

Press release

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FSB enhances its process for ongoing monitoring of compensation practices

The [2011 FSB peer review on compensation](#) indicated that good progress has been made in implementing the FSB [Principles](#) and [Standards](#) on Sound Compensation Practices (“Principles and Standards”), but that more work is necessary to overcome constraints to full implementation by individual national authorities and to address concerns by firms of an uneven playing field. Following the completion of the peer review, the Financial Stability Board (FSB) was tasked by the G20 to undertake ongoing monitoring and public reporting on further progress in compensation practices.

In order to strengthen its monitoring in this area, the FSB has recently established the Compensation Monitoring Contact Group (CMCG), a network of national experts from member jurisdictions with regulatory or supervisory responsibility on compensation practices. The CMCG is responsible for monitoring and reporting to the FSB on national implementation of the Principles and Standards.

In addition, the FSB has established a mechanism for national supervisors from FSB member jurisdictions to bilaterally report, verify and, if necessary, address specific compensation-related complaints by financial institutions that give rise to level playing field concerns. The objectives of the [Bilateral Complaint Handling Process](#) (BCHP) are to:

- Address evidence-based complaints raised by firms to their home supervisors that document a competitive disadvantage as a result of the inconsistent implementation of the Principles and Standards by firms headquartered in other jurisdictions.
- Produce and report information to the FSB on the nature and outcomes of such complaints so as to inform the scope and intensity of the ongoing monitoring.

The BCHP is intended to complement and reinforce normal bilateral or multilateral supervisory channels that may be used by supervisors to address compensation issues. The outcomes of the BCHP will be reported by the CMCG to the FSB as part of its ongoing monitoring process.

Information on the FSB’s implementation monitoring activities of compensation practices is available on a dedicated page of the FSB website that can be accessed at the following link:

<http://www.financialstabilityboard.org/activities/compensation/cm.htm>

Notes to editors

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's Principles for Sound Compensation Practices and their Implementation Standards (Principles and Standards), endorsed by the G20 Leaders at their Summits in London in April 2009 and Pittsburgh in September 2009, were developed to align employees' risk taking incentives with the long-term profitability of the firm. The Principles call for effective governance and for compensation to be adjusted for all types of risk, to be symmetric with risk outcomes, and to be sensitive to the time horizon of risks. The Implementation Standards set out detailed specific proposals on compensation governance, structure and disclosure to strengthen adherence to the Principles.

Following the publication of the 2011 peer review on compensation, G20 Leaders at their Summit 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 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.