

**Basel Committee on Banking Supervision
Bank for International Settlements**

COMMENTS

**Pillar 3 Disclosure Requirements for Remuneration –
Consultative Document**

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1. FOREWORD

As other affected parties and interested stakeholders, we welcome the opportunity provided by the BCBS to comment on the proposed pillar 3 disclosure requirements set out in the December 27th consultative document: “Pillar 3 Disclosure Requirements for Remuneration”. In this text, our general comments are presented first and are followed by specific comments.

2. GENERAL COMMENTS

We believe that the present formulation on the proposed pillar 3 disclosure requirements as explained by Mr. Fernando Vargas, Chairman of the Committee’s Task Force on Remuneration and Associate Director General for Banking Supervision at the Bank of Spain “...will allow market participants to assess the quality of a bank’s compensation practices and the incentives towards risk taking they support”. He also added that “...these requirements should also contribute to promote greater convergence and consistency of disclosure on remuneration (by internationally active banks)”. As the Basel Committee itself, members of the Desjardins Chair also believe that these disclosure requirements, developed in consultation with the Financial Stability Board should also be discussed and implemented in close coordination with the International Organization of Securities Commissions (IOSCO). For example, the U.S. Securities and Exchange Commission (January 25, 2011) recently adopted rules concerning shareholder approval of executive compensation and “golden parachute” compensation arrangements.

In conclusion, members of the Desjardins Chair believe that the pillar 3 disclosure requirements for remuneration developed by the BCBS and the FSB should also be examined in closer coordination with the IOSCO. Doing so, will support even more effective market discipline by clarifying banks’ senior management fiduciary duties and by reaffirming their accountability to market participants.

3. SPECIFIC COMMENTS

. In par. 1 of p.1, on the sixth line, it should be written «paragraph 94».

. In par.4 of p.2, it should be added in the text that some banks like those listed on U.S. stock exchanges will now be requested to disclose if they are subject as noted by SEC Commissioner Chairman Mary L. Schapiro (January 25, 2011) to “...rules relating to shareholder votes on executive compensation and golden parachutes. These rules had been proposed in October 2010, and would implement Section 951 of the U.S. Dodd-Frank Act. Section 951 requires the SEC to adopt rules governing shareholder advisory vote on particular executive compensation-related matters”.

. In par.6 and 7 of p.2, under Scope of application, it is discussed that «...banks subject to Basel II may not be of sufficient size...». Notice that in the SEC’s new rules, companies are also required to provide additional disclosure. The SEC also adopted a temporary 2-year exemption for smaller reporting companies; that is, those with a public float of less than \$75 million. These

smaller companies are not required to conduct say-on-pay and frequency votes until annual meetings occurring on or after January, 2013.

. In par.8 of p.2, we suggest that banks be expected to publish the disclosures on an annual basis at a minimum. Banks should aim to publish the above information at the most 60-days after the end of their book year or even sooner if practicable.

. In par.9 of p.2, we strongly suggest that banks be expected to disclose the above information in their annual report in tabular and/or synopsis form.

. In par.9 of p.3, some types of disclosure could be considered to be an equivalent disclosure if it has already been made under an accounting or listing requirement or rules like those recently adopted in the U.S. by the SEC for say-on-pay and golden parachute compensation as required under the Dodd-Frank Act.

. In par.11 of p. 3, both qualitative (p.3-4) and quantitative disclosures on remuneration (p.4-5) should include descriptions and details of new statutory provisions by IOSCO members like those recently adopted by the SEC. The SEC statute essentially contains three requirements. First, public companies must provide their shareholders with an advisory vote on executive compensation, generally known as a say-on-pay vote. Second, the statute requires the same public companies to provide their shareholders with an advisory vote of the desired frequency of say-on-pay votes. Third, the statute requires certain enhanced disclosures regarding golden parachutes, and also subjects these special arrangements, like those in connection with merger transactions, to shareholder advisory votes.

. In par.11(d), a description is made of how individual remuneration has been tied to bank-wide and individual performance. Here the text should explain how banks tie individual remuneration to bank-wide performance. That is, explain how bank-wide performance is evaluated over time. For example, which performance metrics are used; also which comparisons or benchmarking activities are carried out with a sample of competing banks.

. In note 2 on p. 4, the note should discuss the need for banks of defining their criteria for determining bank-wide performance metrics.

. In par.11(i) in the last point made, the number and total amount of remuneration adjustments performed during the financial year to reflect weak performance metrics, both individual and bank-wide performance metrics should take into account the related comments formulated on par.11(d) above.

. In Tables A and B of the Annex (p.6), it is suggested that banks provide information over time allowing to track separately reporting categories (a), (b) and (c) because it is possible that employees will eventually move within and across these three reporting categories.