DirCredito responds to the consultation by the European Banking Authority (EBA) on classes of instruments that are appropriate to be used for the purposes of variable remuneration

This answer is provided on behalf of Dircredito, the Italian Trade Union representing middle management and managers (excluding managers who negotiate individual contracts) of the Italian Banking System. DirCredito participates to the collective bargaining of National Collective Contracts, in cooperation with the other trade unions of the banking sector, negotiating with ABI, the Italian Banks' Association.

We underline that this consultation is about top managers, or risk takers, whose legal employment framework is not in the collective labour agreements. However, we think that the activity of each and every employee is in the interest of the Bank. One should not consider Top Managers as a separate body, who responds only to shareholders and deserve remuneration policies not in line with the general remuneration policy of the Company; we see nowadays a generalized care for cost-cutting in order to achieve profit sustainability, and therefore generating variable pay boost for top managers. As we already stated in our answer to the March 2012 EC "Green Book" on Corporate Governance, we consider obnoxious that any member of the Company staff receives higher pay connected to a reduction in employment or in the average collective wage.

This way of thinking is justified and supported by the need for any Company (and Banks before all) to keep social cohesion as a prime condition for a good management of business. This means that, if variable pay is allowed by good results of the business (in a profit sharing scheme), every employee must have a reward, connected to the basis wage guaranteed by National Labour Agreements; in this hypothesis, also Top Management can have variable pay.

An important instrument for social cohesion can be seen, in our opinion, in Employee Share Ownership, which can be provided either by annual schemes, either by paying in shares the annual variable retribution (complying with COM 364/2002 communication of the European Commission).

In this way all employees can participate, on a voluntary basis and at discounted rates, to the strengthening of the capital base of the Bank.

We envisage, for top Management and risk takers, that no discount is applied, and that variable pay is converted in ordinary fully paid shares, with a lock-up period and no repurchase agreement.

Variable remuneration is connected with the achievement of goals. We think that the connection with market prices coming from the use of fully paid shares is enough to let managers share the market price risk

We point out that focusing on Tier1 as a prime concern (with which we agree) could lead Banks' management to reduce the core business of lending, in order to keep a high Tier1 (and high variable pay), while shifting business towards a model of risk-transferring to customers, also multiplying high-yield derived products; we suggest that anti credit-crunch objectives can be considered, in order to guarantee that Banks run their core business of supporting the real economy activity, instead of indirectly supporting (via an easier and higher variable pay of decision takers) financial engineering.

Translated from Italian, 22.10.2013