

Press release

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Ref: 26/2019
17 June 2019

FSB publishes compensation progress report

The Financial Stability Board (FSB) today published a [progress report](#) on the implementation of its Principles and Standards for sound compensation practices in financial institutions. The report assesses how compensation practices have evolved since the Principles and Standards were published in 2009.

The report confirms the finding of the previous progress report in June 2017 that all FSB jurisdictions have implemented the Principles and Standards for sound compensation for all banks considered significant for the purposes of the Principles and Standards. While most banks have put in place practices and procedures which reduce the potential for inappropriate risk-taking, their effectiveness is still being tested. At most banks, further work is required to validate that practices and procedures operate effectively and cover all compensation-related risks. International supervisory dialogue has facilitated increased attention to compensation design and implementation, contributing to better practice. Authorities remain focused on compensation practices, with many now incorporating assessment of compensation practice as part of ongoing supervisory review processes. The report highlights that for significant banks a number of changes have taken place:

- Boards appear more active and engaged and compensation processes are now conducted with greater oversight.
- Compensation arrangements now have longer time horizons, include mechanisms that better align them with effective risk management practices and include a wider range of financial and non-financial risk assessment criteria.
- In recent years, there has been an increased focus on compensation as a tool to address conduct risk and there is now greater emphasis on *how* results are achieved.
- The challenge now is developing frameworks for assessing the effectiveness of compensation policies and practices in balancing risk and reward. Compensation systems should be monitored and reviewed to ensure that they operate as intended.

The Principles and Standards are intended to apply to financial institutions that are significant for the purposes of compensation standards, including banks, insurers and asset managers. In most jurisdictions, identified institutions are mainly in the banking sector. Fewer jurisdictions have implemented the requirements for the insurance and asset management sectors.

As supervisors continue to monitor compensation practices, they will need to ensure that compensation remains aligned with prudent risk-taking, and fully reflects evolving risks and new areas of vulnerabilities as they emerge.

Notes to editors

The [*Principles for Sound Compensation Practices*](#) and the [*Implementation Standards for the FSB Principles for Sound Compensation Practices*](#) were published in 2009. This is the FSB's sixth progress report on the implementation of the Principles and Standards; the fifth progress report was published on 4 July 2017. In 2018 the FSB published [*Supplementary Guidance to the FSB Principles and Standards on Sound Compensation Practices*](#) and [*Recommendations for national supervisors: Reporting on the use of compensation tools to address potential misconduct risk*](#) as part of its [*2015 workplan on measures to reduce misconduct risk*](#).

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes 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 approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman for Supervision, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB 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.