2009-05-06

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Re. Remuneration Policies

The Swedish Financial Supervisory Authority (Finansinspektionen) and the Swedish Central Bank (Sveriges Riksbank) welcome the opportunity to comment on the Commission´s proposals for amendments of Directive 2006/48/EC with regard to remuneration policy issues. Finansinspektionen and Sveriges Riksbank have the following comments.

We support the Commission´s initiative to issue general recommendations on principles on sound remuneration policies (K2009) 3159. In our view the evaluation of remuneration structures should play an important role in the risk management of financial firms.

However, the responsibility for the remuneration policy and practice must ultimately rest with the firms themselves and their owners. A general concern on our part is that the new proposals could create unrealistic expectations of the degree to which the remuneration structures will be subject to supervision.

We also have some specific concerns relating to the practical consequences of the proposals put forward.

Principles preferable to details

First of all, we consider it important that the remuneration practices are not regulated too much in detail. Rather, they should be steered at a general level.

Capital requirements do not necessarily make good sanctions

In our opinion, the possibility that a seriously flawed remuneration policy may subject a financial firm to risks should already be taken into account by the firms and the supervisors alike under Pillar 2.

In other words, the principle is already in place. Turning to the practice, however, imposing capital requirement in excess of the minimum level required under Article 75 of the Directive would not necessarily be very useful in this context. Adding some amount to the legal minimum will in these cases have only limited practical effect.

Our conclusion is that any sanctions for a flawed remuneration policy should primarily be imposed by the means indicated in Article 54, where the proposed new paragraph 2 would become highly relevant.

Disclosure

Evaluation of a remuneration policy by owners, market participants and supervisors can only be done if the policy is transparent and adequately disclosed. To this end, we would encourage that the amendments of the Directive explicitly requires that remuneration policies should be transparent and adequately disclosed.

A technical comment

The proposed paragraph 16 in Annex V reads "--- The remuneration policy --- does not have an adverse effect on the long-term interests of the credit institution." We find it very difficult to see who should - in the abstract - be the judge of what those interests are. We suggest that this wording be dropped.

FINANSINSPEKTIONEN

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