Press release

MEPs cap bankers' bonuses and step up bank capital requirements

Committees Committee on Economic and Monetary Affairs [28-02-2013 - 11:55]

Bankers' annual bonuses must not normally exceed their annual salaries and banks must hold more high quality capital to increase stability in the sector, says a deal reached by European Parliament and Council negotiators on Wednesday evening. The only possible exception, allowing bonuses of up to twice annual salary, would have to be authorised by holders of a half of a bank's shares. MEPs fought for a 1:1 ratio from the outset.

"We have achieved the most comprehensive bank regulation package in the EU. Banks will be stabilised and more resistant to crises", said rapporteur Othmar Karas (EPP, AT) at his press conference today

Bonus cap

To curb excessive risk-taking, the basic salary-to-bonus ratio will be 1:1 but could be raised to a maximum of 1:2 with the approval of shareholders. This higher ratio would require the votes of at least 65% of shareholders owning half the shares represented, or of 75% of votes if there is no quorum.

To encourage bankers to take a long-term view, if the bonus is increased above 1:1, then a quarter of the whole bonus would be deferred for at least five years.

Quality capital

The rules will raise minimum thresholds of high quality capital to be retained. Banks will be required to hold a minimum of 8% good quality capital (mostly Tier 1, the lowest-risk form).

Transparency

The legislation would require banks to disclose profits made, taxes paid and subsidies received country by country, as well as turnover and number of employees. From 2014 these should be reported to the Commission and from 2015 made fully public.

Next Steps

The political agreement must be approved by member states and the European Parliament plenary, in which a vote is expected at the 15-18 April session.

Once approved, member states would need to include the rules in their national laws by 1 January 2014.

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