

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1342

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Mr M Swart (DA) to ask the Minister of Finance:

- (1) Whether the Government will take steps to introduce measures to regulate multi-year payback agreements to senior bankers, if not, why not, if so,
- (2) whether the Government is contemplating the introduction of measures to regulate the payment of compensation to senior bankers; if not, why not; if so, what are the relevant details?

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Reply

- (1) Internationally, the G20 Finance Ministers and Governors have called on the Financial Stability Board¹ to develop detailed guidance to strengthen the application of the Financial Stability Board Principles for Sound Compensation Practices. The Financial Stability Board was also asked to explore possible approaches for limiting total variable remuneration in relation to risk and long-term performance. In response, the Chair of the Financial Stability Board asked Philipp Hildebrand, the vice governor of the Swiss central bank, to convene a Compensation Working Group and propose a way forward.

I support the Hildebrand Working Group's efforts in this regard and, as a member of the G-20 Finance Ministers and Governors grouping, look forward to their proposals to be presented in Pittsburgh at the end of September 2009.

¹ The Financial Stability Board is a global grouping of Governors, senior Treasury officials and financial regulators. South Africa is a member of this Board and actively participates in its work.

I also note that in the South African context, the Draft Report for Governance for South Africa and the Draft Code of Governance Principles (known as "King 3") includes guidance on executive remuneration. I support these guidelines, particularly for the banking sector, and note that they are also in line with the original Financial Stability Board Principles for Sound Compensation Practices.

- (2) Once we have received the report of the Hildebrand Working Group, Government will review whether measures to regulate the compensation of senior bankers will be necessary. I can assure both the member and Parliament that any such measures will ensure that South Africa is aligned to global compensation practices.