



SUSTAINABILITY ACCOUNTING STANDARD | FINANCIALS SECTOR

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# SECURITY & COMMODITY EXCHANGES

## Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #FN0203

Prepared by the  
Sustainability Accounting Standards Board®

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# SECURITY & COMMODITY EXCHANGES

## Sustainability Accounting Standard

### About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization and is accredited to set standards by the American National Standards Institute (ANSI).

SASB is developing standards for more than 80 industries in 10 sectors. SASB's standards-setting process includes evidence-based analysis with in-depth industry research and engagement with a broad range of stakeholders. The end result of this process is the creation of a complete, industry-specific accounting standard which accurately reflects the material issues for each industry.

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# INTRODUCTION

## Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for Security & Commodity Exchanges.

SASB Standards are comprised of (1) disclosure guidance and (2) accounting standards on sustainability topics for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB's disclosure guidance identifies sustainability topics at an industry level, which may be material— depending on a company's specific operating context— to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB's accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB's accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

## Industry Description

Companies in the Security & Commodity Exchanges Industry operate physical or electronic marketplaces for trading financial securities, commodities, and other financial instruments.

## Guidance for Disclosure of Material Sustainability Topics in SEC filings

### 1. Industry-Level Material Sustainability Topics

For the Security & Commodity Exchanges Industry, SASB has identified the following material sustainability topics:

- **Promoting Transparent & Efficient Capital Markets**
- **Managing Conflicts of Interest**
- **Managing Business Continuity & Technology Risks**

## 2. Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.”<sup>1</sup>

SASB has attempted to identify those sustainability topics that evidence suggests may be material for all companies within each SIC industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K “any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.”<sup>2</sup>

Furthermore, Instructions to Item 303 state that the MD&A “shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.”

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- If a company’s management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant’s financial condition or results of operation is not reasonably likely to occur.

## 3. Sustainability Accounting Standard Disclosures in Form 10-K

### a. Management’s Discussion and Analysis

Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled **“Sustainability Accounting Standards Disclosures.”**<sup>3</sup>

### b. Other Relevant Sections of Form 10-K

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<sup>1</sup> TSC Industries v. Northway, Inc., 426 U.S. 438 (1976).

<sup>2</sup> C.F.R. 229.303(Item 3030)(a)(3)(ii).

<sup>3</sup> [SEC \[Release Nos. 33-8056; 34-45321; FR-61\] Commission Statement about Management’s Discussion and Analysis of Financial Condition and Results of Operations](#): “We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing.”

In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

- **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Specifically Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

*Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State, and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.*

- **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations targeting discharge of materials into the environment or primarily for the purpose of protecting the environment.
- **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

#### c. Rule 12b-20

Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, “such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”

More detailed guidance on disclosure of material sustainability topics can be found in the **SASB Conceptual Framework**, available for download via <http://www.sasb.org/approach/conceptual-framework/>.

## Guidance on Accounting of Material Sustainability Topics

For sustainability topics in the Security & Commodity Exchanges Industry, SASB identifies two categories of accounting metrics: 1) Quantitative and 2) Discussion and Analysis.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20<sup>4</sup>—for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following related to the topic:

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<sup>4</sup> SEC Rule 12b-20: “In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made not misleading.”

- the registrant's **strategic approach** to managing performance on material sustainability issues;
- the registrant's **competitive positioning**;
- the **degree of control** the registrant has;
- any **measures the registrant has undertaken** or **plans to undertake** to improve performance; and
- data for registrant's **last three completed fiscal years** (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the [Sustainability Industry Classification System \(SICS™\)](#). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

## Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act)<sup>5</sup>, for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

## Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);<sup>6</sup>
- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and
- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that such registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically this disclosure would be limited to risks and opportunities associated with these entities).

<sup>5</sup> Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than \$10 million in assets.

<sup>6</sup> See US GAAP consolidation rules (Section 810).

# Reporting Format

## Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparison of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed “activity metrics” —may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.
- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.
- Be explained and consistently disclosed from period to period to the extent they continue to be relevant – however, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

Where relevant, SASB recommends specific activity metrics that – at a minimum – should accompany SASB Sustainability Accounting Metric disclosures to aid investors in interpretation, analysis, and benchmarking.

For the Financials Sector, metrics measuring revenue, returns, margins, and regulatory capital are relevant for normalizing and analyzing SASB disclosures. Because these and other relevant financial metrics are readily available in financial statements and from financial data vendors, SASB does not specify activity metrics for the industries within the Financials Sector.

## Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

## Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables like the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.



## Estimates

SASB recognizes that scientifically-based estimates, such as the reliance on certain conversion factors or the exclusion of *de minimis* values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

## Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

## Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company and, therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

## Forward Looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant's operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as forward looking and accompanying such disclosure with "meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements."

# Assurance

In reporting on SASB Standards, it is expected that registrants report with the same level of rigor, accuracy, and responsibility as all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation), for example, an Examination Engagement as described in AT Section 701.

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The following sections contain the technical protocols associated with each accounting metric such as guidance on definitions, scope, accounting guidance, compilation, and presentation.

The term “shall” is used throughout this Standard to indicate those elements that reflect SASB’s mandatory disclosure requirements. The terms “should” and “may” are used to indicate guidance, which, although not mandatory, provides a recommended means of disclosure.

# Table 1. Material Sustainability Topics & Accounting Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
<b>Promoting Transparent &amp; Efficient Capital Markets</b>	Discussion of alert policy regarding timing and nature of public release of information	Discussion and Analysis	n/a	FN0203-01
	Number and average duration of (1) halts related to public release of information and (2) pauses related to volatility	Quantitative	Number (#), time (hours)	FN0203-02
	Percentage of trades generated from automated trading systems <sup>7</sup>	Quantitative	Percentage (%)	FN0203-03
	Description of policy to encourage or require listed companies to publicly disclose governance, social, and/or environmental information	Discussion and Analysis	n/a	FN0203-04
<b>Managing Conflicts of Interest</b>	Description of process to identify and assess conflicts of interest between the exchange's regulatory obligations and the interests of its members, its market operations, its listed issuers, and, in the case of a demutualized self-regulatory organization (SRO), its shareholders	Discussion and Analysis	n/a	FN0203-05
	Amount of legal and regulatory fines and settlements associated with fraud, anti-trust, anti-competitive, market manipulation, malpractice or other business ethics violations <sup>8</sup>	Quantitative	U.S. dollars (\$)	FN0203-06
<b>Managing Business Continuity &amp; Technology Risks</b>	Description of efforts to prevent technology errors, security breaches, and market disruptions	Discussion and Analysis	n/a	FN0203-07
	Number of significant market disruptions and duration of downtime <sup>9</sup>	Quantitative	Number (#), time (hours/days)	FN0203-08
	Number of data security breaches and percentage involving customers' personally identifiable information <sup>10</sup>	Quantitative	Number (#), percentage (%)	FN0203-09

<sup>7</sup> Note to **FN0203-03** – Disclosure shall include a discussion of risks and opportunities (short and long-term) associated with automated trading systems including algorithmic or high frequency trading.

<sup>8</sup> Note to **FN0203-06** – Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.

<sup>9</sup> Note to **FN0203-08** – Disclosure shall include, for each disruption: the type and extent of the disruption, a discussion of the root cause, and a description of any corrective actions implemented in response.

<sup>10</sup> Note to **FN0203-09** – Disclosure shall include a description of corrective actions implemented in response.

# Promoting Transparent & Efficient Capital Markets

## Description

*Security and commodity exchanges have a responsibility to ensure equal access to capital markets for all investors. As public markets, these companies play a critical role in efficient capital allocation and need to provide for the equal application of rules to all participants. In addition, companies must manage the release of public information to prevent asymmetries. Disclosure of policies relating to information releases, halts of trading, and the risks and opportunities associated with algorithmic or high-frequency trading will allow investors to further understand how security and commodity exchanges are protecting shareholder value.*

## Accounting Metrics

### **FN0203-01. Discussion of alert policy regarding timing and nature of public release of information**

.01 The registrant shall describe its alert policy relating to listed companies' public release of information or company developments that may affect a stock price (positively or negatively), such as:

- Changes related to the financial health of the company
- Major corporate transactions, including restructurings or mergers
- Significant positive or negative information about its products
- Changes in key management individuals
- Legal or regulatory developments that affect the company's ability to conduct business

.02 Relevant aspects of an alert policy, including guidelines around:

- Timing of release of information in relation to market hours
- Newspaper agencies and wire services, such as a specification of which outlets should be notified
- The mechanisms of alert to the exchange (e.g., by telephone, fax, email) and public disclosure (e.g. website, social media, press release, etc.)

.03 The registrant shall describe its provisions for halting, delaying, or pausing trading when it is necessary to ensure fair, complete, and transparent access to information.

- Number and duration of events shall be disclosed in FN0203-02.

### **FN0203-02. Number and average duration of (1) halts related to public release of information and (2) pauses related to volatility**

.04 The registrant shall disclose the number of halts and pauses and a simple average duration (in minutes) of the duration of each.

- .05 Trading halts are defined as when an exchange suspends or delays trading of an equity to allow market participants to digest information or company developments that may have a material effect on trading activity, such as:
  - Changes related to the financial health of the company
  - Major corporate transactions, including restructurings or mergers
  - Significant positive or negative information about its products
  - Changes in key management individuals
  - Legal or regulatory developments that affect the company’s ability to conduct business
  - When the company releases information without notifying the exchange in advance
  - Another company announces an unsolicited tender offer for the company whose stock is now subject to the trading halt
- .06 Trading pauses are defined as when an exchange briefly suspends trading of an equity (e.g., for five minutes) due to extreme volatility or erratic trading.
- .07 The scope of disclosure excludes suspension of trading by the SEC (e.g., due to failure of a company to filing periodic reports) or market-wide circuit breakers required by the SEC (e.g., due to market wide volatility).
- .08 The registrant shall summarize halts and pauses in the following table format:

Table 1. Trading Halts, Pauses, and Circuit Breakers

Type	Number	Duration
Halt		
Pause		

**FN0203-03. Percentage of trades generated from automated trading systems**

- .09 Automated or algorithmic trading is defined as the use of electronic platforms for entering trading orders with an automated algorithm that executes pre-programmed trading instructions.
  - This includes high-frequency trading.
  - This excludes program trading.
- .10 The percentage of trades shall be calculated as the volume of trades executed (i.e., bought, sold, and sold short) by an automated algorithm divided by the total volume of trades.
- .11 The scope of disclosure includes trades occurring on public stock exchanges, in dark pools, or through other trading systems.

NOTE TO FN0203-03

- .12 The registrant shall identify risks associated with automated or algorithmic trading occurring on its exchange(s) or in dark pools that it operates, such as regulatory, reputational, volatility, or risks to capital expenditures (e.g., risk that data centers become stranded assets if the need for latency declines).
- .13 The registrant shall identify opportunities associated with automated or algorithmic trading occurring on its exchange(s) or in dark pools that it operates, such as increased trading volume, revenue from co-location facilities, and sales of trading software.

**FN0203-04. Description of policy to encourage or require listed companies to publicly disclose governance, social, and/or environmental information**

- .14 The registrant shall describe policies for companies listed on its exchange(s) related to governance, social, and/or environmental information, including:
  - If guidelines are rules-based (i.e., companies must meet certain structural or performance criteria) or if they are disclosure-based (i.e., companies must disclose certain information)
  - If rules or disclosures are a requirement of listing (and/or continued listing) or compliance is voluntary for listed companies (i.e., recommended or encouraged by the registrant)
- .15 The scope shall be limited to rules, requirements, and disclosures that are additional to size, distribution, and financial criteria for an initial public offering (IPO) and/or continued listing.
- .16 Governance information includes, but is not limited to, rules and disclosures related to board structure and independence, committees of the board, and codes of conduct or ethics.
- .17 Social and environmental information includes, but is not limited to, information typically found in corporate sustainability reports or integrated reports.
- .18 Examples of encouraging companies to meet governance, social, or environmental rules or disclosure standards include, but are not limited to:
  - Promoting and facilitating transfer of information among regulators, investors, and companies
  - Participation in disclosure programs such as the Sustainable Stock Exchange Initiative

# Managing Conflicts of Interest

## Description

*Security and commodity exchanges are responsible for the regulatory oversight of member companies. Specifically, firms in this industry monitor membership information and regulatory compliance to ensure market integrity. Recent controversies relating to market manipulation, tax fraud, investor protection rules, and anti-trust have articulated concern about conflicts of interest that arise due to security and commodity exchanges' position as self-regulatory organizations. Companies that manage these issues will maintain market integrity and limit reputational risks, thereby enhancing shareholder value.*

## Accounting Metrics

### **FN0203-05. Description of process to identify and assess conflicts of interest between the exchange's regulatory obligations and the interests of its members, its market operations, its listed issuers, and, in the case of a demutualized self-regulatory organization (SRO), its shareholders**

- .19 The registrant shall describe its processes for identifying and assessing conflicts of interest, such as the use of corporate policies, monitoring procedures, dedicated personnel, or board oversight.
- .20 The registrant may describe efforts to minimize conflicts of interest including:
  - Education, interpretation, or guidance to broker-dealer members with respect to regulatory compliance
  - Technical mechanisms to enforce compliance
  - Ceding some self-regulatory powers to FINRA or equivalent (i.e., through a 17d-2 agreement)

### **FN0203-06. Amount of legal and regulatory fines and settlements associated with fraud, anti-trust, anti-competitive, market manipulation, malpractice or other business ethics violations**

- .21 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with fraud, anti-trust, anti-competitive, market manipulation, malpractice, or other business ethics violations, including SECT, CFTC, or FINRA fines.
- .22 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

#### NOTE TO FN0203-06

- .23 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, non-prosecution agreement) and context (e.g., fraud, anti-trust, market manipulation, etc.) of fines and settlements.
- .24 The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

# Managing Business Continuity & Technology Risks

## Description

*Security and commodity exchanges face increased risks and opportunities associated with information technology. The industry's central position in the proper functioning of financial markets requires that issues including security breaches and technology errors are managed to prevent market disruptions. Increased disclosure on efforts taken to prevent these risks, in addition to the current performance, will allow shareholders to accurately assess value.*

## Accounting Metrics

### **FN0203-07. Description of efforts to prevent technology errors, security breaches, and market disruptions**

.25 The registrant shall describe its policies and practices to ensure the confidentiality, integrity, and availability of data across its data platforms, including, but not limited to:

- Trading services and technologies, such as software, data feeds, members services (e.g., messaging or information services)
- IT infrastructure, such as co-location facilities and low-latency connectivity equipment
- Information provided to and held by third parties, such as regulators (e.g., FINRA and the SEC)

.26 All disclosure shall be sufficient such that it is specific to the risks that the registrant faces but disclosure itself would not compromise the registrant's ability to maintain data privacy and security.

### **FN0203-08. Number of significant market disruptions and duration of downtime**

.27 The registrant shall disclose the number and duration (in hours) of significant market disruptions, which are defined as events when the exchange ceases to function according to its typical manner and causes or threatens to cause steep market declines.

.28 The scope of disclosure excludes trading halts and pauses disclosed in FN0203-02, suspensions of trading by the SEC (e.g., due to failure of a company to filing periodic reports), or market-wide circuit breakers required by the SEC (e.g., due to market-wide volatility).

#### NOTE TO FN0203-08

.29 The registrant shall characterize the type of disruption, which may include member actions (e.g., "flash crashes" from algorithmic trading), technology (e.g., cyber-attack or computer failure), power losses, or high-risk, low probability incidents (e.g., terrorism, extreme environmental events, or other physical threats etc.).

- Disruptions shall be limited to those specifically targeted toward, or affecting, the registrant and shall exclude general economic, political, or environmental events. For example, a cyber-attack that targets the registrant's exchange would be in the scope of disclosure but a cyber-attack on the White House or Pentagon would not be in the scope of disclosure, despite the potential for the latter to have market effects.
- The extent of the disruption should be described in the context of the aspects, features, or services of the exchange that were affected.



.30 The registrant shall describe the root cause of each disruption and any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.

**FN0203-09. Number of data security breaches and percentage involving customers' personally identifiable information**

.31 The registrant shall calculate and disclose the total number of data security breaches, which are defined as instances of unauthorized acquisition, access, use, or disclosure of protected information.

.32 The scope of disclosure shall be limited to data security breaches, cyber security risks, and incidents that resulted in the registrant's business processes deviating from its expected outcomes for confidentiality, integrity, and availability.

- Disclosure shall include incidents of unauthorized acquisition or acquisition without valid authorization, resulting from people, process, or technology deficiencies or failures.
- Disclosure shall exclude disruptions of service due to equipment failures.

.33 "Personally Identifiable Information" refers to any information about an individual maintained by an agency, including (1) any information that can be used to distinguish or trace an individual's identity, such as name, social security number, date and place of birth, mother's maiden name, or biometric records; and (2) any other information that is linked or linkable to an individual, such as medical, educational, financial, and employment information.<sup>11</sup>

.34 The registrant shall disclose the percentage of data security breaches in which customers' unencrypted personally identifiable information and the customers were notified of the breach.

- Notification includes that which is voluntary by the registrant or required by state law.
- Disclosure shall include incidents when encrypted data were acquired with an encryption key that was also acquired.
- The registrant may delay disclosure if a law enforcement agency has determined that notification impedes a criminal investigation until the law enforcement agency determines that such notification does not compromise such an investigation.

.35 Disclosure shall follow, but not be limited to, the U.S. Security and Exchange Commission's (SEC)

[CF Disclosure Guidance: Topic No. 2, Cybersecurity](#).

- At a minimum, this includes when the costs or other consequences associated with one or more known incidents—or the risk of potential incidents—represents a material event, trend, or uncertainty that is reasonably likely to have a material effect on the registrant's results of operations, liquidity, or financial condition, or would cause reported financial information to not be necessarily indicative of future operating results or financial condition (e.g., theft of intellectual property, reduced revenue, increased cybersecurity protection expenditure, litigation costs, etc.).

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<sup>11</sup> GAO Report 08-536, *Privacy: Alternatives Exist for Enhancing Protection of Personally Identifiable Information*, May 2008

NOTE TO FN0203-09

- .36 The registrant shall describe the corrective actions taken in response to specific incidents, trends in security breaches, or future security uncertainties, such as changes in operations, management, processes, products, business partners, training, or technology.
- .37 All disclosure shall be sufficient such that it is specific to the risks that the registrant faces but disclosure itself would not compromise the registrant's ability to maintain data privacy and security.

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