Methodological Instruction
of the Financial Market Supervision Unit of the National Bank of Slovakia
No. 3/2010 of 3 May 2010

on the Creation of Remuneration Principles in Banks
as Required by the Committee of European Banking Supervisors

The Financial Market Supervision Unit of the National Bank of Slovakia, in consideration of the decision of the Committee of European Banking Supervision, in connection with provisions of Article 27 of Act No. 483/2001 Coll. on banks and on amendments and supplements to certain laws, as amended, in line with Article 2 (9) of Act No. 747/2004 Coll. on supervision of the financial market and on amendments and supplements to certain laws, as amended, is issuing the following methodological instruction:

Section I

Banks should adopt general remuneration principles which are in line with their business plans, strategy, and risk management, as well as their long-term goals; and they should apply these principles in such a way that they are not exposed to excessive risk. The remuneration principles should be applied equally across the entire bank or perhaps also in the financial group managed by the bank. The principles should contain separate provisions for the remuneration of banks' top management, employees performing risky activities, as well as other employees in managing and supervisory positions, with regard to their workload. Banks should ensure that the amount of employee remuneration in these positions keeps such qualified professionals motivated.

Section II

Remuneration principles applied by banks should be made available to all their employees; such employees should be made familiar in advance with the conditions and criteria which banks apply for determining the amount of remuneration. The assessment process of each bank employee should be duly documented and such documentation should always be accessible to the particular employee. Remuneration principles applied by the bank should also be appropriately communicated to shareholders and supervisory bodies; however, without infringing personal data protection legislation.

Section III

Remuneration principles are approved by a Statutory Body which is also held responsible for the application thereof. Observance of the adopted remuneration principles should be monitored by an independent body – with the scope of powers over the whole bank – e.g. the bank's Supervisory Board or special committee appointed by it.

Section IV

If employees are remunerated on the basis of their performance, then their performance should be assessed appropriately, taking into consideration the performance of the whole team, and not only looking at the financial effectiveness of their performance. Individual bonuses awarded for work results should reflect the risks taken and the amount of costs of bank's own funding resources.

Section V

The amount of employees' individual bonuses should reflect their salaries. Employees should not rely on being awarded bonuses.

If bonuses rewarded for work performed are substantial, then they should also have a component of deferred maturity which is dependent on future bank activities (e.g. employer's stocks, options, etc.). In this way, the amount of bonuses could be related to an estimation of future bank performance covering a reasonable period of time.

If in the future it becomes clear that bank results which served as the basis for paying out performance-related bonuses were intentionally distorted, then such bonuses should be returned by the employees.

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