



I. Background and Purpose of the Consultative Document

The Financial Stability Board (FSB) has issued a consultative document to address issues of misconduct risk. In particular, this document seeks comments on the consistent reporting of data to national supervisory authorities on the use of compensation tools to address misconduct risk. The following paragraphs represent the comments submitted by some members of the Association of Supervisors of Banks of the Americas (ASBA) to this consultative document. In general, ASBA members consider these Recommendations are a step forward in improving the alignment of risks and rewards for senior management and other employees in financial entities.

II. General Comments

ASBA members consider that it would be beneficial to define further the term “Material Risk Taker,” a concept utilized to define the scope of the Recommendations.

III. Comments on the Consultative Document’s Specific Questions

2. If not, which additional data/information should be collected?

About the additional information collected under the “compensation actions taken in the event of misconduct,” ASBA members suggest including information on the frequency of misconduct incidents. Also, ASBA members suggest that the categories used to define “misconduct”¹ may be used as high-level categories for misconduct incidents, namely: legal, professional, internal conduct, and ethical standards.

5. Are there any additional elements that should instead be considered for a particular financial sector?

Some ASBA members consider that for the Securities Market, additional information could be collected on the methodologies used to value the funds under management, making sure that these have been approved or are part of the entity’s policies, and conducting an analysis on the motivations for changes in valuation that could result in higher compensation for senior management.

As for the microfinance sector, information could be collected on the recovery of non-performing credits, given that these entities serve customers in the base of the pyramid or the informal sector of the economy.

8. What are the most important changes that have occurred in firms’ management of compensation and conduct risk in recent years? Do the current Recommendations

¹ Please refer to footnote 2 in the consultative document.



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Comments from ASBA to the Consultative Document:

**Recommendations for consistent national reporting of data on
the use of compensation tools to address misconduct risk**



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focus enough on these developments that may help to better achieve alignment of risk and reward?

Some ASBA members have pointed out that financial entities have made progress in eliminating practices that encourage the assumption of risk over the entity's defined risk tolerance, as well as evaluated the level of employee compliance with the code of ethics and conduct. Also, recent regulation or regulatory modifications require financial entities to provide compensation plans that are clear, precise, and in-line with the best practices.