

## European Regulatory Snapshot: CRD IV Bonus Cap Likely Set to Stay

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The CRD IV package, comprising the Capital Requirements Directive IV<sup>[1]</sup> (CRD IV) and the Capital Requirements Regulation<sup>[2]</sup> (CRR), sets out requirements in relation to the remuneration policies and practices of financial institutions, including a “bonus cap” whereby variable pay is capped at 100% of total fixed pay or, with shareholder approval, 12F 200% of total fixed pay.<sup>[3]</sup> On 20 November 2014, the Advocate General delivered his widely anticipated opinion on the United Kingdom’s legal challenge seeking annulment of the bonus cap and other remuneration-related provisions in the CRD IV package. In his Opinion, the Advocate General suggested that all the United Kingdom’s pleas should be rejected and the Court of Justice of the EU (ECJ) dismiss the action.<sup>[4]</sup> While the Opinion is not legally binding on the ECJ, whose judgment had been expected in early 2015, UK Chancellor of the Exchequer George Osborne has publicly stated that the United Kingdom will no longer pursue the legal challenge since it looks clear that there are “*minimal prospects for success*”.<sup>[5]</sup> With these developments, it now seems likely that the CRD IV bonus cap is set to stay.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

**Beverly Fanger Chase**

+1 212 450 4383  
beverly.chase@davispolk.com

**Jeffrey P. Crandall**

+1 212 450 4880  
jeffrey.crandall@davispolk.com

**Edmond T. FitzGerald**

+1 212 450 4644  
edmond.fitzgerald@davispolk.com

**Kyoko Takahashi Lin**

+1 212 450 4706  
kyoko.lin@davispolk.com

**Will Pearce**

+44 20 7418 1448  
will.pearce@davispolk.com

**Simon Witty**

+44 20 7418 1015  
simon.witty@davispolk.com

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