

Brussels, - 5 OCT. 2010  
C/2010/ 6757

Dear President,

Thank you for your letter of 9 July 2010 and the attached opinion of the German Bundesrat with regard to the Commission's Green Paper on Corporate Governance in Financial Institutions of 2 June 2010 {COM(2010) 284}. The European Commission welcomes the Bundesrat's interest in this subject and shares many of the views set out in this opinion.

The opinion addresses the issue of limitation of the number of mandates of directors. The Commission takes note of the Bundesrat's comment that cumulation of mandates of directors might not only lead to insufficient time to devote to the performance of directors' duties but also to conflicts of interest. Furthermore, although the Commission's Green Paper suggests that the number of mandates of board members could be limited to three, the Commission agrees that, considering the important role of the chairman of the board, in his/her case a smaller number of mandates could be considered.

The opinion also addresses the issue of remuneration. In this context, the Commission would like to recall that an amendment of the Capital Requirements Directive, which introduces binding rules for sound remuneration policies in banks, was adopted on 27 July 2010. Member States are required to implement these rules in their national laws by 31 December 2010. Moreover, the Commission intends to propose modifications of other financial services directives with regard to remuneration rules, to ensure a level playing field between the different sectors of the financial services industry. As to the remuneration of directors of listed companies, the Commission wishes to thank the Bundesrat for presenting its views. Some of the ideas brought forward by the Bundesrat, notably the inclusion of long term performance criteria, deferred payments and limitation of severance pay, are already included in the Commission's 2009 Recommendation on directors' remuneration. However, these rules are not binding and the application of these principles by Member States differs widely within the EU. This is why this subject was included in the Green Paper of 2 June.

It should further be mentioned that the Commission intends to undertake a more general reflection on corporate governance, including corporate governance of listed companies, at the beginning of next year. Corporate governance issues which could also be relevant outside the financial services sector, such as the number of mandates of directors, may be included in these reflections as well.

The Commission hopes you will find this a valuable contribution to your own deliberations and looks forward to developing our policy dialogue further in the future.

Yours sincerely,

Mr Jens Böhrnsen  
President of the German Bundesrat  
Leipziger Straße 3 - 4  
D-10117 Berlin