



Press release

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Ref no: 47/2018
23 November 2018

FSB publishes recommendations on compensation data reporting to address potential misconduct risk

The Financial Stability Board (FSB) today published its finalised [Recommendations for national supervisors: Reporting on the use of compensation tools to address potential misconduct risk](#). The recommendations complement the FSB's the [Supplementary Guidance to the FSB Principles and Standards on Sound Compensation Practices](#) by setting out the types of data that can support improved monitoring by supervisory authorities on the use of compensation tools to address misconduct risk in significant financial institutions.

The Recommendations are directed to the relevant national supervisory authorities for firms in all financial sectors. They build on national supervisory work and existing international efforts including Basel Committee Pillar III disclosures on compensation. They will help supervisors understand whether governance and risk management processes at financial institutions:

- Appropriately include conduct considerations in the design of their compensation and incentive systems, including the setting of individual goals, ex ante performance measurement mechanisms and ex post compensation adjustments;
- Support the effective use of compensation tools in combination with other performance management tools to help promote good conduct or to remediate misconduct;
- Promote wider risk management goals, including for conduct issues, consistent with the firm's strategy and risk tolerance; and
- Support the effective identification of emerging misconduct risks and appropriate review of incentive systems and compensation decisions in response to conduct incidents to ensure alignment of incentives, risk and reward.

In recent years, supervisors and firms have directed significant attention to improving compensation governance and risk adjustment practices. They have focused more intensively on the impact compensation and related performance management mechanisms can have on incentives, and the role they can play in addressing misconduct risks, by providing both ex ante incentives for good conduct and ex post adjustment mechanisms that support appropriate accountability when misconduct occurs.

The Recommendations form part of the FSB's action plan address misconduct risk, which also includes a toolkit for firms and supervisors for strengthening governance frameworks to mitigate misconduct risk.

The FSB today also published an [overview of responses to its public consultation on the Recommendations](#) launched in May. The overview summarises the issues raised in the public consultation and sets out the main changes that have been made to the Recommendations to address these comments.

Notes to editors

The FSB's [2015 Workplan on Measures to Reduce Misconduct Risk](#) promoted incentives for good behaviour through:

- Standards and codes of behaviour, such as the [FX Global Code](#), and reforms to benchmark-setting practices;
- A [toolkit of measures to address misconduct in wholesale markets](#) developed by the International Organization of Securities Commissions, based on national approaches;
- [FSB guidance](#) on the use of compensation tools to promote good conduct; and
- A [toolkit to strengthen governance frameworks to mitigate misconduct risk](#).

The most [recent update on progress](#) under the overall Workplan on Measures to Reduce Misconduct Risk was delivered to the Hamburg G20 Summit in July 2017.

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 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.