

INTERNATIONAL RESEARCH CENTER  
OF BANKING & CORPORATE GOVERNANCE

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From: Prof. Alexander Kostyuk, Executive Director,  
International Research Center of Banking & Corporate Governance,  
Ukraine

Date: 24 January, 2011

To: Secretariat of the Basel Committee on Banking Supervision,  
Bank for International Settlements, CH-4002 Basel, Switzerland

Subject: Comments to the Consultative Document  
Pillar 3 disclosure requirements for remuneration

Dear Sir/Madam.

I enclose our comments to your Consultative Document “Pillar 3 disclosure requirements for remuneration”. These comments have been prepared by the team of researchers at the International Research Center of Banking & Corporate Governance at Ukrainian Academy of Banking of the National Bank of Ukraine (Ukraine) consisting of Prof. Alexander Kostyuk, Mr. Dmitry Govorun and Ms. Oksana Gyrba. We hope that the comments would be taken into consideration when approving the final Paper. Your feedback would be appreciated by us.

With the best regards,  
Prof. Alexander Kostyuk

# Pillar 3 disclosure requirements for remuneration

## COMMENTS

We've learned the document "Pillar 3 disclosure requirements for remuneration" thoroughly and come up with some decision. There are some issues that we'd like to clarify and to add as one of the option for updating the document. We'd like to update you on our proposals.

Firstly, we're totally go along with your requirement for banks to publish the disclosures on an annual basis at a minimum. Annual basis is the best option for both: the company and the State. But there is one thing that we'd like to clarify. Our question is this: are you sure, that "as soon as practicable" would be an exact term for meeting the deadline for disclosure of the information? We tend to think that this formulation could create the situation of misunderstanding between the bank's managers and workers of state authorities. Our proposal is the following: banks should aim to publish report on remuneration within 5 working days after the information is available. If you do it, you'll be in good chance of checking all information on a tight schedule. In case bank could not meet the deadline or the information is not true, appropriate state authorities will apply sanctions. We mean measures of punishment, e.g. administrative responsibility for people, who is in charge of this report.

Secondly, we're with you on the question of the form of this disclosure. But there is one statement, that makes us some how uncomfortable. It's just not "done" to disclosure the information for previous years as well as the current reporting year. Banks should report historical data only as far back as the first year of application of

these requirements. Otherwise, it could be misunderstanding between banks and state authorities whether this disclosure should banks do or not. In addition, you'd better to notice the list of reasons or criteria for waiving to meet these entire requirements during the first year.

Thirdly, we're interested in more specified data about different forms of variable remuneration that the bank utilizes and the rationales for using these different forms. You've noticed the requirement of disclosure of total amount of outstanding deferred compensation split into different forms of remuneration. But it's rather interesting to know the reason(s) of choosing these forms on the part of banks. In addition an exact correlation between financial situation of the bank and remuneration of the managers is something that we'd like to see in this document as one of the requirement. In case these requirements are included, it will be easier to follow different correlation in different banks and compare with each other.

Finally, we suppose, that there is one issue, which might be useful to include. It's always a good idea to make some research and report in comparison with previous year. In this document you can include some key figures, e.g. total amount of outstanding deferred compensation, total reductions in deferred compensation due to performance adjustment measures other than variation in share price, which you could compare. As the matter of fact we're interested in reasons of these changes. We mean that it could be objective (for example, better work on the part of managers, changes in legislation) and nonobjective reasons (e.g. using rather different policy of remuneration). These reasons will help to identify whether the company has economic advance. In addition you can see different approaches for remuneration in companies with different national stereotypes.