

**COMMISSION de SURVEILLANCE  
du SECTEUR FINANCIER**

Luxembourg, 21 October 2015

To all CRR institutions

<b>CIRCULAR CSSF 15/622</b>
-----------------------------

**Re: Higher ratio notification procedure applicable to remuneration policy according to Article 94(1)(g)(ii) of Directive 2013/36/EU (“CRD IV”) following its transposition into Luxembourg law via Article 19(7°)(g) of the law of 23 July 2015 (the “Law”)**

Ladies and Gentlemen,

This circular repeals and replaces Circular CSSF 15/601.

Directive 2013/36/EU (“CRD IV”) was transposed into Luxembourg legislation via the law of 23 July 2015 (the “Law”) amending the law of 5 April 1993 on the financial sector (the “LFS”). The Law requires that CRR institutions set up under Luxembourg law that do not benefit from a derogation granted by the CSSF in virtue of Article 7 of Regulation (EU) No 575/2013 (“CRR institutions”) set a ratio between the fixed remuneration and the variable remuneration for persons whose professional activities have a material impact on the risk profile of the institution. These persons may not receive a variable remuneration that exceeds 100% of their fixed remuneration.

However, Article 38-6(g) of the LFS has set this higher maximum ratio at 200% in accordance with the option granted to Member States to allow CRR institutions to set a higher maximum ratio between the fixed and variable components of the total remuneration in Article 94(1)(g)(ii) of CRD IV.

This higher ratio shall be subject to approval on an annual basis by the shareholders, owners or members of the CRR institutions, provided that the overall level of the variable component does not exceed 200% of the fixed component of the total remuneration for any individual Identified Staff.

In Luxembourg, any approval of a higher ratio for Non-Significant Institutions shall be notified to the CSSF, as competent authority, and shall be carried out in accordance with the procedure defined in Article 38-6(g)(ii) of the LFS. This notification process consists of two separate steps. Once a detailed recommendation requesting the application of a higher ratio

has been submitted to the shareholders or owners or members of the CRR institution, the CRR institution must inform the CSSF without delay of such recommendation including the higher maximum ratio sought and should be able to demonstrate to the CSSF that the proposed higher ratio does not conflict with the CRR institution's obligations as defined in Article 38-6(c) and (g) of the LFS having regard in particular to the CRR institution's own funds obligations. The required information shall be transmitted by means of the Notification Form – Part A attached to this circular.

Once the shareholders or owners or members of the CRR institution have taken a decision regarding the approved higher maximum ratio, the CSSF should be informed without delay of such decision. The required information shall be transmitted by means of the Notification Form – Part B attached to this circular.

In Luxembourg, any approval of a higher ratio for Significant Institutions shall, in compliance with Circular CSSF 14/596 on the communication regime under the Single Supervisory Mechanism for Significant Entities, be notified to the European Central Bank JST team of said institution, as competent authority, with a copy sent to the CSSF and shall be carried out in accordance with the procedure defined in Article 94(g)(ii) of CRD IV. This notification process follows the process detailed above for Non-Significant Institutions and the same Notification Forms attached to this circular may be used for the purposes of the required notifications.

Any recommendation and subsequent approval of a higher maximum ratio is valid only for the single performance period for which it has been requested and the notification process as detailed above needs to be renewed annually should the CRR institution wish to maintain this higher maximum ratio.

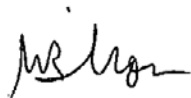
This circular enters into force with immediate effect.

Yours faithfully,

COMMISSION de SURVEILLANCE du SECTEUR FINANCIER



Claude SIMON  
Director



Andrée BILLON  
Director



Simone DELCOURT  
Director



Jean GUILL  
Director General

Annex:

- Double higher ratio notification form

## **NOTIFICATION FORM**

### **- Higher ratio procedure -**

**Procedure to increase the ratio of fixed to variable remuneration according to Article 38-6(g)(ii) of the Law of 5 April 1993 as amended and Article 94(1)(g)(ii) of Directive 2013/36/EU (CRD IV)**

***for credit institutions and investment firms\****

*\*as defined in Article 4(1)(2) of Regulation (EU) No 575/2013*

This form is for information purposes only.

Please fill in the form in Word format:

<https://www.cssf.lu/en/document/notification-form-higher-ratio-procedure/>

The form shall be filled in electronically and a signed paper version shall be sent to the CSSF

## NOTIFICATION FORM: PART A

Procedure to increase the ratio of fixed to variable remuneration according to Article 38-6(g)(ii) of the Law of 5 April 1993 as amended and Article 94(1)(g)(ii) of Directive 2013/36/EU (CRD IV)

### IDENTIFICATION

Full legal name of the institution	
Address, email address and telephone number of the institution	
Legal Entity Identifier (LEI)	
Number of total staff	
Number of total Identified staff	
Balance Sheet total	

### HIGHER RATIO PROCEDURE (PART A)

<b><u>1. Detailed recommendation to shareholders</u></b>	
(a) Reasons (b) Scope (c) Number of staff affected/ functions (d) Expected and quantitative impact on the requirement to maintain a sound capital base* <i>*under Article 38-6(g)(ii) of the Law of 5 April 1993 as amended/Article 94(1)(g)(ii) (first subparagraph) of Directive 2013/36/EU</i>	<i>Please describe (a) (b) and demonstrate (c) (d) through appropriate supporting figures</i>
<ul style="list-style-type: none"> <li>Notification to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Date of notification</li> <li>Supporting documents (i.e. notice, etc.)</li> </ul>
<b><u>2. Proposed higher maximum ratio</u></b>	
<i>Where different ratios are proposed for different categories of Identified Staff, please specify:</i>	<ul style="list-style-type: none"> <li>Proposed ratio percentages (%)</li> </ul>
<i>Please demonstrate, with quantified data, that the proposed higher ratio does not conflict with obligations under Law 23 July 2015, Directive 2013/36/EU and Regulation (EU) No 575/2013, in particular the Institution's own funds obligations</i>	<ul style="list-style-type: none"> <li>Estimated quantified impact of higher maximum ratio</li> <li>Supporting documents</li> </ul>

### **NOTIFICATION TO CSSF**

**Please inform CSSF by completing PART A (1 & 2) + supporting documents**

## NOTIFICATION FORM: PART B

**Procedure to increase the ratio of fixed to variable remuneration according to Article 38-6(g)(ii) of the Law of 5 April 1993 as amended and Article 94(1)(g)(ii) of Directive 2013/36/EU (CRD IV)**

### IDENTIFICATION

<b>Full legal name of the institution</b>	
<b>Address, email address and telephone number of the institution</b>	
<b>Legal Entity Identifier (LEI)</b>	
<b>Number of total staff</b>	
<b>Number of total Identified staff</b>	
<b>Balance Sheet total</b>	

### HIGHER RATIO PROCEDURE (PART B)

<b>3. Representation - Vote</b>	
<ul style="list-style-type: none"> <li>Staff directly concerned by the higher maximum ratio</li> </ul> <p><i>In accordance with the last indent of Article 38-6(g)(ii) of the Law of 5 April 1993 as amended/Article 94(1)(g)(ii) staff directly concerned by the higher maximum ratio must not be allowed to exercise, directly or indirectly, any voting rights they may have.</i></p>	<ul style="list-style-type: none"> <li>Names, functions and business area</li> </ul>
<ul style="list-style-type: none"> <li>Decision taken by shareholders</li> </ul> <p><i>Voting results should be duly documented and disclosed</i></p>	<ul style="list-style-type: none"> <li>Approved higher maximum ratio (%)</li> <li>Date of the vote</li> <li>Total number of votes</li> <li>Quorum: threshold (50%) or majority threshold (66% and 75%)</li> <li>Supporting documents (i.e. minutes, etc.)</li> </ul>
<p><i>Where different ratios within the institution were approved, please provide:</i></p>	<ul style="list-style-type: none"> <li>Business Areas</li> <li>Approved percentages</li> <li>Maximum approved ratio above</li> </ul>

### NOTIFICATION TO CSSF

**Please inform CSSF by completing PART B + supporting documents**