The European Union moved to slap a strict limit on bank executives' bonuses in the latest effort to curb what is seen by many as corporate and banking excess.

Negotiators for the European Parliament and EU states said they reached a preliminary deal on a measure that would forbid bonuses that exceed a bankers' fixed salary. Flexible pay could increase to twice fixed salary, but only with explicit shareholder approval.

The initiative, part of a broader law that forces lenders to build up more-robust financial cushions, is designed to reduce incentives for the type of risky behavior widely blamed for contributing to the 2008 financial crisis.

The EU push comes as Swiss voters will indicate on Sunday just how deep their resentment of big executive paychecks runs when they vote on a controversial plan that would give shareholders sweeping authority over executive compensation.

The 24 items contained in the Swiss referendum, dubbed the "rip-off" initiative, would allow shareholders to block salaries, ban so-called golden handshakes and parachutes—forms of guaranteed parting packages—and require greater transparency on loans and pensions to executives and directors. The measure includes fines and prison sentences for violations.

The moves in Brussels and in Switzerland, if successful, would represent the most intrusive intervention yet into how banks and corporations compensate employees and executives—an issue that was for years considered an internal corporate matter.

The EU pay limits would apply to all European banks, including their operations abroad, as well as U.S. and other foreign banks' subsidiaries in the EU, officials representing both member states and the Parliament said. That provision may be reviewed in a few years' time, they added.

Members of Parliament, which first introduced the bonus caps and fought hard against efforts to water them down, hailed the preliminary accord.

"If I have to judge from the reaction of the [banking] industry, this will impact them. And this will also impact the overall amount of remuneration," said Philippe Lamberts, a Belgian lawmaker for the Green Party who was one of the leading negotiators for Parliament. "I think it will really hit them."

Bankers have lobbied strongly against the European bonus caps, claiming they will hamper their ability to hire talented staff and put them at a competitive disadvantage to their counterparts in the U.S. and elsewhere.

Negotiators said that some longer-term bonuses that don't lead to actual payouts for at least five
years may be discounted when the caps are calculated. But that provision, along with several other elements of the deal, will have to be nailed down in another round of talks and could still be rejected by member states, they stressed.

The negotiators said the new bank rules should come into force on Jan. 1, 2014, provided they get formal sign-off from both the full European Parliament and EU finance ministers and can be written into national law in all 27 member states in time.

Efforts to curb pay have backfired before. A 1993 U.S. tax law that said companies couldn't deduct senior executive pay over $1 million from their taxable income ended up establishing that level as a minimum for CEO pay and encouraged the spread of less-transparent forms of pay, such as pensions and deferred compensation.

Big London-based investment banks already are looking at ways to lessen the impact of the potential new rules, such as sharply boosting base salaries, industry officials said. That could make it harder for banks to claw back pay if a bank runs into trouble.

The bonus caps are being introduced as part of EU legislation to ensure banks carry adequate capital cushions in line with the so-called Basel accords agreed in the Swiss city by international banking supervisors.

Bankers' pay wasn't part of the Basel agreements, but lawmakers in the European Parliament insisted on limiting payouts linked to short-term profits because they were seen as driving bankers to take excessive risks in the lead-up to the crisis. Between 2008 and 2009, EU countries pumped €2 trillion ($2.63 trillion) into their lenders, and bank failures have also been at the root of broader government-debt crises that followed.

The referendum in Switzerland caps an emotional four-year effort by Thomas Minder, a businessman turned politician who has campaigned against excessive executive compensation. The initiative's chances of success were boosted earlier this month when Novartis AG scrapped a proposed exit package of 72 million Swiss francs ($66.9 million) for outgoing Chairman Daniel Vasella after it stirred controversy across the country.

The Minder initiative would give shareholders wide power in shaping how Swiss companies pay executives and board members. Under its rules, shareholders are required to approve or reject executive pay packages every year.

It would ban golden handshakes and golden parachutes and would require greater transparency on loans and pensions for executive board members. Under the proposal, breaches would be penalized with fines of up to six times annual salary or imprisonment for up to three years.

Mr. Minder's ideas have resonated with his countrymen amid growing resentment of executive pay since the government's 2008 bailout of UBS AG, Switzerland's biggest bank. A string of highly paid executives from the U.S. and the European Union landing at Swiss companies has only engendered more public anger over corporate pay.

Joe Hogan, an American who runs ABB Ltd., received a 13-million-franc signing bonus when he joined the engineering and power company in 2008, while UBS's German Chairman Axel Weber got five million francs when he joined the bank this year. By comparison, the average Swiss worker earned 69,400 francs in 2010, according to the Federal Statistics Office.

"If my initiative is approved, there will be a revolution in corporate annual general meetings," Mr. Minder said in an interview. "They will become properly democratic procedures."

The debate on big paychecks began to widen beyond a narrow group of shareholder activists following a rash of corporate accounting scandals more than a decade ago at companies such as WorldCom and Enron; it took on new momentum after the 2008 financial crash.
This week's developments in Europe take the debate a big step forward by giving corporate outsiders more direct say on pay levels, rather than just react to them. In 2011, the EU already required banks to defer large parts of bonus payouts three to five years into the future.

More broadly, investors in the U.K. began casting advisory, or nonbinding, votes on corporate pay in 2003. Pay for U.K. executives continued to rise, but some activists believe the shareholder votes curbed excesses. Other European countries, notably the Netherlands, adopted stricter regulations. Investors in Dutch companies have had a binding vote since 2004 on material changes to executive pay policies.

Though the debate on executive pay is less charged in the U.S., attitudes shifted during the financial crisis after some Wall Street executives walked away with multimillion-dollar packages before their companies failed or needed government support.

Starting in 2011, the Dodd-Frank financial-overhaul law gave shareholders at all but the smallest U.S. companies a nonbinding say-on-pay vote. Some companies where investors defeated or narrowly approved their pay practices reacted by tightening ties between pay and corporate performance.

—David Enrich in London, John Revill in Zurich and Joann S. Lublin in New York contributed to this article.

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