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BanqueNationaleBank DE BELGIQUE VAN BELGIË
Eurosystem

Communication

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NBB cross-sectional analysis of remuneration policies and practices of credit institutions – findings and recommendations

Scope

- Credit institutions governed by Belgian law and their foreign branches,
- Stockbroking firms governed by Belgian law, as defined in Article 1, paragraphs 2 and 5 of Regulation 2019/20331 (hereinafter, the "large stockbroking firms") and their foreign branches,
- Branches established in Belgium of credit institutions and large stockbroking firms governed by the law of a non-Member State of the European Economic Area, and
- Approved or designated (mixed) financial holding companies governed by Belgian law.

Summary/Objectives

The National Bank of Belgium (hereinafter “the Bank”) has carried out a cross-sectional analysis of the remuneration policies and practices of 8 credit institutions (relating to amounts paid in 2023 for the performance year 2022). Overall, it emerges that the credit institutions in the sample comply with the most important statutory and regulatory prudential requirements on remuneration (identification of “Identified Staff”, maximum ratio between fixed and variable remuneration, deferral of variable remuneration, variable remuneration in the form of financial instruments, etc.). However, the analysis revealed a number of areas for attention, and the Bank recommends that credit institutions (i) check whether their severance pay systems comply with the relevant statutory rules; (ii) ensure compliance with the prudential conditions governing the classification of allowances, sign-on bonuses and retirement benefits as fixed remuneration; (iii) provide greater detail in their remuneration policies on how performance indicators relating to environmental, social and governance (ESG) risks and to risk culture are assessed in practice; (iv) continue to develop measures for monitoring the gender pay gap; and (v) increase the granularity of group remuneration policies in order to centralise all applicable local and sectoral specificities. The Bank expects financial institutions covered by this Communication to implement these recommendations immediately.

Dear Madam,
Dear Sir,

At the end of 2023, the National Bank of Belgium (hereinafter “the Bank”) carried out a cross-sectional analysis of the remuneration policies and practices of 8 credit institutions (6 significant and 2 less significant institutions) based on the amounts of remuneration paid in 2023 for the performance year 2022.

The aim of the analysis was to assess the level of compliance by credit institutions with statutory and regulatory prudential rules on remuneration and to identify any areas for attention.

This analysis was based on a review of a range of documents (in particular the remuneration policies of the 8 institutions concerned, the quantitative “Remuneration Benchmarking” and “High Earners” reports submitted by them to the Bank, their replies to a questionnaire sent by the Bank in July 2023, etc.) and on the work carried out by the supervisory teams of the Bank and/or the European Central Bank (ECB) within the framework of the Single Supervisory Mechanism. The findings and recommendations of this analysis were shared with the ECB supervisory teams responsible for the institutions concerned.

Overall, the analysis carried out showed that, to a large extent, the institutions in the sample comply with the most important legal and regulatory requirements in terms of remuneration (identification of "Identified Staff", maximum ratio between fixed and variable remuneration, deferral of variable remuneration, variable remuneration paid in the form of financial instruments, etc.).

However, a number of points of attention have been identified. This leads to the following recommendations:

1. Severance payments: Under the Banking Law[1], severance payments must be considered variable remuneration and comply with certain limits. Some credit institutions attempt to circumvent these statutory requirements by making questionable use of the exemptions provided for by the Law (e.g. a non-competition clause), even though these exemptions must be interpreted restrictively. The Bank therefore recommends that credit institutions reassess their practices on severance payments in order to ensure a faithful application of the relevant rules on severance payments.

2. Allowances, sign-on bonuses and retirement benefits: Many credit institutions grant specific forms of remuneration, such as allowances, sign-on bonuses and retirement benefits. The European Banking Authority (EBA) Guidelines on remuneration (EBA/GL/2021/04) set out specific conditions that must be met for these forms of remuneration to be considered as fixed remuneration. However, the analysis shows that these conditions are sometimes interpreted too broadly. The Bank therefore recommends that credit institutions check that they comply strictly with these conditions and provide greater detail in their remuneration policies on the applicable rules.

3. Environmental, social and governance (ESG) risks and risk culture: More and more credit institutions are using performance indicators relating to ESG risks and to risk culture, which is a positive development. This is also in line with the EBA Guidelines EBA/GL/2021/04, which recommend that institutions' remuneration policies be consistent with their risk strategy, including for ESG risks, and with their risk culture. However, the criteria used to assess these new performance indicators are not always clear. The Bank therefore recommends that credit institutions provide more detail in their remuneration policies on how these new performance indicators are assessed.

[1] Law of 25 April 2014 on the status and supervision of credit institutions.

4. Gender pay gap: All credit institutions in the sample included the principle of gender neutrality in their remuneration policies. However, not all credit institutions have yet introduced measures to monitor the gender pay gap in practice. The Bank recommends that credit institutions continue to develop concrete measures for monitoring the gender pay gap.

5. Group remuneration policies: Progress has been made in implementing consistent remuneration policies at group level. However, these group policies are still sometimes insufficiently granular and do not yet centralise all local and sectoral specificities applicable to the subsidiaries included in the scope of prudential consolidation. The Bank recommends that banking groups increase the granularity of their group remuneration policies in order to centralise all applicable local and sectoral specificities.

Consequently, the Bank asks all credit institutions to take the necessary steps to comply with the above recommendations as of now, including for bonuses to be paid in 2024 for the performance year 2023. Insofar as the same rules apply to them, large stockbroking firms are also asked to follow these recommendations.

In future cross-sectional analyses, the Bank will seek to include more less significant credit institutions, as well as stockbroking firms.

A copy of this communication will be forwarded (for information) to the accredited statutory auditor(s) of your company or institution.

Yours faithfully,

Pierre Wunsch