

Brussels,  
C/2010/ 7314

29 OCT. 2010

Dear Ms Kinberg,

Thank you for your letter of 24 June 2010 and the attached report of the Swedish Parliament on the Commission's Green Paper on Corporate Governance in Financial Institutions {COM(2010)284}. The European Commission welcomes the Riksdag's interest in this subject and shares many of the views set out in the Riksdag's report.

In its report, the Finance Committee stresses that the financial crisis has highlighted the need for more effective supervision and regulation of financial market participants. It also takes the view that joint regulation with the EU is required, while at the same time the principles of subsidiarity and proportionality should be applied. Ideally, the Committee is of the view that corporate governance arrangements should help to prevent excessive risk taking and promote the long term sustainability of institutions. The Commission takes note of the Finance Committee's comment that regulation with regard to corporate governance of financial institutions would need to tread carefully as regards any changes affecting the current division of responsibilities of the different entities (e.g. shareholders, the board) in Swedish financial institutions. The Commission will consider any changes in regulation carefully, in particular on the basis of a thorough impact assessment and taking into account the principles of subsidiarity and proportionality.

The report also addresses the issue of directors' remuneration and remuneration in the financial services sector. It expresses the view that inappropriately designed remuneration systems in the financial sector can lead to excessive risk-taking, resulting in significant socio-economic costs, and it is therefore necessary to find a solution providing for remuneration schemes, which are compatible with sound risk management and sustainability of financial institutions. The Commission agrees with these views and wishes to point out that an amendment of the Capital Requirements Directive, which introduces binding rules for sound remuneration policies in banks, including making them subject to supervision, 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 policies, where relevant, to ensure a level playing field between the different sectors of the financial services industry. Inclusion of rules on remuneration in the proposal for a Directive on alternative investment fund managers (AIFM) is currently being discussed in the Council and the European Parliament.

Ms Anna Kinberg Batra  
Chairwoman  
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*Finally, the report mentions other provisions of the proposal for a directive on alternative investment fund managers. It takes the view that it is essential to find an appropriate and balanced regulatory arrangement, which clarifies which managers are covered and is sufficiently differentiated to take account of the fact that distinctions exist in different sectors of industry. With regard to this issue, the Commission approach is to define the scope of the AIFM Directive widely in order to ensure that all fund managers that are not covered by the UCITS Directive would be covered by the AIFM Directive (with the exception of some smaller managers for proportionality reasons). The differences between the various business models (e.g. with regard to systemic risk, redemption policy or operational risks) covered by the AIFM Directive are then taken into account through differentiation within the specific provisions of the AIFM Directive, in a way which is proportional to their size, sophistication and structure and is adapted to specific situations.*

*I look forward to developing our policy dialogue further in the future.*

*Yours sincerely,*