

Press release

Press enquiries:
+41 61 280 8143

press@bis.org

Ref no: 59/2013

26 August 2013

FSB publishes second progress report on compensation practices

The Financial Stability Board (FSB) published today the [second progress report](#) on the implementation of the FSB [Principles for Sound Compensation Practices and their Implementation Standards](#) (P&S) by FSB jurisdictions.

The report finds that, while good progress continues to be made, more work needs to be done by national authorities and firms to ensure that implementation of the P&S is effectively leading to more prudent risk-taking behaviour. This will take time, and there is still some way to go before the improvements in compensation practices can be deemed effective and sustainable. The report describes some of the key challenges and evolving practices in the areas of ex ante risk adjustment, alignment of compensation with performance (including maluses and claw-back mechanisms), and the identification of material risk-takers.

All FSB member jurisdictions except two have now completed the implementation of the P&S in national regulation or supervisory guidance; the focus of national authorities is now on effective supervision and oversight of implementation by relevant firms.

Reported trends suggest that most compensation structures are being revised in the direction indicated by the P&S. Further work is needed on the identification criteria for material risk-takers given the existing differences in approach and points of view by FSB jurisdictions.

The disclosure of compensation practices has also improved, although it is still generally difficult for policymakers and the public to reliably access easy to understand and consistent data on compensation structures for significant firms across jurisdictions.

The report notes that certain regulatory initiatives currently being implemented could materially change compensation structures in some FSB member jurisdictions.

Some level playing field concerns continue to be expressed by firms, however national authorities have yet to see any real evidence that the implementation of the P&S has impeded or diminished the ability of supervised institutions to recruit and retain talent. The Bilateral Complaint Handling Process, which the FSB initiated for the purposes of addressing such concerns, has not been activated so far by firms.

The FSB will continue to monitor actions taken and identify remaining gaps and impediments to full and effective implementation of the P&S. As part of this effort, the FSB will continue to engage with the industry to discuss trends and remaining challenges, including by organising another workshop to share experiences and views. The FSB will also survey and compare the range of practices on material risk-takers across its membership, with a view to identifying good practices while recognising firms' differences and the need for proportionality.

Notes to editors

The FSB's [October 2011 thematic 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.*”

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. The [first implementation progress report](#) in this area was published in June 2012. In addition, a [Bilateral Complaint Handling Process](#) was launched in April 2012, 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. For further information on compensation monitoring by the FSB, see <http://www.financialstabilityboard.org/activities/compensation/cm.htm>.

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 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.financialstabilityboard.org.