January 26th 2018

Katz Capital Advisory LLC

Dear SASB Director of Research,

Thank you for the opportunity to publicly comment on the SASB Investment Banking & Brokerage (FN 0102) Sustainability Accounting Standard Proposed Changes to Provisional Standards Exposure Draft.

Investment Banking

Employee Inclusion

Accounting Metrics

TA-02-15-01. Percentage of gender racial/ethnic group representation for (1) decision-makers and (2) all other employees.

Decision Makers is a unique term for individual companies. The guidance with respect to EEO-1 Survey is a starting point. Notwithstanding cherry picking the definition is possible. Rank or Level as per EEO-1 is possible although interpretation differs from firm to firm. However, all firms have pyramid reporting structures and should draw the line using the guidance of EEO-1. That said, companies will disclose the percentage of Decision Makers in their organization relative to the total number of employees. This metric will provide a basis to compare companies and the percentage of Decision Makers to total employees. Some companies may appear more top heavy than others and such a company might have a greater percentage of Decision Maker gender diversity. This could be the result of having “pushed” the definition of Decision Makers further down the pyramid than another company. Or alternatively such a company might have a strategy and business model that pushes authority further down to employees.

Alternatively the metric might best be described as the top internally ranked by pay scale level that equates to a percentage of deemed Decision Makers [10%]. This would enable SASB to drop the definition of Decision Makers and leave the Definiton open to companies. To the extent the percentage of deemed Decision Makers to total employees differs from the percentage of Executives/Senior Officers & Managers, First/Mid Officers & Managers, Professionals to total employees Companies can explain. The point is the suggested EEO-1 approach is a benchmarking approach enabling comparability of companies to a common benchmark.

The intensity of focus and pressure on Employee Inclusion presents both risk and opportunity. The metric would provide more meaningful information if the gender percentages were broken down by year of hire and/or internal rank or pay grade level. This will provide disclosure to enable the smoothness of the migration to a more diverse workforce or provide the basis to explain a lack of smoothness. The risk to the achievement of a more diverse workforce is if it comes at the expense of workforce disruption.

It is assumed hired employees have to voluntarily disclose the information or companies would have to ask for it to voluntarily be provided. Therefore, it would be helpful to know the basis upon which companies are able to make the Group determinations. Companies should explain their participation or lack thereof in Securities & Exchange Commission Voluntary Self Assessment of Diversity Policies and Practices disclosure.

As the US is the largest economy in the world, to the extent companies achieve racial/ethnic diversity in US it makes sense that such policies that enable this diversity would translate into an international racial/ethnic workforce than otherwise outside of the US. Therefore, the US disclosure is critical to drawing an overall workforce conclusion.

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

Description

Replace the word commercial banks with investment banks

Accounting Metrics

TA02-23-01. (1) Number and (2) total value of (a) underwriting, (b) advisory, and (c) securitization transactions incorporating integration of environmental, social, and governance (ESG) factors by industry

TA02-24-01. (1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors by industry

To have context around the Number and Value of transactions, revenue figures are additive. Revenue associated with these types of transactions is a proxy for the profitability of the transactions. For example industries that are not favored from an ESG perspective will likely have higher fee income to raise financing, or incur other services, especially as the activities to service these accounts will be more intensive, risky and less competitive. Highly sought after favored ESG transactions will likely have lower revenue due to competition to attract these transactions.

FN0102-15. Discussion of how environmental, social and governance (ESG) factors are incorporated into core products and services.

Would add that core products and services can be grouped and discussed in terms of business lines. e.g. Debt Capital Markets, Equity Capital Markets. These business line groups underwrite and transact in a number of products that are not each worth discussing in terms of ESG. Of interest for example with DCM is are there ESG filters to what activity is taking place in the business line.

Management of the Legal & Regulatory Environment

Description

Please add the word “Conduct” to the word performance to have consistency with industry with nomenclature.

Accounting Metrics

TA02-16-01. Total amount of losses as a result of legal proceedings associated with fraud, anti-trust, ant-competitive, market manipulation, malpractice or other industry regulations

The overall metric is quite comprehensive. Although please consider the addition of lost business, revenue and/or profits, from the reputational damage or otherwise such as from a credit downgrade, the consequences of the disclosed amounts, if any.

Also, this kind of quantitative disclosure is subject to emergence over time. Therefore, the actual realized amount of the wider perspective of losses will have prior year adjustments. A breakdown of the losses in a given year should include a prior year adjustment to reveal prudence in reserving.

Might also add to this metric disclosure of the amounts of such losses assumed to occur for stress test purposes. The need to hold capital for operational risk of this type is nongaap reserve for losses; i.e., how much common equity Tier 1 capital is held on a stressed test basis for this risk exposure.

Page 21 of the BFC appears to need the word “fines” to be replaced with the word “losses”.

Professional Integrity

Accounting Metrics

TA02-19-01. (1) Number and (2) percentage of the registrant's covered employees with record of investment-related investigations, consumer initiated complaints, private civil litigations, or other regulatory proceedings.

Suggest covered employee disclosure to be broken down into license holder classifications such as series 7, 24,79, etc. The percentages with a record will have more meaning with the additional granularity enabling referencing and comparability to business lines. Additionally, the reference to business lines enables computation of covered employees to a business line. For example, if a company's business line has significantly less series 24 covered employees per unit of revenue, and the employees have no record, the risk might be the business is under represented with series 24 covered employees.

Note to TA02-19-01

.47 Consider addition of the words "under-reporting" to make more clear the need for covered employees to report incidents. This is separate from filing additional forms for disclosed covered employees and the need to disclose employees as covered employees.

TA02-19-04. Description of Management approach to assuring professional integrity and duty of care

.61 Consider the addition of a discussion of internal conflict of interest procedures and checks such as deal team confidentiality lists and privacy protocol.

Systemic Risk Management

Accounting Metrics

TA02-21-01. Global Systemically Important Bank score by category

Suggest it be made more clear this metric is a metric applicable to all banks that adopt the standards and not only G-SIBs. G-SIBs will need to provide this information to respective regulators as will some banks below the G-SIB cut-off.

Other banks will choose to compile and disclose this information. And still other banks will choose not to disclose this information concluding it is not material.

All banks should provide information relevant to their view and their regulators view of their systemic footprint. This disclosure metric ensures disclosure is not subject to changing arbitrary regulatory cut-off definitions of systemic footprints and scores and enables relative comparability.

Banks must demonstrate their consideration of their systemic footprint, which is a function of their activities, in the same way companies that emit greenhouse gases consider their carbon footprint.

Employee Incentives & Risk Taking

Accounting Metrics

TA02-13-01. Percentage of total remuneration that is variable for Material Risk Takers (MRTs)

.80 Suggest emphasizing in (4) the structure of variable remuneration. Vesting periods and amount of equity incentivize long-term employee behavior.

Also, suggest the addition of how remuneration policies are linked to Chief Risk Officer. Incentivizing employees to engage in risky behavior should include mention of how the CRO identities measures and manages the risk. For example, variable compensation might be used to reduce risk in a manner that minimizes the cost of doing so relative to a benchmark used to compensate.

Would add to discussion how remuneration policy as discussed in this topic is part of Risk Management and Risk Committee. This topic is relevant to systemic failures not one bad apple. Therefore, additional information is needed with respect to the business activity the remuneration relates to. Users of the information can stress test the activities to determine impact on revenues, expenses and capital. e.g., if one company's business activity is 100% variable compared to the average industry of 80% variable then if [5%] of origination was faulty the loss can be dimensioned and share price and capital impact determined.