ABSTRACT

The increasing role of national banks in the economy sector of a country cannot be separated from the effective and efficient work of the bank management.Remuneration system in the banking sector was used as an incentive to motivate the top management in order to improve their performance. According to the Indonesian banking sector remuneration system, there is a controversy relate to the payment of salaries and allowances that given to the CEO. It is considered to be too high by the public. High remuneration system apparently not correspond to the performance that carry on by the CEO. When the bank's top managers are paid too high (overpaid), this will result in lower competitive ability of national banks in facingthe increasingly fierce competition ahead as the opening of the ASEAN markets area in the ASEAN Economic Community 2015.

Based on this phenomenon, the research will examine the determinants of the performance-based remuneration system at the level of ASEAN banking industries. Research also conduct to examine the relation between Pay-for-Performance and performance and risks associated with banking industries. This research will develop an Antesedent and Outcome model of Pay-for-Performance variable as a central part of the corporate governance system.

This study use a sample of 263 banks listed in the stock exchange of each country and banks which are listed in each central bank directory in 2011-2013 period. The sample was selected using purposive sampling method. A multiple regression method is used to analyze the data.

As a result, it is found that CEO Tenure, CEO Turnover and the existence of the nomination and remuneration committee has an influence on the CEO Pay-for Performance. While multiple directorship have no effect on the CEO Pay-for Performance. In addition, this research also found that the Pay-for-Performance negatively related to performance, and positively related to the market risk of the bank

Keywords: Pay-for-Performance, compensation, remuneration, bankperformance, credit risk, market risk, CEO characteristic

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