FSB FINANCIAL STABILITY BOARD

Press release

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FSB publishes toolkit to mitigate misconduct risk

The Financial Stability Board (FSB) today published Strengthening Governance Frameworks to Mitigate Misconduct Risk, which provides a toolkit that firms and supervisors can use to tackle the causes and consequences of misconduct.

The toolkit completes an important element of the FSB's 2015 Workplan on Measures to Reduce Misconduct Risk to promote incentives for good behaviour through:

- standards and codes of behaviour, such as the *FX Global Code*, and reforms to benchmark-setting practices;
- the toolkit of measures to address misconduct in wholesale markets developed by the International Organization of Securities Commissions, based on national approaches; and
- FSB's guidance on the use of compensation tools to promote good conduct, which will be followed up by recommendations on national data collection on compensation and conduct.

Mitigating misconduct requires a multifaceted approach. The toolkit identifies 19 tools that firms and supervisors could use to strengthen governance frameworks in three overarching areas identified by the FSB as part of its earlier work on misconduct, namely:

- Mitigating cultural drivers of misconduct – including tools to effectively develop and communicate strategies for reducing misconduct in firms and for authorities to effectively supervise such approaches.
- Strengthening individual responsibility and accountability – including tools that seek to identify key responsibilities or functions in a firm and assign them to individuals to promote accountability and transparency.
- Addressing the "rolling bad apples" phenomenon – including tools to improve interview processes and onboarding of new employees and for regular updates to background checks to avoid hiring an individual with a history of misconduct.

The toolkit provides a set of options based on the shared experience and diversity of perspective of FSB members in dealing with misconduct issues.

Jeremy Rudin, Canada's Superintendent of Financial Institutions and Chair of the FSB's Working Group on Governance Frameworks that led this work says that "This toolkit provides firms and supervisors with practical approaches and techniques to improve conduct and strengthen accountability and governance frameworks. It will contribute to financial stability by promoting behaviours that will inspire public confidence in the global financial sector."

Notes to editors

The report was delivered to G20 Finance Ministers and Central Bank Governors ahead of their meeting in Washington DC from 19-20 April. As part of this work the FSB published a stocktake of efforts to strengthen governance frameworks to mitigate misconduct risks in May 2017.

The most recent update on progress under the overall Workplan on Measures to Reduce Misconduct Risk was delivered to the Hamburg G20 Summit in 2017.

The FSB will also publish a consultation in the coming weeks on recommendations for consistent national reporting of data on the use of compensation tools to address misconduct risk.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.