of high earner data collection should be designed in order to align with the exercise on remuneration benchmarking. This alignment would reduce non value-adding work for both competent authorities and financial institutions. A further observation concerns the reporting templates and the necessity that these templates be provided in English by the competent authorities (Q6). In addition, regarding the impact analysis, it should be noted that the impact of these reporting requirements on the privacy of staff is significant and should be given consideration (Q6).

Responses to questions

Question 1: Are the subject matter and scope of the guidelines sufficiently clear?

These guidelines' matter and scope are sufficiently clear. It is understood that individuals employed in subsidiaries outside the European Economic Area (EEA) are excluded from this exercise.

However, the reporting on high earners should be aligned and possibly merged with the benchmarking exercise. This is because the data collected for both reports are similar. Consequently, the scope of both remuneration reports should be the same. In practical terms, this would imply reporting of both reports in a consolidated manner (for EEA/non-EEA branches/legal entities with the head office in an EEA country) or in a partly consolidated

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manner (for EEA institutions with the head office in an EEA country/EEA branches with the head office in a third country).

In the above-mentioned consolidated set-up, reports for both guidelines from the highest parent company level should be sufficient. Again, in practical terms this would result in data comparability between multi-national financial institutions and decreased workload for both institutions and competent authorities.

Question 2: Is the information to be submitted to the EBA sufficiently clear?

The highly granular level of data requested in the new templates is unnecessary for the purpose of this data collection. A high proportion of the population covered by this exercise are not material risk takers and therefore do not fall under the provisions of CRDIV. As a consequence, more detailed information requests are neither necessary nor appropriate and comparisons between institutions will not be made easier. A preferable alternative would be to maintain usage of the preceding templates for data collection on high earners and to use data collected in the benchmarking exercise for further analysis of high earners.

For some new categories in the reporting requirements, definitions are not sufficiently clear. For example, 'independent control function' is a new category and on interpretation it is possible that staff will fall in this category and in other categories. In this case it is not sufficiently clear in which category these staff should be reported. More generally, detailing information by business area, control function and corporate functions which were previous in an 'all other functions' column results in more granular requests which cannot be easily applied, as responses will depend on the specific internal organisation of each and every institution. In this respect, the proposed templates and explanatory texts are not sufficiently clear.

Question 3: Is the template in Annex 1 appropriate and sufficiently clear?

The guidelines are not sufficiently clear on the specific legal entity and country combinations which must use this template, especially regarding EEA countries. If it is the case that the template must be submitted by EEA head office consolidated institutions for each EEA country in which that institution has a branch, this reporting requirement is seen as reasonable.

However, if the reports are not consolidated, the multi-local company structure of some financial institutions would lead to a complex reporting setup whereby some data must be withdrawn from each report for sending to each competent authority.

Please see also response to Question 2 above.

Question 4: Are the reporting period and the specific amounts to be reported sufficiently clear?

The reporting period and amounts to be reported are mostly sufficiently clear. Point 3.4 regarding "multi-year accrual periods which do not revolve on an annual basis" could be interpreted in differing ways and this should be clarified.

Question 5: Are the indicated time periods sufficient to ensure that the data for 2013 can be collected in line with the updated guidelines?

The indicated time periods for 2013 data could be sufficient if clear guidance is issued by 1 July 2014. However, it should be ensured that the timeline dictated by the EBA and those of local regulators are compatible.

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For example, the EBA 31st August deadline would not be compatible with a two month 'comply-or-explain' deadline for the local regulator after the guidelines' translation.

Question 6: Do you agree with our analysis of the impact of the proposals in this Consultation Paper? If not, can you provide any evidence or data that would explain why you disagree or might further inform our analysis of the likely impacts of the proposals?

The EBF mostly agrees with the impact analysis provided. However, the reporting on high earners should be aligned and possibly merged with the benchmarking exercise. This is because the data collected for both reports are similar. For some institutions, the real costs and administrative burden of updating reporting systems will be high. To avoid non value-adding administrative work, it should be ensured that all competent authorities provide the reporting templates in English.

An important aspect of impact analysis is the effect of reporting requirements on the privacy of identified staff. Due to the higher amount of information requested, and the categorisation of this information, there is an increased likelihood that staff will be identifiable from the report (this is particularly the case for high earners). Therefore the impact on the privacy of staff should be reconsidered due to the, surely unintended, prejudicial effect the disclosure of this data would have on the employees concerned.

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