

CEBS
Committee of European Banking Supervisors
London

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Draft high-level principles of Remuneration Policies - CP 23

Danish Shareholders Association is the organisation representing private shareholders in Denmark.

Danish Shareholders Association finds it important that CEBS sets the principles of the remuneration policies of the financial firms under debate.

Danish Shareholders Association supports the draft high-level principles of Remuneration Policies in CP 23 but would like to suggest two changes.

1. The role of the shareholders should be stressed.
2. The responsibility towards the clients should be stressed.

Role of shareholders

Shareholders are briefly mentioned in the introduction.

Shareholders and especially private shareholders - who by definition are minority shareholders - have too often the experience that corporate governance in listed companies leaves too many decisions and too much power in the hands of the elected or the employed officers.

It is important that the governance systems define a role and responsibility to the owners of the firms. Management must respect the owners - i.e. the private shareholders and the institutional investors - and invite them to take part in the decision making at the Annual General Meeting.

The owners must accept the invitation and the responsibility and take part in the decision making process. It is possible that real participation at the AGM will

only be possible if a forum is organised to prepare the decisions to be taken at the AGM. Shareholder representation in committees preparing decisions on remuneration policy and election of officers could be such a forum.

Responsibility towards clients

Principle i in the CP 23:

- i. The financial institution should adopt an overall remuneration policy that is in line with its business strategy and risk tolerance, objectives, values and long-term interests. It should not encourage excessive risk-taking. The remuneration policy should cover the institution as a whole and contain specific arrangements that take into account the respective roles of senior management, risk takers and control functions. Control functions should also be adequately rewarded to attract skilled individuals.***

Danish Shareholders Association supports this principle, but it is only related to the financial firm, not to the clients.

During the last year many clients have experienced problems with the consequences of the advice they had received from the financial firms in the years up to the financial crisis.

It is important that the managers of the financial firms feel responsibility towards their clients. And the remuneration systems and policies should not encourage that clients take excessive risks or take risks that they do not understand fully.

Kind Regards

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