

FSB- G20 - MONITORING PROGRESS – Australia September 2010 [For Publication in March 2011]

#		G20/FSB RECOMMENDATIONS	DEAD-LINE	<p align="center">PROGRESS TO DATE</p> <p><u>Explanatory notes:</u></p> <p>In addition to information on progress to date, specifying steps taken, please address the following questions:</p> <p>Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?</p> <p>Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?</p>	<p align="center">PLANNED NEXT STEPS</p> <p><u>Explanatory notes:</u></p> <p>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</p> <p>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</p> <p>What are the key challenges that your jurisdiction faces in implementing the recommendations?</p>
I. Building high quality capital and mitigating procyclicality					
1	(Pitts)	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	The Basel II Framework was implemented in Australia at the beginning of 2008. Implementation was assessed as part of the IMF Article IV mission during 2009.	Complete.
2	(FSB 2009)	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010	By end-2010	Changes to Pillar 2 to reflect the July 2009 BCBS package were effective immediately.	Changes to Pillars 1 and 3 will be implemented in full from 1 January 2012. Legislation will not be required.
3	(Pitts)	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	Australia's banks are well capitalised and have improved their capital positions during the crisis. APRA continues to monitor the capital positions of authorised deposit-taking institutions (ADIs) and enforces tighter supervisory requirements where required.	Australia continues to monitor international developments and will take further action where necessary.
4	(FSF 2009)	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	End-2009 and ongoing	APRA undertakes regular stress testing of regulated institutions. For instance, APRA undertook two rounds of ADI stress testing in the second half of 2009. APRA prudential requirements also require institutions to conduct regular and robust stress testing of capital adequacy and liquidity management. In 2009, APRA benchmarked advanced banks' stress testing practices against the BCBS principles. Legislation was not required.	Stress testing is ongoing.

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5	(Lon)	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	The RBA and APRA participated in the BCBS and GHOS (Group of Central Bank Governors and Heads of Supervision) discussions on the introduction of a leverage ratio as a supplementary measure to the Basel II risk-based framework. APRA participated in the BCBS Quantitative Impact Study (QIS) during 2010.	APRA is taking steps to implement the new Basel III capital requirements, which include a leverage ratio. Legislation will not be required.
6	(Pitts)	We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012.	End-2010, implement once financial conditions improve and recovery is assured	APRA updated and strengthened its capital quality rules for banks in 2005.	APRA is taking steps to implement the new Basel III requirements, including appropriate transitional arrangements. Legislation will not be required.
7	(FSF 2008)	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.	Ongoing	In September 2009, APRA issued draft new liquidity prudential and reporting standards as well as a discussion paper on proposed enhancements to its prudential approach to liquidity rules. APRA participated in the relevant BCBS exercises during 2010, specifically the bank self assessment against the 2008 principles and the QIS (and subsequent calibration of the quantitative standard). In December 2010, APRA and the RBA jointly announced a proposal, which involves a liquidity facility at the RBA, by which ADIs will be able to meet the BCBS liquidity coverage ratio requirements in light of the low level of Commonwealth Government securities.	APRA is taking steps to implement the new Basel III requirements. The details of the RBA liquidity facility and APRA's prudential standard on liquidity risk management, which will give effect to the global liquidity framework in Australia, will be subject to consultation during 2011 and 2012. Legislation will not be required.
8	(Lon)	The BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.	By 2010	See above (#7). In addition, the Australian Securities and Investments Commission (ASIC) participated in the IOSCO Standing Committee 3 (SC3) survey.	See above (#7). In addition, ASIC will consider the implications for Australia following release of the IOSCO SC3 report on liquidity risk management and liquidity standards for securities firms.
9	(FSB 2009)	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	N/A	N/A

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10	(FSF 2008)	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	Lenders' mortgage insurance companies are the most significant monolines operating in Australia. From 2006, APRA significantly increased its minimum capital requirements for lenders' mortgage insurers.	Complete.
II. Strengthening accounting standards					
11	(WAP)	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	<p>Australia adopted the International Financial Reporting Standards (IFRS) in 2005.</p> <p>In 2009, Australia, through the Australian Accounting Standards Board (AASB) and the Financial Reporting Council (FRC) was instrumental in the formation of the Asian-Oceanian Standards Setters Group. The Group aims to: (a) promote adoption of, and convergence with, IFRS in the region; (b) promote consistent application of IFRS in the region; (c) coordinate input from the region to the International Accounting Standards Board ("IASB"); and (d) cooperate with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.</p> <p>Australia has hosted delegations from other countries that are interested in Australia's implementation of IFRS.</p> <p>ASIC is a member of IOSCO. ASIC contributes to IOSCO's submissions on IASB discussion papers and exposure drafts, and participates in the sharing of information on IFRS regulatory decisions and interpretations with other securities regulators.</p>	<p>Australia strongly encourages non-adopting jurisdictions to adopt or converge with IFRS.</p> <p>Australia will monitor progress of IFRS-US GAAP convergence and will continue to promote broader adoption and convergence with IFRS within the Asia-Pacific region.</p> <p>Legislation will not be required.</p>

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12	(FSF 2009)	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	<p>Australia adopted IFRS in 2005. In October 2010, the IASB issued Financial Instruments – Classification and Measurement. The IASB intends to issue finalised requirements for the new Financial Instruments standard by June 2011. This will include Impairment and Hedge accounting.</p> <p>When calculating prudential capital, APRA currently excludes the following items from Tier 1 capital:</p> <ul style="list-style-type: none"> - net fair value gains (losses) relating to illiquid financial instruments; - net fair value gains (losses) relating to loans and receivables; - revaluation of assets not held for trading; - revaluation reserves - net unrealised fair value gains (losses) on effective cash flow hedges; and - net unrealised fair value gains (losses) from changes in the ADI's own credit worthiness. <p>These calculations may change as a result of the introduction of Basel III.</p>	<p>Implementation into Australian accounting standards is expected when the new IFRS 9 is finalised.</p> <p>APRA is taking steps to implement the new Basel III requirements, including appropriate transitional arrangements.</p> <p>Legislation will not be required.</p>
13	(FSF 2009)	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	<p>In October 2010, the IASB issued Financial Instruments – Classification and Measurement. The IASB intends to issue finalised requirements on the new IFRS 9 by June 2011. This will include impairment and hedge accounting. A simplified approach to hedge accounting was released as an exposure draft by the IASB in December 2010.</p> <p>APRA also participates on the BCBS Accounting Task Force which is contributing to the development of IASB standards.</p> <p>ASIC is providing input via IOSCO into the review of IAS 39.</p>	<p>AASB will actively monitor developments in relation to the replacement of IAS 39 by IFRS 9 and provide appropriate Australian inputs. Implementation into Australian accounting standards is expected when the new IFRS 9 is finalised.</p> <p>Legislation will not be required.</p>

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14	(FSF 2008)	<p>III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.</p>	Ongoing	<p>ASIC is the co-chair of IOSCO’s Task Force on Unregulated Financial Markets and Products (TFUMP) which has published recommendations in relation to disclosure.</p> <p>ASIC is represented on IOSCO’s Standing Committee 1 (SC1) which developed and published disclosure principles for public offerings of asset backed securities in April 2010.</p> <p>ASIC is also represented on IOSCO’s Standing Committee 2 (SC2) which examined the viability of post-trade transparency for structured finance products (SFPs). In July 2010, SC2 published its report recommending that member jurisdictions should seek to enhance post-trade transparency of SFPs in their respective jurisdictions taking into account the benefits of and issues related to post-trade transparency discussed in the report.</p>	<p>ASIC and Treasury will review, by mid 2010, the implications of the IOSCO TFUMP recommendations on the investor and issuer side, in the context of Australia’s market and corporate legal framework.</p> <p>ASIC is encouraging industry bodies such as the Australian Securitisation Forum (ASF) to work with industry participants and relevant clearing and settlement entities to improve post trade information available to the industry and ultimately the public. The ASF has released industry standards on disclosure and reporting.</p> <p>The need for legislation will be assessed as part of these processes.</p>
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IV. Improving OTC derivatives markets				
17	(Lon)	<p>We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.</p>	<p>Autumn 2009</p>	<p>ASIC, APRA and the RBA have established, in conjunction with industry, a quarterly survey to track the progress of the take-up of automated market infrastructure, including: electronic confirmation services, electronic trading platforms, portfolio reconciliation services, portfolio compression services, CCPs and trade repositories.</p> <p>On 21 September 2009, the International Swaps and Derivatives Association (ISDA) adopted standardised trading coupons for CDS transactions in various markets, including Australia.</p> <p>Also see below (#18).</p>
18	(Pitts)	<p>All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.</p>	<p>By end-2012 at the latest</p>	<p>APRA, RBA and ASIC formed an OTC Working Group in May 2008. Part of the working group’s mandate is to facilitate and promote the use of central counterparties (CCPs) and trade repositories to service the Australian market.</p> <p>APRA, RBA and ASIC are also represented on the international steering group ‘OTC Derivatives Regulator’s Forum’ and participating in several of its sub-groups that is co-ordinating regulatory access to the emerging trade repositories .</p> <p>ASIC is participating in IOSCO’s Task Force on OTC Derivatives Regulation, which is considering technical issues relating to the reforms and enhancing internationally consistent implementation.</p> <p>ASIC and the RBA participated in the CPSS-IOSCO workshop which discussed local access issues for OTC derivatives CCPs.</p>

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V. Addressing cross-border resolutions and systemically important financial institutions					
19	(Pitts)	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	<p>APRA already undertakes a vigilant approach to supervision, taking a consolidated view where appropriate.</p> <p>In March 2010, APRA released <i>Supervision of Conglomerate Groups</i>, a discussion paper describing its proposed approach to the supervision of conglomerate groups that include APRA-regulated entities and conduct business in more than one industry.</p> <p>APRA adopts a graduated approach to supervision. Larger and more systemically important firms are subject to more intensive supervision.</p> <p>The RBA has responsibility for monitoring, and promoting, overall financial system stability. This was reconfirmed most recently in the September 2010 <i>Statement on the Conduct of Monetary Policy</i> between the RBA Governor, as Chairman of the Reserve Bank Board, and the Australian Government.</p>	Australian regulators will continue to monitor supervisory standards and implement any further appropriate measures, taking account of international developments.
20	(Pitts)	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	Ongoing	<p>See below (#43 - #47) in relation to crisis management.</p> <p>See above (#1 - #10) in relation to capital and liquidity requirements.</p>	Australia is monitoring international developments.

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VI. Strengthening adherence to international supervisory and regulatory standards					
21	(Lon)	<p>We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas.</p> <p>We are committed to strengthened adherence to international prudential regulatory and supervisory standards.</p>	Ongoing	<p>A peer review by the Global Forum on Transparency and Exchange of Information for Tax Purposes, into Australia's compliance with the international standard for the exchange of information, has recently been released. The report confirms Australia's compliance with the relevant international transparency tax standards and commented favourably on Australia's efforts.</p> <p>Australia's prudential standards were assessed under the IMF FSAP process in 2006. Australia is fully or largely compliant with 13 of the 14 standards being reviewed under the FSB's peer review for non-cooperative jurisdictions. In addition, Australia is a full member of the IOSCO MMOU.</p> <p>Australia was one of the first countries to be mutually evaluated against FATF's 49 AML/CFT standards in 2005. Australia was rated as compliant or largely compliant with 26 standards. Legislation introduced in 2006 addressed 19 of the 23 Recommendations for which Australia was rated non-compliant or partially compliant.</p>	<p>Australia will continue to play an active role in promoting international cooperation on tax matters.</p> <p>The Global Forum Peer Review identified four minor recommendations for improvement. These are currently being examined.</p> <p>Australia has indicated it is willing to undergo an FSAP update in 2012.</p> <p>Australia's implementation of the remaining AML/CFT recommendations is currently being considered.</p>
22	(Lon)	<p>FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.</p>	Ongoing	<p>Australia underwent an FSAP assessment in 2006. The IMF assessed Australia's implementation of the Basel II Framework as part of the annual Article IV consultation in 2009.</p> <p>Australia participated in a ROSC on data dissemination during 2010. The IMF published a report on Australia's compliance with the relevant standards in November 2010.</p>	<p>Australia is the subject of an FSB country peer review in early 2011; and has indicated it is willing to undergo an FSAP update in 2012.</p>
23	(WAP)	<p>All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.</p>	Ongoing	<p>See above (#22).</p>	<p>See above (#22).</p>

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24	(FSF 2008)	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing	<p>Australian agencies actively participate in international bodies and regularly review progress towards implementation of international standards.</p> <p>In 2009, Australia established the G20 Reform Implementation Committee to coordinate domestic implementation of G20 commitments on financial sector reform between relevant agencies.</p>	This practice will continue.
VII. Other issues					
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision					
25	(Lon)	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	<p>The CFR's charter includes a mandate to identify important issues and trends in the financial system, including those that may impinge upon overall financial stability. The CFR also monitors the adequacy of Australia's financial system architecture in light of ongoing developments.</p> <p>The RBA monitors these trends and risks as part of its normal work in assessing financial system stability.</p> <p>In August 2009, Australian agencies, through the G20 Reform Implementation Committee, reviewed Australia's current approach to macro-prudential regulation.</p>	<p>The CFR agencies (APRA, ASIC, RBA and Treasury) will continue to take account of the implications for Australia of the work by the FSB, BCBS and others, on macro-prudential tools and modify existing arrangements should that prove necessary.</p> <p>Whether legislative change is required is to be determined.</p>
26	(Lon)	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	<p>Australian agencies' data gathering and sharing powers are already extensive.</p> <p>In recognition of the inter-connectedness of the Australian and New Zealand banking systems, legislation was passed in 2006 in Australia and New Zealand, emphasising the need for both countries to keep each other informed of actions that may impact on the financial stability of the other.</p> <p>APRA's data gathering and sharing powers were further enhanced when the <i>Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010</i> was passed. Under this legislation, APRA has the power to collect data from any entity providing financial services in order to assist another financial sector agency (including the RBA and ASIC) to perform its functions.</p>	<p>A further extension of APRA's data gathering and sharing powers is currently under consideration as part of the legislative initiative referred to in #45.</p> <p>Some legislative changes will be required to ASIC's powers to facilitate data collection and to promptly share supervisory information with other regulators.</p>

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27	(Lon)	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	Australia has consistently undertaken major reviews of financial system developments and the national regulatory framework. A number of initiatives are currently underway in Australia to review the adequacy of national regulation and fill identified regulatory gaps. APRA and ASIC participated in finalising the recommendations of the Joint Forum report <i>Review of the Differentiated Nature and Scope of Financial Regulation</i> (DNSFR Report), which was published in January 2010.	Australia's regulatory framework will be subject to its next major external review in 2012 when the FSAP update is undertaken. Implications for Australia of the Joint Forum report, and any further international developments flowing from its recommendations, will be considered by the relevant authorities. APRA and ASIC also participated in the Joint Forum Working Group on Revising the Principles for the Supervision of Financial Conglomerates, which is following up some of the recommendations in the DNSFR Report. Whether legislation is required is to be confirmed.
28	(FSF 2009)	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	APRA and the RBA are keeping abreast of international developments and are contributing as appropriate, including through membership of the BCBS. Australia's OTC Working Group conducted a survey, released on 22 May 2009, which found that Australia has exhibited a continuing trend towards collateralisation of exposures, underpinned by the negotiation of Credit Support Annexes (CSAs) attached to Master Agreements, with these also increasingly incorporating lower unsecured thresholds and more frequent use of initial margining.	APRA and the RBA will continue to monitor and contribute to international developments.
29	(WAP)	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	The RBA already monitors asset prices and their implications for the macro economy and financial system stability, and reports its assessments regularly in the <i>Statement on Monetary Policy</i> , the <i>Financial Stability Review</i> , Board minutes and other communication vehicles.	This practice will continue in Australia. Legislation will not be required.
30	(FSF 2008)	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	The budgetary resources allocated to APRA and ASIC are regularly monitored to ensure they continue to be adequate.	This practice will continue in Australia.

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31	(FSF 2008)	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	APRA's supervisory framework includes guidance on escalating matters of concern. APRA communicates to regulated institutions about risk exposures at an early stage. It is part of APRA's and ASIC's culture and practice to escalate matters of concern to CEOs and boards of directors. ASIC is a member of IOSCO Standing Committee 3 (SC3) on Market Intermediaries which is developing guidance on the regulation of liquidity risk management and internal controls in securities firms.	The practice of escalating matters of concern to CEOs and boards will continue in Australia. The implications for Australia of the IOSCO SC3 guidance will be considered once finalised.
32	(FSF 2008)	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	The CFR has a MOU in place between council members on managing periods of financial stress. As at February 2011, APRA has 17 MOUs or similar arrangements with foreign counterparts. As at February 2011, ASIC has 45 MOUs or similar arrangements with foreign counterparts. It is also a signatory to the IOSCO MMOU. In recognition of the inter-connectedness of the Australian and New Zealand banking systems, legislation was passed in 2006 in Australia and New Zealand, emphasising the need for both countries to keep each other informed of actions that may impact on the financial stability of the other. The RBA chaired a CGFS Working Group on Functioning and Resilience of Cross-Border Funding Markets.	Legislative change will be necessary to enhance ASIC's powers to promptly share supervisory information with other regulators and with supervisory colleges on a proactive basis. (While ASIC's powers are currently restricted, this does not prevent information sharing in many circumstances.)
Hedge funds					
33	(Lon)	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	Hedge fund managers are licensed in Australia.	ASIC and Treasury will assess the extent to which regulatory amendments are required.

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34	(Lon)	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	Australian agencies' data gathering and sharing powers are already extensive. ASIC is participating in the IOSCO Task Force on Supervisory Co-operation, which has developed principles, supported by an Annotated Sample MOU, to guide co-operation in a number of areas, including hedge funds.	Some legislative changes may be required to facilitate ASIC sharing information with other regulators data collection in an international context.
35	(Lon)	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	Effective risk management and limits on large exposures already form part of APRA's supervisory framework. Counterparties not supervised by APRA, but licensed by ASIC, are required to have adequate risk management systems.	APRA will assess the need to amend relevant supervisory guidance or prudential standards. ASIC will assess the need to amend regulatory guidance/licence conditions for those counterparties regulated by ASIC only.
36	(FSF 2008)	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	See above (#35).	See above (#35).
Credit rating agencies					
37	(Lon)	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	Licensing of CRAs took effect from 1 January 2010. Licence conditions for all CRAs require compliance with the IOSCO Code on a mandatory basis. CRAs must provide to ASIC annually, an IOSCO Code Annual Compliance Report.	ASIC will consult on the required content of the IOSCO Code Annual Compliance Report in early 2011.

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38	(Lon)	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	ASIC participated in international discussions on these issues, including through IOSCO Standing Committee 6 (SC6) on CRAs. Also see above (#37).	See above (#37).
39	(FSB 2009)	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	On 1 January 2010 ASIC withdrew class order relief that allowed issuers of financial products to cite credit ratings in prospectuses and product disclosure statements without the consent of CRAs. As liability for the content of disclosure attaches to persons who have consented to having their statements cited, the withdrawal of the class order relief has implications for the accountability of CRAs. Also see above (#37 - #38)	Australia is monitoring international developments.
40	(FSF 2008)	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	See above (#37 - #38).	See above (#37 - #38).

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Supervisory colleges					
41	(Lon)	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	<p>As at February 2011, APRA is a member of over ten supervisory colleges, and has previously hosted one college for a major Australian bank.</p> <p>ASIC is a member of two supervisory colleges.</p> <p>ASIC is also leading preliminary discussion within an IOSCO SC6 working group established to consult with colleagues involved in other supervisory colleges and consider the possibility of establishing CRA supervisory colleges for each major globally active CRA.</p>	<p>APRA proposes hosting two supervisory colleges in 2011, and will keep under review whether any other Australian financial institutions should be subject to supervisory colleges.</p> <p>The future of the SC6 working group on supervisory colleges will be discussed at SC6's May 2011 meeting.</p>
42	(FSF 2008)	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	<p>Legislation was passed in 2006 in Australia and New Zealand, emphasising the need for both countries to keep each other informed of actions that may impact on the financial stability of the other.</p> <p>APRA maintains regular dialogue with the RBNZ with respect to the New Zealand operations of the Australian banks.</p> <p>ASIC is a member of the IOSCO Task Force on Supervisory Cooperation (TFSC).</p>	<p>Legislative change will be necessary to enhance ASIC's powers to promptly share supervisory information with other regulators and with supervisory colleges on a proactive basis. (While ASIC's powers are currently restricted, this does not prevent information sharing in many circumstances.)</p>
Crisis management					
43	(Lon)	To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Immediate and ongoing	<p>In recognition of the inter-connectedness of the Australian and New Zealand banking systems, the Trans-Tasman Council on Banking Supervision (TTCBS), comprising the relevant Australian and New Zealand agencies (RBA, RBNZ, APRA, Australian Treasury and New Zealand Treasury), was established in 2005. In 2010, the TTCBS agreed to a Memorandum of Cooperation, to assist in achieving a coordinated response to financial distress in banks with significant operations in both Australia and New Zealand. ASIC is also party to the Memorandum.</p>	<p>The Trans-Tasman Council on Banking Supervision is currently undertaking a work programme to strengthen trans-Tasman crisis management arrangements.</p>

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44	(Pitts)	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	Ongoing	<p>In 2005, the CFR determined principles for assessing whether an institution is systemic. These principles were reviewed and re-adopted in June 2009.</p> <p>Legislation was passed in 2006 in Australia and New Zealand in recognition of the need for both countries to keep each other informed of actions that may impact on financial stability of the other.</p> <p>Australian agencies' data gathering and exchange powers are already extensive.</p> <p>Also see below (#45).</p>	<p>Some legislative changes may be required to facilitate data exchange in an international context. The TTCBS agencies are reviewing their powers to share information in the event of a trans-Tasman banking distress event.</p> <p>Also see above (#43) and below (#45).</p>
45	(WAP)	National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions.	Ongoing	<p>Amendments effected by the <i>Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010</i> (see above #26) are aimed at increasing the effectiveness of Australia's crisis management and resolution regime, including increasing and clarifying APRA's powers.</p> <p>The CFR finalised a package for the resolution of a distressed financial institution.</p> <p>Also see above (#43).</p>	<p>Further measures for enhancing Australia's crisis management and resolution regime are currently under consideration as part of another legislative initiative.</p> <p>Also see above (#43).</p>
46	(FSF 2008)	VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.	Ongoing	<p>See above (#45).</p> <p>The CFR released in 2008 a joint MOU specifically dealing with crisis management arrangements, including the responsibility of the four CFR agencies during a crisis.</p>	<p>See above (#45).</p>

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47	(FSF 2008)	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	<p>To strengthen its ongoing deposit protection arrangements, in October 2008, Australia introduced a Financial Claims Scheme (FCS). This protects depositors of insolvent authorised deposit-taking institutions (ADIs) at up to A\$1 million per depositor, per ADI. In December 2010, as part of its 'Competitive and Sustainable Banking System' package, the Government confirmed the FCS as a permanent feature of Australia's financial system.</p> <p>At the same time, in response to unusual market conditions, Australia introduced a temporary Guarantee Scheme which includes coverage of large deposits held with ADIs above the FCS amounts. This scheme was closed to new liabilities on 31 March 2010.</p> <p>The measures strengthened confidence in Australian ADIs. No ADI in Australia failed during the difficult market conditions of 2008-09.</p>	<p>The Government has been working with the Council of Financial Regulators to review the current A\$1 million cap, up to which coverage is currently free under the FCS. In addition to determining an appropriate level at which the cap will be set from October 2011 (when the current FCS arrangements are due to expire) the review will also examine certain other aspects of the FCS.</p> <p>APRA released a discussion paper in January 2010 detailing proposals on the implementation of the FCS, with consultations closing on 12 March 2010. APRA is currently developing reporting requirements for FCS purposes in consultation with industry to allow payments to be made should the FCS be declared in relation to a failed ADI. It is expected that these requirements will be finalised later in 2011 with effect from 2012.</p>
Risk management					
48	(WAP)	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	<p>APRA worked to strengthen banks internal controls and risk management practices over 2005-07 in preparation for implementation of Basel II.</p> <p>APRA is developing an overarching risk management standard for ADIs, having regard to the BCBS guidance on risk management and capital planning processes as part of the Basel II enhancements released in July 2009.</p> <p>ASIC is a member of IOSCO SC3 which is developing guidance on liquidity risk management and internal controls in securities firms.</p>	<p>APRA will continue to review and implement changes to its prudential standards in light of international developments. ASIC will consider the implications for Australia following the release of IOSCO's guidance.</p>
49	(Pitts)	We commit to conduct robust, transparent stress tests as needed.	Ongoing	See above (#4).	See above (#4).
50	(Pitts)	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	<p>APRA updated and strengthened its capital quality rules for banks in 2005.</p> <p>In December 2009, APRA released a discussion paper outlining enhancements to the Basel II Framework in Australia.</p> <p>APRA has continued to advise industry of its commitment to implementing revised BCBS requirements.</p>	<p>APRA is taking steps to implement the new Basel III requirements.</p> <p>Legislation will not be required.</p>

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51	(FSB 2009)	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets. 	During 2010	<p>In December 2009, APRA released a discussion paper and draft prudential standards on the BCBS enhancements. The enhancements require ADIs to hold more capital against resecuritisations and off-balance sheer vehicles.</p> <p>APRA, ASIC, Treasury and the Australian Securitisation Forum (ASF) are in discussions about how the IOSCO recommendations could be implemented through industry guidelines and other measures. The ASF has released industry standards on disclosure and reporting.</p>	<p>Changes to Pillars 1 and 3 from the Basel II enhancements will be implemented in full from 1 January 2012.</p> <p>Also see below (#52).</p>
52	(Lon)	<p>The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.</p>	By 2010	<p>ASIC is the co-chair of IOSCO's TFUMP which has published a number of recommendations, including in relation to retention, and also IOSCO's Standing Committee 5 (SC5) which has published guidelines on due diligence processes of investment managers in relation to structured finance instruments.</p>	<p>APRA will continue to review its securitisation rules in light of revised guidance and market experience.</p> <p>ASIC, APRA, Treasury and the ASF are examining how retention and other requirements may be adopted in Australia. Industry standards on the due diligence undertaken on the asset pool are being developed.</p> <p>ASIC and Treasury are reviewing the IOSCO TFUMP recommendations on the investor and issuer side, in the context of our market and corporate legal framework. Implications of the SC5 guidelines are also being considered.</p>
53	(Pitts)	<p>Securitisation sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.</p>	Ongoing	<p>See above (#52).</p>	<p>See above (#52).</p>
54	(WAP)	<p>Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.</p>	Ongoing	<p>The RBA Governor wrote to Australia's internationally active banks in 2008 encouraging them, where relevant, to draw on the best practice disclosures template developed at the request of the FSF. In response, these Australian banks have improved their disclosure in their existing reporting.</p> <p>APRA and ASIC completed the review template for Australia as part of the FSB's thematic review of risk disclosure practices.</p> <p>APRA issued draft prudential standards in late 2009 to give effect to BCBS enhancements to Pillar 3 on disclosures.</p>	<p>APRA's draft prudential standards to give effect to enhancements to Pillar 3 will be implemented in 2011. Legislation will not be required.</p>

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55	(FSF 2008)	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	See above (#52).	See above (#52).
Others					
56	(Pitts)	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	Australia is working with the IMF and FSB on cooperative and coordinated exit strategy approaches. Its approach is consistent with its G20 commitments. Australia closed the Guarantee Scheme for Large Deposits and Wholesale Funding to new liabilities on 31 March 2010.	Australia is participating in discussions on this issue in various international forums, and potential exit arrangements are under ongoing consideration. The Government has been working with the Council of Financial Regulators to review certain aspects of the FCS ahead of October 2011 (when the current FCS arrangements are due to expire). See above #47. Australia's planned next steps are consistent with relevant international principles.

Origin of recommendations:

- Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
- Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
- WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
- FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
- FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
- FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)