

Press release

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FSB publishes implementation monitoring report on compensation practices

The Financial Stability Board (FSB) publishes today a report on the progress made by member jurisdictions and firms in implementing the FSB *Principles for Sound Compensation Practices* and their *Implementation Standards* since the [October 2011 thematic peer review](#). The report forms part of the FSB's [Coordination Framework for Implementation Monitoring](#).

Almost all FSB member jurisdictions have now completed the implementation of the Principles and Standards (P&S). Those jurisdictions identified as having significant gaps at the time of the 2011 peer review have made progress in their implementation. Several jurisdictions have recently issued additional regulation or supervisory guidance. Progress has also been made in implementing the Basel Committee's Pillar 3 disclosure requirements for remuneration, but more needs to be done to fully embed them in regulation or supervisory guidance across all jurisdictions.

Most jurisdictions report that financial institutions have made good progress in adjusting compensation practices to better align them with the P&S, particularly those firms deemed significant for the purposes of the P&S. There remain challenging areas where more progress is needed, the most critical of which are the alignment of compensation with ex-ante risk taking and ex-post performance, and the identification of material risk takers.

Supervisory attention to compensation issues continues to increase and is contributing to sounder compensation structures at firms. Supervisory cooperation in this area in respect of cross-border financial institutions is also improving.

Notwithstanding the reported progress, a few jurisdictions have elected not to implement one or more Standards related to the alignment of compensation with prudent risk-taking, either because they are not deemed applicable or because of domestic constraints. These jurisdictions should ensure outcomes that are fully consistent with the objectives of the P&S. There also remain important differences across jurisdictions, particularly with respect to the use of proportionality in applying the P&S and to the identification of firms' employees as material risk takers.

The findings in this report confirm the 2011 peer review's conclusion that national authorities must sustain their implementation efforts to achieve lasting improvements in financial firms' compensation structures and practices. The FSB will continue to monitor actions taken and identify remaining gaps and impediments to full implementation of the P&S. The [Bilateral Complaint Handling Process](#) launched in April will be an important input to this process.

Notes to editors

The 2011 FSB peer review on compensation set out several recommendations to support the full and effective implementation of the P&S by both national authorities and firms. The G20 Leaders in Cannes called on the FSB to “undertake an ongoing monitoring and public reporting on compensation practices focused on remaining gaps and impediments to full implementation of these standards and carry out an ongoing bilateral complaint handling process to address level playing field concerns of individual firms.”

To undertake the ongoing monitoring, the FSB has established a Compensation Monitoring Contact Group that is responsible for monitoring and reporting to the FSB on national implementation of the P&S. In addition, a Bilateral Complaint Handling Process (BCHP) was launched in April, which establishes a mechanism for national supervisors from FSB member jurisdictions to bilaterally report, verify and, if necessary, address specific compensation-related complaints by financial institutions based on level playing field concerns.

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 is chaired by Mark Carney, Governor of the Bank of Canada. 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.financialstabilityboard.org.

For further information on the compensation monitoring activities of the FSB, visit the page <http://www.financialstabilityboard.org/activities/compensation/index.htm>