SASB STANDARDS
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FINANCIALS SECTOR

INVESTMENT BANKING & BROKERAGE

Sustainability Accounting Standard

Sustainable Industry Classification System® (SICS®) FN-IB

Prepared by the
Sustainability Accounting Standards Board

October 2018

INDUSTRY STANDARD | VERSION 2018-10

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INVESTMENT BANKING & BROKERAGE

Sustainability Accounting Standard

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to build on the industry-based SASB Standards and leverage SASB's industry-based approach to standards development. The ISSB encourages preparers and investors to continue to provide full support for and to use the SASB Standards until IFRS Sustainability Disclosure Standards replace SASB Standards.

Historical Information About the SASB Foundation

These materials were developed under the auspices of the SASB Foundation. The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organization. The SASB Foundation's mission was to establish and maintain industry-specific standards that assist companies in disclosing financially material, decision-useful sustainability information to investors. The SASB Foundation operated in a governance structure similar to the structure adopted by other internationally recognized bodies that set standards for disclosure to investors, including the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). This structure included a board of directors ("the Foundation Board") and a standards-setting board ("the Standards Board" or "the SASB"). The Standards Board developed, issued, and maintained the SASB Standards. The Foundation Board oversaw the strategy, finances, and operations of the entire organization, and appointed the members of the Standards Board. The Foundation Board was not involved in setting standards, but was responsible for overseeing the Standards Board's compliance with the organization's due process requirements. As set out in the SASB Rules of Procedure, the SASB's standards-setting activities were transparent and followed careful due process, including extensive consultation with companies, investors, and relevant experts. The SASB Foundation was funded by a range of sources, including contributions from philanthropies, companies, and individuals, as well as through the sale and licensing of publications, educational materials, and other products.

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INTRODUCTION

Purpose of SASB Standards

The SASB's use of the term "sustainability" refers to corporate activities that maintain or enhance the ability of the company to create value over the long term. Sustainability accounting reflects the governance and management of a company's environmental and social impacts arising from production of goods and services, as well as its governance and management of the environmental and social capitals necessary to create long-term value. The SASB also refers to sustainability as "ESG" (environmental, social, and governance), though traditional corporate governance issues such as board composition are not included within the scope of the SASB's standards-setting activities.

SASB standards are designed to identify a minimum set of sustainability issues most likely to impact the operating performance or financial condition of the typical company in an industry, regardless of location. SASB standards are designed to enable communications on corporate performance on industry-level sustainability issues in a cost-effective and decision-useful manner using existing disclosure and reporting mechanisms.

Businesses can use the SASB standards to better identify, manage, and communicate to investors sustainability information that is financially material. Use of the standards can benefit businesses by improving transparency, risk management, and performance. SASB standards can help investors by encouraging reporting that is comparable, consistent, and financially material, thereby enabling investors to make better investment and voting decisions.

Overview of SASB Standards

The SASB has developed a set of 77 industry-specific sustainability accounting standards ("SASB standards" or "industry standards"), categorized pursuant to SASB's Sustainable Industry Classification System® (SICS®). Each SASB standard describes the industry that is the subject of the standard, including any assumptions about the predominant business model and industry segments that are included. SASB standards include:

1. **Disclosure topics** – A minimum set of industry-specific disclosure topics reasonably likely to constitute material information, and a brief description of how management or mismanagement of each topic may affect value creation.

2. **Accounting metrics** – A set of quantitative and/or qualitative accounting metrics intended to measure performance on each topic.

3. **Technical protocols** – Each accounting metric is accompanied by a technical protocol that provides guidance on definitions, scope, implementation, compilation, and presentation, all of which are intended to constitute suitable criteria for third-party assurance.

4. **Activity metrics** – A set of metrics that quantify the scale of a company's business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison.

Furthermore, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all industry standards and is considered part of the standards. Unless otherwise specified in the technical protocols contained in the industry standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation, and presentation of the metrics in the industry standards.

The *SASB Conceptual Framework* sets out the basic concepts, principles, definitions, and objectives that guide the Standards Board in its approach to setting standards for sustainability accounting. The *SASB Rules of Procedure* is focused on the governance processes and practices for standards setting.

Use of the Standards

SASB standards are intended for use in communications to investors regarding sustainability issues that are likely to impact corporate ability to create value over the long term. Use of SASB standards is voluntary. A company determines which standard(s) is relevant to the company, which disclosure topics are financially material to its business, and which associated metrics to report, taking relevant legal requirements into account[1]. In general, a company would use the SASB standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries can consider reporting on these additional SASB industry standards.

It is up to a company to determine the means by which it reports SASB information to investors. One benefit of using SASB standards may be achieving regulatory compliance in some markets. Other investor communications using SASB information could be sustainability reports, integrated reports, websites, or annual reports to shareholders. There is no guarantee that SASB standards address all financially material sustainability risks or opportunities unique to a company's business model.

Industry Description

The Investment Banking & Brokerage industry consists of firms performing a wide range of functions in the capital markets, including assisting with the capital-raising and allocation process, and providing market-making and advisory services for corporations, financial institutions, governments, and high net-worth individuals. Specific activities include financial advisory and securities underwriting services conducted on a fee basis; securities and commodities brokerage activities, which involves buying and selling securities or commodities contracts and options on a commission or fee basis for investors; and trading and principal investment activities, which involves the buying and selling of equities, fixed income, currencies, commodities, and other securities for client-driven and proprietary trading. Investment banks also originate and securitize loans for infrastructure and other projects. Companies in the industry generate their revenues from global markets and, therefore, are exposed to various regulatory environments. The industry continues to face regulatory pressure to reform and disclose aspects of operations that present systemic risks. Specifically, firms are facing new capital requirements, stress testing, limits on proprietary trading, and increased scrutiny on compensation practices.

[1] **Legal Note**: SASB standards are not intended to, and indeed cannot, replace any legal or regulatory requirements that may be applicable to a reporting entity's operations.

Note: The SASB Investment Banking & Brokerage (FN-IB) Standard addresses "pure play" investment banking and brokerage services, which the SASB recognizes may not include all the activities of integrated financial institutions, such as mortgage finance, commercial banking, consumer finance, asset management and custody services, and insurance. Separate SASB accounting standards are available that address the sustainability issues for activities in those industries.

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

Table 1. Sustainability Disclosure Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees[2]	Quantitative	Percentage (%)	FN-IB-330a.1
Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities	Revenue from (1) underwriting, (2) advisory, and (3) securitization transactions incorporating integration of environmental, social, and governance (ESG) factors, by industry	Quantitative	Reporting currency	FN-IB-410a.1
	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry	Quantitative	Number, Reporting currency	FN-IB-410a.2
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities	Discussion and Analysis	n/a	FN-IB-410a.3
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations[3]	Quantitative	Reporting currency	FN-IB-510a.1
	Description of whistleblower policies and procedures	Discussion and Analysis	n/a	FN-IB-510a.2
Professional Integrity	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings[4]	Quantitative	Number, Percentage (%)	FN-IB-510b.1
	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party	Quantitative	Number	FN-IB-510b.2
	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care[5]	Quantitative	Reporting currency	FN-IB-510b.3

[2] Note to **FN-IB-330a.1**– The entity shall describe its policies and programs for fostering equitable employee representation across its global operations.

[3] Note to **FN-IB-510a.1**– The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

[4] Note to **FN-IB-510b.1**– The entity shall describe how it ensures that covered employees file and update FINRA and SEC forms in a timely manner.

[5] Note to **FN-IB-510b.3**– The entity shall briefly describe the nature, context, and any corrective actions taken as a result of the monetary losses.

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
	Description of approach to ensuring professional integrity, including duty of care	Discussion and Analysis	n/a	FN-IB-510b.4
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category[6]	Quantitative	Basis points (bps)	FN-IB-550a.1
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Discussion and Analysis	n/a	FN-IB-550a.2
Employee Incentives & Risk Taking	Percentage of total remuneration that is variable for Material Risk Takers (MRTs)[7]	Quantitative	Percentage (%)	FN-IB-550b.1
	Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied[8]	Quantitative	Percentage (%)	FN-IB-550b.2
	Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities	Discussion and Analysis	n/a	FN-IB-550b.3

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
(1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitization transactions[9]	Quantitative	Number, Reporting currency	FN-IB-000.A
(1) Number and (2) value of proprietary investments and loans by sector[10]	Quantitative	Number, Reporting currency	FN-IB-000.B
(1) Number and (2) value of market making transactions in (a) fixed income, (b) equity, (c) currency, (d) derivatives, and (e) commodity products	Quantitative	Number, Reporting currency	FN-IB-000.C

[6] Note to **FN-IB-550a.1**– The entity shall describe whether the Global Systemically Important Bank (G-SIB) score is calculated by the entity or obtained from regulatory authorities and whether the entity is required to report the underlying data to the regulators.
[7] Note to **FN-IB-550b.1**– The entity shall discuss its remuneration policies for Material Risk Takers (MRTs).
[8] Note to **FN-IB-550b.2**– The entity shall discuss whether its initial ex-ante adjustments were sufficient in risk mitigation.
[9] Note to **FN-IB-000.A** – For syndicate transactions, the entity shall include only the value for which it was accountable.
[10] Note to **FN-IB-000.B** – The entity shall use the North American Industry Classification System (NAICS) for classifying investees and borrowers.

Employee Diversity & Inclusion

Topic Summary

Investment banking and brokerage companies face a high degree of competition for skilled employees. At the same time, the industry has a low level of diversity, especially among senior roles. In recent years, considerable media attention has been focused on cases of gender discrimination involving publicly listed companies in the industry. As the industry continues to undergo rapid innovation through the introduction of more complex financial products and computerized algorithmic and high-frequency trading, the ability of companies to attract and retain skilled employees will likely become increasingly material. By ensuring gender and racial diversity throughout the organization, companies are likely to expand their candidate pool, which could lower hiring cost and improve operational efficiency. Further, evidence suggests that diverse groups of employees at investment banking and brokerage companies may reduce risk taking for employees involved in risk-prone trading activities (e.g., trading), which could lower risk exposure of the firm as a whole. Enhanced disclosure regarding employee gender and racial/ethnic diversity, especially when provided by employee category, will allow shareholders to assess how companies in this industry are managing these risks and opportunities.

Accounting Metrics

FN-IB-330a.1. Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees

1 The entity shall disclose gender representation for all employees and racial/ethnic group representation for its U.S. employees by employee category.

1.1 The following employee categories shall be used: (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.

2 Gender and racial/ethnic group representation shall be disclosed in percentages, where the percentage shall be calculated as the number of employees in each gender or racial/ethnic group in each employee category divided by the total number of employees in the respective employee category.

3 For U.S. employees, the entity shall categorize the employees in accordance with the Equal Employment Opportunity Commission's Employer Information EEO-1 report (EEO-1 Survey) Instruction Booklet, where each employee category for disclosure is defined by corresponding job categories and descriptions in the Instruction Booklet:

3.1 Executive management includes Executives/Senior Level Officials and Managers: individuals who plan, direct and formulate policies, set strategy and provide the overall direction of enterprises/organizations for the development and delivery of products or services, within the parameters approved by boards of directors or other governing bodies. Residing in the highest levels of organizations, these executives plan, direct or coordinate activities with the support of subordinate executives and staff managers. They include, in larger organizations, those individuals within two reporting levels of the CEO, whose responsibilities require frequent interaction with the CEO. Examples of these kinds of managers are: chief executive officers, chief operating officers, chief financial officers, line of business heads, presidents or executive vice presidents of functional areas or operating groups, chief information officers, chief human resources officers, chief marketing officers, chief legal officers, management directors and managing partners.

3.2 Non-executive management includes First/Mid-Level Officials and Managers: individuals who serve as managers, other than those who serve as Executive/Senior Level Officials and Managers, including those who oversee and direct the delivery of products, services or functions at group, regional or divisional levels of organizations. These managers receive directions from the Executive/Senior Level management and typically lead major business units. They implement policies, programs and directives of executive/senior management through subordinate managers and within the parameters set by Executive/Senior Level management. Examples of these kinds of managers are: vice presidents and directors, group, regional or divisional controllers; treasurers; human resources, information systems, marketing, and operations managers. The First/Mid-Level Officials and Managers subcategory also includes those who report directly to middle managers. These individuals serve at functional, line of business segment or branch levels and are responsible for directing and executing the day-to-day operational objectives of enterprises/organizations, conveying the directions of higher level officials and managers to subordinate personnel and, in some instances, directly supervising the activities of exempt and non-exempt personnel. The EEO-1 Job Classification Guide provides examples of job titles in this category.

3.3 Professionals is defined as the following: most jobs in this category require bachelor and graduate degrees, and/or professional certification. In some instances, comparable experience may establish a person's qualifications. The EEO-1 Job Classification Guide provides examples of job titles in this category.

3.4 All other employees includes those employees who are not classified as executive management, non-executive management, or professionals.

4 For non-U.S. employees, the entity shall categorize the employees in a manner generally consistent with the definitions provided above, though in accordance with, and further facilitated by, any applicable local regulations, guidance, or generally accepted definitions.

5 The entity shall categorize the gender of its employees as female, male, or not disclosed/available.

6 The entity shall categorize the racial/ethnic group of its U.S. employees in accordance with the EEO-1 Survey Instruction Booklet and use the following categories: Asian, Black or African American, Hispanic or Latino, White, Other (which includes Native American or Alaska Native, Native Hawaiian or Pacific Islander, and "Two or More Races" classifications), or not disclosed/available.

7 The entity may provide supplemental disclosures on gender and/or racial/ethnic group representation by country or region.

8 The entity may provide supplemental contextual disclosures on factors that significantly influence gender and/or racial/ethnic group representation, such as the country or region where employees are located.

9 The entity may disclose gender and/or racial/ethnic group representation by employee category in the following table formats:

Table 3. Gender Representation of Global Employees (%)

	FEMALE	MALE	N/A *
Executive Management			
Non-Executive management			
Professionals			
All Other Employees			

* N/A = not available or not disclosed

Table 4. Racial/Ethnic Group Representation of U.S. Employees (%)

	ASIAN	BLACK OR AFRICAN AMERICAN	HISPANIC OR LATINO	WHITE	OTHER ^	N/A *
Executive Management						
Non-Executive Management						
Professionals						
All Other Employees						

^ Other includes the classifications: Native American or Alaska Native, Native Hawaiian or Pacific Islander, and "Two or More Races"
* N/A = not available or not disclosed

Note to **FN-IB-330a.1**

1 The entity shall describe its policies and programs for fostering equitable employee representation across its global operations.

1.1 Relevant policies may include maintaining transparency of hiring, promotion, and wage practices, ensuring equal employment opportunity, developing and disseminating diversity policies, and ensuring management accountability for equitable representation.

1.2 Relevant programs may include trainings on diversity, mentorship and sponsorship programs, partnership with employee resource and advisory groups, and provision of flexible work schedules to accommodate the varying needs of employees.

1.3 Relevant aspects of employee representation include, at a minimum, gender and race/ethnicity. The entity may disclose on other aspects of its workforce, such as age, physical abilities/qualities, sexual orientation, and religious beliefs, as relevant to local jurisdiction.

Incorporation of Environmental, Social, and Governance Factors in Investment Banking & Brokerage Activities

Topic Summary

Environmental, social, and governance (ESG) factors can have material implications for the companies, assets, and projects that investment banks provide services to or invest in across a range of industries. Therefore, by taking these factors into account in their underwriting, advisory, and investing and lending activities, investment banks can address significant positive and negative environmental and social externalities. The potential for both value creation and loss associated with ESG factors suggests that investment banking and brokerage firms have a responsibility to their shareholders and clients to incorporate consideration of these factors into analysis and valuation related to all core products, including sell-side research, advisory services, origination, underwriting, and principal transactions. Investment banking and brokerage companies that fail to address these risks and opportunities could expose themselves to increased reputational and financial risks. On the other hand, appropriately pricing ESG risks could reduce investment banks' financial risk exposure, help generate additional revenue, and/or open new market opportunities. To help investors understand how well companies in the industry manage performance around this issue, investment banks should disclose how ESG factors are incorporated into their core products and services.

Accounting Metrics

FN-IB-410a.1. Revenue from (1) underwriting, (2) advisory, and (3) securitization transactions incorporating integration of environmental, social, and governance (ESG) factors, by industry

1 The entity shall report the total revenue earned from transactions in which the entity incorporates integration of environmental, social, and governance (ESG) factors.

1.1 Integration of ESG factors is defined as the systematic and explicit inclusion of material ESG factors into underwriting, advisory, and securitization activities and may include, but is not limited to, review of transactions by the entity's Environmental and Social Risk Management (ESRM) group and/or screening (exclusionary, inclusionary, or benchmarked).

1.1.1 The entity shall describe how ESG factors are integrated in the aforementioned activities.

2 The entity shall break down the revenue from transactions by key business activities including (a) underwriting, (b) advisory, and (c) securitization.

2.1 Underwriting is defined as activities in which the entity raises investment capital from investors on behalf of corporations and governments that are issuing either equity or debt securities. It includes public offerings and private placements, including local and cross-border transactions and acquisition financing of a wide range of securities and other financial instruments, including loans. Underwriting also covers derivative transactions entered into with public and private sector clients in connection with the entity's underwriting activities.

2.2 Advisory is defined as activities in which the entity provides financial advice to institutional clients on a fee basis. It excludes wealth management and asset management activities.

2.3 Securitization is defined as the process through which the entity creates a financial instrument by combining other financial assets and then marketing different tiers of the repackaged instruments to investors. It may include securitization of residential and commercial mortgages, corporate bonds, loans, and other types of financial assets by selling these assets to securitization vehicles (e.g., trusts, corporate entities, and limited liability companies) or through a re-securitization.

3 The entity shall break down the revenue from transactions by industry.

3.1 The entity shall use the North American Industry Classification System (NAICS) for classifying transactions.

3.1.1 The entity shall use the NAICS 3 Digit Subsector code-level breakdown in its disclosure.

3.1.2 The entity shall use the latest version of the NAICS available at the time of disclosure.

4 The entity shall provide disclosure for at least the 10 largest industries by monetary amount of exposure, or to industries representing at least 2 percent of the overall monetary amount of exposure.

FN-IB-410a.2. (1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry

1 The entity shall report the number of proprietary investments and loans incorporating integration of environmental, social, and governance (ESG) factors.

2 The entity shall report the value of proprietary investments and loans incorporating integration of ESG factors.

3 The scope of disclosure includes the entity's investing and relationship lending activities across various asset classes, including debt securities and loans, public and private equity securities, infrastructure, and real estate. These activities include investing directly in publicly and privately traded securities and in loans, and also through certain investment funds that the entity manages and through funds managed by external parties.

3.1 The scope of disclosure excludes commercial, consumer, and mortgage lending activities.

4 Integration of ESG factors is defined as the systematic and explicit inclusion of material ESG factors into traditional fundamental financial analysis through the consideration of qualitative risks and opportunities, quantitative metrics, and the incorporation of ESG variables into models to inform the entity 's decision-making processes involved in proprietary investing and lending.

5 The entity shall break down the number and value of investments and loans by industry.

5.1 The entity shall use the North American Industry Classification System (NAICS) for classifying investees and borrowers.

5.1.1 The entity shall use the NAICS 3 Digit Subsector code-level breakdown in its disclosure.

5.1.2 The entity shall use the latest version of the NAICS available at the time of disclosure.

5.2 The entity shall disclose its exposure to at least the 10 largest industries by monetary amount of exposure, or to industries representing at least 2 percent of the overall portfolio monetary exposure.

FN-IB-410a.3. Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities

1 The entity shall describe its approach to incorporation of environmental, social, and governance (ESG) factors in its investment banking and brokerage activities.

1.1 The definition of incorporation of ESG factors is aligned with that of the Global Sustainable Investment Alliance (GSIA) and includes the use of ESG information in the investment decision-making processes.

1.2 Examples of ESG factors/issues are provided in the PRI Reporting Framework – Main definitions 2018, section "ESG issues."

1.3 The scope of investment banking and brokerage activities include, but are not limited to, (a) underwriting, (b) advisory, (c) securitization, (d) investing and lending, and (e) securities services.

1.3.1 Underwriting is defined as activities in which the entity raises investment capital from investors on behalf of corporations and governments that are issuing either equity or debt securities. It includes public offerings and private placements, including local and cross-border transactions and acquisition financing of a wide range of securities and other financial instruments, including loans. Underwriting also covers derivative transactions entered into with public and private sector clients in connection with the entity's underwriting activities.

1.3.2 Advisory is defined as activities in which the entity provides financial advice to institutional clients on a fee basis. It excludes wealth management and asset management activities.

1.3.3 Securitization is defined as the process through which the entity creates a financial instrument by combining other financial assets and then marketing different tiers of the repackaged instruments to investors. It may include securitization of residential and commercial mortgages, corporate bonds, loans, and other types of financial assets by selling these assets to securitization vehicles (e.g., trusts, corporate entities, and limited liability companies) or through a re-securitization.

1.3.4 Investing and lending includes short-term and long-term investing and relationship lending activities across various asset classes such as debt securities and loans, public and private equity securities, infrastructure, and real estate.

1.3.5 Securities services include (i) financing services (for the entity clients' securities trading activities through margin loans that are collateralized by securities), (ii) securities lending services (borrowing and lending securities to cover institutional clients' short sales, borrowing securities to cover the entity's short sales, otherwise to making deliveries into the market, broker-to-broker securities lending, and third-party agency lending activities), and (iii) other prime brokerage services (clearing and settlement services).

2 The entity shall describe its approach to implementation of the aspects of the entity's ESG incorporation practices.

2.1 The discussion shall include, but is not limited to:

2.1.1 Parties responsible for day-to-day incorporation of ESG factors

2.1.2 Roles and responsibilities of employees involved

2.1.3 Approach to conducting ESG-related research

2.1.4 Approach to incorporating ESG factors into products and services

3 The entity shall describe its oversight/accountability approach to the incorporation of ESG factors.

3.1 The discussion shall include, but is not limited to:

3.1.1 Formal oversight individuals and/or bodies involved

3.1.2 Roles and responsibilities of employees involved

3.1.3 Criteria used in assessing the quality of ESG incorporation

4 The entity shall discuss whether it conducts scenario analysis and/or modeling in which the risk profile of future ESG trends is calculated across its investment banking and brokerage activities.

4.1 Where relevant, the entity shall disclose whether such scenario analysis is performed for specific business activities, including (a) underwriting, (b) advisory, (c) securitization, (d) investing and lending, and (e) securities services lines of business.

4.2 ESG trends include, but are not limited to, climate change, natural resource constraints, human capital risks and opportunities, and cybersecurity risks.

5 The entity shall discuss ESG trends that it views as broadly applicable in terms of their impact on sectors and industries as well as trends it views as sector- or industry-specific.

5.1 The entity may further provide the discussion in the context of geographic exposure of its portfolio, by line of business.

6 The entity shall describe significant concentrations of exposure to ESG factors, including, but not limited to, carbon-related assets, water-stressed regions, and cybersecurity risks.

7 The entity shall describe how ESG factors are incorporated in the assessment of, and influence the entity's perspectives on:

7.1 Traditional macroeconomic factors such as the economic conditions, central bank monetary policy, industry trends, and geopolitical risks that affect risk profile of clients or individual transactions

7.2 Traditional microeconomic factors such supply and demand for products or services which affect financial conditions and operational results of clients as well as their creditworthiness

7.3 Time horizon of investments and loans

7.4 Risk and return profiles of investments and loans

7.5 Risk profiles of (a) underwritten debt and equity securities, (b) advisory transactions (e.g., mergers and acquisitions), and (c) securitized assets

8 The entity may disclose additional quantitative measures related to its approach to incorporation of ESG factors in investment banking and brokerage activities, such as:

8.1 Number of investment banking and brokerage transactions screened according to Equator Principles (EP III) (or equivalent) by EP Category

8.2 Number of investment banking and brokerage transactions for which a review of environmental or social risks was performed, e.g., by the entity's Environmental and Social Risk Management (ESRM) group

Business Ethics

Topic Summary

The regulatory environment surrounding investment banking and brokerage companies continues to evolve both nationally and internationally. Companies are required to adhere to a complex and often inconsistent set of rules relating to performance and conduct as well as provide disclosure on issues including insider trading, anti-trust, price fixing, and market manipulation. In addition, investment banking and brokerage companies are subject to rules against tax evasion, fraud, money laundering, and corrupt practices. Finally, in some jurisdictions, enhanced rewards for whistleblowers may lead to an increase in the number of complaints brought to regulators. Firms that are able to ensure regulatory compliance through robust internal controls will be better positioned to build trust with clients, leading to increased revenue, and to protect shareholder value by minimizing losses incurred as a result of legal proceedings.

Accounting Metrics

FN-IB-510a.1. Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations

1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.

2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement, or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.

5 The scope of disclosure shall include, but is not limited to, legal proceedings associated with the enforcement of relevant industry regulations promulgated by regional, national, state, and local regulatory authorities, such as:

5.1 The U.S. Securities and Exchange Commission (SEC)

5.2 The U.S. Commodity Futures Trading Commission (CFTC)

5.3 The U.S. Financial Industry Regulatory Authority (FINRA)

5.4 The European Commission

5.5 The U.K Financial Conduct Authority (FCA)

5.6 The U.S. Federal Reserve Board

5.7 The U.S. Office of the Comptroller of the Currency (OCC)

5.8 The U.S. Financial Crimes Enforcement Network (FinCEN)

5.9 The U.S. Consumer Financial Protection Bureau (CFPB)

5.10 The U.S. Federal Deposit Insurance Corporation (FDIC)

6 Disclosure shall also include enforcements related to activities adjudicated by federal regulators with an enforcement mandate broader than the financial industry, such as:

6.1 Foreign Account Tax Compliance Act (FATCA) enforced by the U.S. Internal Revenue Service (IRS)

6.2 The Foreign Corrupt Practices Act enforced by the U.S. Department of Justice

6.3 The Specially Designated Nationals List enforced by the U.S. Treasury Department through its Office of Foreign Asset Control (OFAC)

Note to **FN-IB-510a.1**

1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, or non-prosecution agreement) and context (e.g., fraud, anti-trust, or market manipulation) of all monetary losses as a result of legal proceedings.

2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

FN-IB-510a.2. Description of whistleblower policies and procedures

1 The entity shall describe the processes and policies that are set forth within its whistleblower program, including, but not limited to, internal compliance programs, whistleblower hotline details (e.g., if it is managed by an independent third-party), reference to and publication of the hotline number (e.g., within corporate compliance manuals or code of ethics), whistleblower incentives for reporting violations, and methods for submitting tips.

2 Disclosure shall include the entity’s compliance with applicable whistleblower regulations, including, but not limited to:

2.1 The U.S. Sarbanes-Oxley Act (SOX) [18 U.S.C. § 1514A]

2.2 The U.S. Consumer Financial Protection Act (CFPA) [12 U.S.C. § 5567]

3 Disclosure shall include a discussion of any violations of whistleblower regulations and any corrective actions the entity has implemented as a result of violations.

Professional Integrity

Topic Summary

The business model of investment banking and brokerage companies is dependent on the development of client trust and loyalty. To ensure long-term, mutually beneficial relationships, companies need to provide services that satisfy the highest professional standards of the industry, which means taking measures to avoid conflicts of interest, misrepresentation, and negligence. Professional integrity also pertains to following a code of ethics with respect to transparency and disclosure. These measures are important both for strengthening a company’s license to operate as well as for attracting and retaining clients. Failure to comply with professional standards can harm not only the clients who rely on the advice, data, and key services these companies provide, but it may also negatively affect shareholders. Investment banking and brokerage companies could not only face legal penalties related to such actions, but also incur significant negative impacts on revenue from reputational damage. To maintain professional integrity, investment banking and brokerage companies need to ensure that employees have adequate training as well as know and adhere to applicable financial industry regulations. To comply with industry laws and regulations, employers need to ensure that they are aware of any past record of violation of employees who are involved in communications and providing advice to clients. Therefore, a description of management’s approach to assuring professional integrity can help investors understand risk exposure as well as any processes in place to avoid misconduct. Additionally, disclosure of the company’s amount of legal and regulatory fines and settlements can provide a clearer picture of the extent to which financial institutions are adhering to regulatory norms.

Accounting Metrics

FN-IB-510b.1. (1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings

1 The entity shall provide the total number of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings.

2 Covered employees are defined as the entity's employees subject to filing the following forms:

2.1 Form U4 (Uniform Application for Securities Industry Registration or Transfer) with the Central Registration Depository (CRD) of the U.S. Financial Industry Regulatory Authority (FINRA)

2.2 Form U5 (Uniform Termination Notice for Securities Industry Registration) with the CRD of the FINRA

2.3 Form U6 (Uniform Disciplinary Action Reporting Form) with the CRD of the FINRA

2.4 Form BD (Uniform Application for Broker-Dealer Registration) with the Investment Adviser Registration Depository (IARD) of the U.S. Securities and Exchange Commission (SEC)

2.5 Form BDW (Uniform Request for Broker-Dealer Withdrawal) with the IARD of the SEC

3 The entity shall include all covered employees that were employed by the entity at any time during the reporting period in the calculation.

4 Investment-related investigations, consumer-initiated complaints, private civil litigations, and other regulatory proceedings include those disclosed by a covered employee on Form U4 in section 14, Form U5 in section 7, Form U6, Form BD, or Form BDW.

5 The entity shall calculate the percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings by dividing the numerator by the denominator, using the following:

5.1 In the numerator, the entity shall include the number of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings that were employed by the entity at any time during the reporting period.

5.1.1 In instances where the first investment-related investigation, consumer-initiated complaint, private civil litigation, or other regulatory proceeding involving the covered employee occurs at the time of employment with the entity, and when the instance requires filing an update to the aforementioned forms, the entity shall include these covered employees in the numerator.

5.2 In the denominator, the entity shall include the number of covered employees that were employed by the entity at any time during the reporting period.

Note to **FN-IB-510b.1**

1 The entity shall describe its policies and procedures around supervision and compliance with industry regulations requiring covered employees to file and update the aforementioned forms.

FN-IB-510b.2. Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party

1 The entity shall disclose the number of mediation and arbitration cases associated with professional integrity, including duty of care, that were filed against the entity during the reporting period.

1.1 A mediation is defined as a non-judicial, non-binding dispute resolution method in which an impartial third party mediator facilitates negotiations between disputing parties.

1.2 An arbitration is defined as a non-judicial, binding or non-binding dispute resolution method in which several impartial third-party arbitrators resolve the dispute by majority vote.

2 Mediation and arbitration cases shall include, but are not limited to, those filed through the U.S. Financial Industry Regulatory Authority (FINRA) or the American Arbitration Association (AAA).

3 The scope of disclosure shall include mediation and arbitration cases related to controversies that include, but are not limited to, breach of contract, promissory notes, commissions, clearing disputes, breach of fiduciary duty, misrepresentation, negligence, and omission of facts.

4 The scope of disclosure shall exclude mediation and arbitration cases related to wrongful termination, compensation, discrimination, and harassment controversies.

5 The entity shall break down the number of mediation and arbitration cases by counterparty as following: (1) clients, (2) employees, and (3) other parties.

FN-IB-510b.3. Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care

1 The entity shall disclose the total amount of monetary losses it incurred during the reporting period as a result of legal proceedings associated with professional integrity, including duty of care.

1.1 The scope of disclosure includes the Rules of the U.S. Financial Industry Regulatory Authority (FINRA).

2 The legal proceedings shall include any adjudicative proceeding in which the entity was involved, whether before a court, a regulator, an arbitrator, or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement or verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (e.g., civil judgments or settlements), regulatory proceedings (e.g., penalties, disgorgement, or restitution), and criminal actions (e.g., criminal judgment, penalties, or restitution) brought by any entity (e.g., governmental, business, or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defense.

Note to **FN-IB-510b.3**

1 The entity shall briefly describe the nature (e.g., judgment or order issued after trial, settlement, guilty plea, deferred prosecution agreement, or non-prosecution agreement) and context (e.g., fraud, anti-trust, or market manipulation) of all monetary losses as a result of legal proceedings.

2 The entity shall describe any corrective actions it has implemented as a result of the legal proceedings. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

FN-IB-510b.4. Description of approach to ensuring professional integrity, including duty of care

1 The entity shall discuss its policies to ensure professional integrity.

1.1 The scope of disclosure includes aspects of professional integrity related to negligence, breach of fiduciary duty, misrepresentation, omission of facts, and malpractice.

2 The scope of ensuring professional integrity includes, but is not limited to, policies, training, and implementation of codes of ethics as well as investigations, enforcements, and disciplinary procedures relating to:

2.1 Conflicts of interest, such as mitigation and transparency of potential or perceived conflicts

2.1.1 Disclosure shall include, but is not limited to, instances related to the U.S. Financial Industry Regulatory Authority (FINRA's) rules 2241, 2242, and 2310(b)(3).

2.2 Oversight of advisory services and recommendations

2.2.1 Disclosure shall include, but is not limited to, instances related to FINRA's rule 2110.

2.3 Maintenance and reporting of accurate data

2.3.1 Disclosure shall include, but is not limited to, instances related to FINRA's rule 6893.

2.4 Protection of confidential business information, including accuracy, retention, and destruction of business records and documents

2.5 Fair pricing

2.5.1 Disclosure shall include, but is not limited to, instances related to FINRA's rule 2121.

2.6 Employee training on relevant regulations

2.6.1 Disclosure shall include, but is not limited to, instances related to FINRA's rule 1250(b).

2.7 Processes for internal investigations for malpractice or negligence

2.7.1 Disclosure shall include, but is not limited to, instances related to FINRA's rules 3110 and 3120.

3 The entity shall discuss compliance with industry best practices, including codes of conduct and codes of ethics, as a measure of its management approach to ensuring quality of work and professional integrity.

3.1 The entity shall discuss its approach to ensuring compliance with sections 2010 and 2200 of the FINRA manual.

Systemic Risk Management

Topic Summary

The 2008 financial crisis demonstrated the importance of managing risks to capital in the Investment Banking & Brokerage industry. Specifically, firms that failed to manage these risks suffered significant losses to the value of their financial assets while increasing the amount of liabilities held on the books, which, due to the interconnectedness of the financial system, contributed to a significant market disruption. The systemic nature of risk resulting from the interconnectedness of financial institutions has become a central concern of federal and international regulators. As a result, many banks are required to undergo supervisory stress tests to evaluate whether the company has the capital and liquidity to absorb losses, continue operations, and meet obligations in the event of adverse economic and financial conditions. Their failure to meet regulatory requirements could substantially raise future compliance cost as well as lead to monetary penalties. In an effort to demonstrate how these risks associated with banks' size, complexity, interconnectedness, substitutability, and cross-jurisdictional activity are being managed, investment banks should enhance disclosure on quantitative and qualitative metrics measuring how well they are positioned to absorb shocks arising from systemic financial and economic stress and meet stricter regulatory requirements.

Accounting Metrics

FN-IB-550a.1. Global Systemically Important Bank (G-SIB) score, by category

1 The entity shall disclose its Globally Systematically Important Bank (G-SIB) score for the following categories: (1) Size, (2) Cross-jurisdictional activity, (3) Interconnectedness, (4) Substitutability, (5) Complexity, and (6) Overall score.

2 The G-SIB scores are defined and shall by calculated according to the methodology established by the Bank of International Settlements' (BIS) Basel Committee on Banking Supervision (BCBS) in Global systematically important banks: updated assessment methodology and the higher loss absorbency (HLA) requirement, July 2013.

2.1 The set of indicators used in calculation of the G-SIB score is outlined by the BCBS in the Reporting instructions and the Reporting template.

2.1.1 The entity shall refer to the Reporting instructions and the Reporting template for the relevant reporting period.

2.2 The G-SIB score calculation is provided by the BCBS in the technical summary. The BCBS further provides:

2.2.1 Denominators used for score calculation for the relevant reporting period

2.2.2 The cut-off score used to identify the G-SIBs and bucket thresholds used to allocate G-SIBs to buckets for the purposes of calculating the specific HLA requirements for each institution

3 If the G-SIB score is not available at the time of issuance of the annual report for the respective reporting period, the entity shall disclose the latest available G-SIB score.

4 The entity shall consider the above references used to determine the G-SIB score to be normative references, thus any future updates made to them shall be considered updates to this guidance.

Note to **FN-IB-550a.1**

1 The entity shall describe whether it obtains the score from the relevant supervisory authority after reporting the indicators used in calculation of the G-SIB or calculates the score internally using the Bank of International Settlements' (BIS) methodology.

2 The entity shall describe whether its relevant regulatory authority requires the entity to report the data required for the G-SIB calculation or the entity chooses to report the data voluntarily.

FN-IB-550a.2. Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities

1 The entity shall discuss how results of mandatory and voluntary stress tests and capital planning reports inform the entity’s decisions and are incorporated into capital planning, long-term corporate strategy, and other business activities.

1.1 Stress tests include, but are not limited to:

1.1.1 Comprehensive Capital Analysis and Review (CCAR)

1.1.2 Dodd-Frank Act supervisory stress testing

1.1.3 The Bank of England stress test

1.1.4 The European Union-wide banking stress testing

1.1.5 Monetary Authority of Singapore Annual Industry-Wide Stress Testing exercise

1.1.6 The China Banking Regulatory Commission’s (CBRC) Regulatory Consistency Assessment Programme (RCAP)

1.1.7 Australian Prudential Regulation Authority (APRA) industry stress test

2 The entity shall discuss how the stress test results inform its approach with respect to its environmental, social, and governance (ESG) strategy.

3 The entity may disclose its stress test results along with the discussion.

Employee Incentives & Risk Taking

Topic Summary

Employee compensation structures in the Investment Banking & Brokerage industry can incentivize employees to focus on short-term or long-term company performance. Structures that have excessive focus on the short-term performance are likely to encourage excessive risk-taking and present adverse implications for long-term corporate value. Concern over this issue has led to increased regulatory and shareholder scrutiny since the 2008 financial crisis. Improved disclosure of employee compensation, focusing on the use of performance metrics and variable remuneration, policies around clawback provisions, supervision, control, and validation of traders' pricing of Level 3 assets will provide investors with a clear understanding of how investment banking companies are protecting corporate value.

Accounting Metrics

FN-IB-550b.1. Percentage of total remuneration that is variable for Material Risk Takers (MRTs)

1 The entity shall disclose the percentage of remuneration for its employees classified as Material Risk Takers (MRTs) that is variable.

1.1 The entity shall consider its employees as MRTs if their actions have a material impact on the risk exposure of the entity. Such employees generally exhibit characteristics that include, but are not limited to:

1.1.1 The employee is a member of the management body in its management or supervisory function.

1.1.2 The employee is a member of senior management.

1.1.3 The employee heads a material business unit and/or is responsible for risk management within a business unit.

1.1.4 The employee is responsible for initiating credit proposals or structuring credit products, which can result in material credit risk exposure for the entity.

1.1.5 The employee is responsible for taking, approving, or vetoing a decision on transactions on the trading book, which can result in material risk exposure for the entity.

1.1.6 The amount of total remuneration of the employee puts them in the top 10 percent of the highest paid employees of the entity.

1.2 Variable remuneration is defined as all remuneration which is not fixed.

1.3 Remuneration is fixed where all the conditions for its award and its amount:

1.3.1 Are based on predetermined criteria;

1.3.2 Are non-discretionary reflecting the level of professional experience and seniority of staff;

1.3.3 Are transparent with respect to the individual amount awarded to the individual staff member;

1.3.4 Are permanent, i.e., maintained over a period tied to the specific role and organizational responsibilities;

1.3.5 Are non-revocable, i.e., the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting;

1.3.6 Cannot be reduced, suspended, or canceled by the institution;

1.3.7 Do not provide incentives for risk assumption; and

1.3.8 Do not depend on performance.

2 The entity shall calculate the percentage by dividing the aggregate amount of the variable remuneration of the entity's MRTs by the aggregate amount of the total remuneration of the entity's MRTs.

3 The entity may disclose the percentage of total remuneration that is variable for employees not classified as MRTs.

4 The entity may disclose the number of employees classified as MRTs, provided at the group level and broken down by geographic segment, if the number of MRTs is above 10.

Note to **FN-IB-550b.1**

1 The entity shall discuss its remuneration policies for Material Risk Takers (MRTs).

1.1 The discussion shall include, but is not limited to: (1) regulatory environment regarding employee remuneration the entity operates in and whether it is required to have certain remuneration policies in place, where the entity shall discuss whether remuneration policies it has are the result of regulatory requirement or are adopted voluntarily as the best industry practice; (2) the performance objectives for the institution, business areas, and staff; (3) applicable qualitative and quantitative criteria the entity considers in classifying its employees as MRTs; (4) the methods for the measurement of performance, including the performance criteria; and (5) the structure of variable remuneration, including the instruments in which parts of the variable remuneration are awarded.

2 The entity shall discuss how remuneration policies for MRTs fit into the entity's overall risk management framework.

2.1 The discussion shall include, but is not limited to: (1) the role and decision-making process of the Board and the Firm Risk Committee; (2) the role and decision-making process of the Chief Risk Officer; and (3) how risks associated with remuneration of MRTs are identified, measured, and managed at the firm level.

FN-IB-550b.2. Percentage of variable remuneration of Material Risk Takers (MRTs) to which malus or clawback provisions were applied

1 The entity shall disclose the percentage of the variable remuneration for employees classified as Material Risk Takers (MRTs) to which malus or clawback provisions were applied during the reporting period.

1.1 The entity shall consider its employees as MRTs if their actions have a material impact on the risk exposure of the entity. Such employees generally exhibit characteristics that include, but are not limited to:

1.1.1 The employee is a member of the management body in its management or supervisory function.

1.1.2 The employee is a member of senior management.

1.1.3 The employee heads a material business unit and/or is responsible for risk management within a business unit.

1.1.4 The employee is responsible for initiating credit proposals or structuring credit products, which can result in material credit risk exposure for the entity.

1.1.5 The employee is responsible for taking, approving, or vetoing a decision on transactions on the trading book, which can result in material risk exposure for the entity.

1.1.6 The amount of total remuneration of the employee puts them in the top 10 percent of the highest paid employees of the entity.

1.2 Variable remuneration is defined as all remuneration which is not fixed.

1.3 Remuneration is fixed where all the conditions for its award and its amount:

1.3.1 Are based on predetermined criteria;

1.3.2 Are non-discretionary reflecting the level of professional experience and seniority of staff;

1.3.3 Are transparent with respect to the individual amount awarded to the individual staff member;

1.3.4 Are permanent, i.e., maintained over a period tied to the specific role and organizational responsibilities;

1.3.5 Are non-revocable, i.e., the permanent amount is only changed via collective bargaining or following renegotiation in line with national criteria on wage setting;

1.3.6 Cannot be reduced, suspended, or canceled by the institution;

1.3.7 Do not provide incentives for risk assumption; and

1.3.8 Do not depend on performance.

1.4 Malus and clawback provisions are defined as explicit ex-post risk adjustment mechanisms where the entity adjusts remuneration of the MRTs based on mechanisms that include, but are not limited to, lowering awarded cash remuneration or reduction of the number or value of the instruments awarded.

2 The entity shall calculate the percentage by dividing the aggregate amount of the variable remuneration of the entity's MRTs to which malus or clawback provisions were applied by the aggregate amount of the variable remuneration of the entity's MRTs, prior to when malus or clawback provisions were applied.

3 The entity may disclose the percentage of the variable remuneration of employees not classified as MRTs to which malus or clawback provisions were applied during the reporting period.

Note to **FN-IB-550b.2**

1 The entity shall discuss whether its initial ex-ante adjustments were sufficient in risk mitigation (e.g., whether risks have been omitted or underestimated, new risks were identified, or unexpected losses occurred).

2 The entity shall discuss whether it is required to have certain malus or clawback policies in place, including whether the malus or clawback policies it has are the result of regulatory requirement or are adopted voluntarily as best industry practice.

FN-IB-550b.3. Discussion of policies around supervision, control, and validation of traders' pricing of Level 3 assets and liabilities

1 The entity shall disclose its policies regarding the supervision, control, and validation processes for the pricing of Level 3 assets and liabilities.

1.1 Level 3 assets and liabilities are those whose values are based on prices or valuation techniques that require use of unobservable Level 3 inputs.

1.1.1 The definition of Level 3 inputs is aligned with the definitions of the Financial Accounting Standards Board's (FASB) Fair Value Measurements and Disclosures (Topic 820), No. 2010-06, January 2010 and the International Financial Reporting Standards (IFRS) 13 — Fair Value Measurement.

2 The entity shall disclose its policies on supervision of pricing of Level 3 assets and liabilities by traders to avoid intentional mispricing of assets.

3 The entity shall disclose its controls and validation mechanisms for assumptions and inputs used for the pricing of Level 3 assets and liabilities.

4 The entity shall disclose the structure of incentive packages for employees responsible for the supervision, control, and validation of the estimates used for the pricing of Level 3 assets and liabilities.

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