



The voice of banking
& financial services

22 December 2010

Basel Committee on Banking Supervision

E-mail: baselcommittee@bis.org

Dear Sir/Madam,

Basel Committee on Banking Supervision consultative document:
Range of methodologies for risk and performance alignment of remuneration

The British Bankers' Association ("BBA") is the leading association for UK banking and financial services for the UK banking and financial services sector, speaking for over 230 banking members from 60 countries on the full range of the UK and international banking issues. All the major banking players headquartered in the UK are members of the association as are the large international European Union (EU) banks with operations in the UK, the US banks operating in the UK and many other financial entities from around the world. The integrated nature of banking means that our members are engaged in activities ranging widely across the financial spectrum encompassing services and products as diverse as primary and secondary securities trading, insurance, investment banking and wealth management, as well as deposit-taking and other retail/commercial banking activities.

The BBA is pleased to respond to the consultation on the range of methodologies for risk and performance alignment of remuneration

Key comments

The follow-up to recommendation 7 of the Financial Stability Board (FSB) peer review report on remuneration is most welcome. We urge the FSB to continue this work stream and update the report in the near future, especially as the European Union and the United States of America have adopted remuneration provisions in the Capital Requirements Directive (CRD) and Dodd-Frank Act in the summer of 2010.

We welcome the assertion that the report "is primarily of a technical nature and not intended to be prescriptive" (paragraph 5). In addition, the statement that "examples presented should not be considered as models that could simply be copied by other institutions as any methodology which is adopted needs to be tailored to the firm's specific characteristics and nature" (paragraph 7) is a welcome commitment to proportionality.

The recognition that a mix of approaches, including a balance between quantitative and qualitative elements (observations on alignment, section C), fits well with the need to make arrangements bespoke (paragraphs 7, 52 and 80).

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The link between proportionality and “comply or explain” (paragraph 74) is acceptable to our members. As stated above and in the report, the report provides a menu from which firms can choose the appropriate means to achieve the outcomes sought by regulators.

Paragraph 172 addresses the issue of tax. The interaction of remuneration regulations and tax should be considered

Conclusion

The report will assist regulators and firms when they design rules for sound practice and provide the basis for dialogue. We appreciate an approach that avoids “one size fits all”.

We hope that you will find our comments useful. Please do not hesitate to get in touch either by e-mail (irving.henry@bba.org.uk) or telephone on 00 44 (0) 20 7216 8862.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'I. Henry' with a stylized flourish at the end.

Irving Henry
Director
Prudential Capital & Risk