



Commission de Surveillance
du Secteur Financier

Circular CSSF 22/797

- 1) APPLICATION OF THE
GUIDELINES OF THE
EUROPEAN BANKING
AUTHORITY ON SOUND
REMUNERATION POLICIES
UNDER DIRECTIVE
2013/36/EU
(EBA/GL/2021/04)
- 2) REPEAL OF CIRCULARS
CSSF 17/658 AND 11/505

Circular CSSF 22/797

Re: 1) Application of the Guidelines of the European Banking Authority on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04)

2) Repeal of Circulars CSSF 17/658 and 11/505

Luxembourg, 31 January 2022

Ladies and Gentlemen,

To all credit institutions, as defined in point 12 of Article 1 of the amended Law of 5 April 1993 on the financial sector (LFS), and all CRR investment firms, as defined in point 9a. of Article 1 of the LFS, as well as all other investment firms falling under the scope of application of Circulars CSSF 17/658 and 11/505

Subject: Application of the Guidelines of the European Banking Authority (EBA) on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) and repeal of Circulars CSSF 17/658 and 11/505.

Purpose of the Circular

The purpose of this circular is to inform you that the CSSF, in its capacity as competent authority, applies the Guidelines of the EBA on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) (the "Guidelines"), published on 2 July 2021. Consequently, the CSSF has integrated the Guidelines into its administrative practice and regulatory approach with a view to promote supervisory convergence in this field at European level.

All credit institutions, as defined in point 12 of Article 1 of the amended Law of 5 April 1993 on the financial sector (LFS), and all CRR investment firms, as defined in point 9a. of Article 1 of the LFS, shall duly comply with them.

Circular CSSF 17/658 regarding the adoption of the EBA Guidelines on sound remuneration policies (EBA/GL/2015/22) and Circular CSSF 11/505 regarding details relating to the application of the principle of proportionality are hereby repealed.

The Guidelines

The Guidelines are issued by the EBA in accordance with Articles 74(3) and 75(2) of Directive 2013/36/EU¹.

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

The Guidelines apply in relation to the sound and gender-neutral remuneration policies that credit institutions and CRR investment firms should have in place for all their staff and for staff whose professional activities have a material impact on the institutions' risk profile in accordance with Articles 92 to 95 of that Directive (identified staff), including for staff and identified staff on an individual and consolidated or sub-consolidated basis.

The Guidelines apply as from 31 December 2021.

The Guidelines specify in detail the requirements within Directive 2013/36/EU on remuneration policies, the respective governance arrangements and processes that should be applied when remuneration policies are implemented. They are an update of the Guidelines on sound remuneration policies under Directive 2013/36/EU published by the EBA in 2015 (EBA/GL/2015/22) to accommodate the changes to CRD that have been introduced by Directive 2019/878/EU². In particular, the guidance on severance pay, retention bonuses and discretionary pension benefits has been clarified to avoid such payments being used to circumvent remuneration requirements. The Guidelines further specify how the threshold that represents a low amount of variable remuneration under Article 38-6 (2) b) of the LFS should be calculated which is different from the calculation of the ratio between variable and fixed remuneration. The Guidelines also clarify the requirements which apply in a group context. Finally, remuneration policies must be gender neutral and respect the principle of equal pay for male and female workers for equal work or work of equal value. The Guidelines specify the application of this principle.

Furthermore, they repeal the EBA/GL/2015/22.

The Guidelines are attached to this circular and are available on EBA's website <https://www.eba.europa.eu/regulation-and-policy/remuneration/guidelines-on-sound-remuneration-policies-second-revision>

Scope of application

The sections of the present circular relating to the application of the Guidelines shall apply to:

- All credit institutions, as defined in point 12 of Article 1 of the LFS;
- All CRR investment firms, as defined in point 9a. of Article 1 of the LFS.

² Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures

The part relating to the repeal of Circulars CSSF 17/658 and 11/505 shall apply to all institutions mentioned in the first paragraph of this section and in addition also applies to all other investment firms falling under the scope of application of the relevant circulars³.

Date of application

This circular shall apply as from the date of its publication and the Circulars CSSF 17/658 and 11/505 are repealed at the same date.

Claude WAMPACH
Director

Marco ZWICK
Director

Jean-Pierre FABER
Director

Françoise KAUTHEN
Director

Claude MARX
Director General

Attachment: Guidelines on sound remuneration policies

³ Those firms shall apply the new requirements of articles 38-20 ff. of the LFS stemming from Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU and/or the requirements set out in Circular CSSF 10/437.



Commission de Surveillance du Secteur Financier
283, route d'Arlon
L-2991 Luxembourg (+352) 26 25 1-1
direction@cssf.lu
www.cssf.lu