



7 October 2011

To all Authorised Deposit-taking Institutions (ADIs)

REMUNERATION DISCLOSURES

On 1 July 2011, the Basel Committee on Banking Supervision (BCBS) issued Pillar 3 disclosure requirements for remuneration¹. The remuneration disclosures take account of the Financial Stability Board's (FSB) *Principles for Sound Compensation Practices* document (dated 2 April 2009).

The requirements include qualitative disclosures in relation to remuneration policy and processes and also quantitative disclosures, including information in relation to the remuneration of an ADI's senior management and other material risk takers. The objective of these disclosures is to support effective market discipline and allow market participants to assess the quality of an ADI's remuneration practices. The requirements should also contribute to greater convergence and consistency of disclosure on remuneration.

APRA proposes to incorporate the BCBS remuneration disclosure requirements as part of ADI Pillar 3 reporting requirements. APRA will expect a proportionate approach to the implementation of these requirements that reflects the nature, size and complexity of ADIs.

APRA is proposing to adopt the remuneration disclosure requirements at a date later than the 1 January 2012 commencement date proposed by the BCBS. Consultation on APRA's proposed remuneration disclosure requirements is expected to be conducted in early 2012. APRA nevertheless encourages each locally-incorporated ADI, including foreign bank subsidiaries, to commence reporting on its remuneration practices in a manner consistent with the BCBS document as soon as practicable. Inclusion of such information should be considered as part of an ADI's annual report or existing Pillar 3 disclosure for the next reporting period.

APRA acknowledges that some ADIs are currently required to meet the remuneration disclosures set out in the *Corporations Act 2001*. APRA will take these requirements into account when formulating its disclosure requirements.

Should you have any queries in relation to this matter please contact your APRA Responsible Supervisor.

Yours sincerely

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¹ A copy of the BCBS Pillar 3 remuneration requirements is located at:
<http://www.bis.org/publ/bcbs197.htm>