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

#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE Explanatory notes: In addition to information on progress to date, specifying steps taken, please address the following questions: 1. 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? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? Also, please provide links to the relevant documents that are published.	PLANNED NEXT STEPS Explanatory notes: Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?) Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps? What are the key challenges that your jurisdiction faces in implementing the recommendations?
I. Building high quality capital and mitigating procyclicality						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	The full Basel II Capital Framework entered into force on January first 2008.	
2	(FSB 2009) (Tor)	Basel II trading book revision	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. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011		Higher capital requirements for Trading book positions proposed by both the Basel Committee and the EU (CRD3) should be implemented by 31 December 2011 at the latest. Although this legislative process is still in its early stages initial steps have already been taken to meet the implementation deadline.

3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	In a joint declaration, the Dutch Bankers Association and the Dutch government underline their joint responsibility to maintain bank lending in order to support economic recovery. Also, in both formal and informal meetings with banks, the importance of bank lending to support economic recovery is stressed.	
4	(FSF 2009)	Basel II – Pillar 2 enhancement	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	A comprehensive assessment of a bank's stress testing programme is part of DNB's SREP and will continue to be in the future. This test is based on the BCBS principles for sound stress testing.	
5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	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 BCBS introduced a leverage ratio in their recently announced Basel III package. The Netherlands supports the introduction of such a ratio. In order to achieve maximum harmonisation on a future leverage measure. Now our focus is on the drafting process of the European capital requirements directive (CRD4), and the implementation in national legislation.

6	(Pitts) (Tor)	Development of international rules to improve quantity & quality of bank capital	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. We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.	End-2010, implement over a timeframe that is consistent with sustained recovery and limits market disruption	We are committed to the agreement reached by the BCBS on quantity and quality of bank capital and to discourage excessive leverage. The Netherlands supports the gradual phase in process agreed by the BCBS.	Our work focuses on turning the standards into regulation by amending the European capital requirements directive. We aim to complete the national legislative process before the end of 2012 in order to comply with the BCBS timeline.
7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	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	CEBS developed further liquidity guidance. The Netherlands adopted these guidelines and is scrutinizing banks on their compliance.	
8	(Lon)	Development of liquidity framework	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	We are committed to the liquidity ratio's proposed by the BCBS. Until these new rules enter into force, the national liquidity regime will apply. This regime shows strong similarities with the BCBS proposal.	On a European level the Netherlands is participating in a liquidity sub committee in order to introduce the BCBS liquidity ratios (LCR & NSFR) within the EU Capital Requirements Directive (CRD4 package). See also our answer to question #6.

9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	Not applicable	
10	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	The Solvency II directive introduces a new EU regulatory regime for insurers, that includes new capital requirements for monoliners and for structured credit.	Implementation of Solvency II is envisioned by 31 October 2012.
II. Strengthening accounting standards						
11	(WAP)	Consistent application of high-quality accounting standards	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	The Netherlands Authority for the Financial Markets (AFM) participate both in the CESR-Fin project group on IFRS and in CESR-Fin EECS. Consistent application and enforcement of high-quality accounting standards has been identified as one of DNB´s High Priority topics in 2010. Prudential supervision will also focus on this issue	DNB participates intensively in (inter)national committees with other supervisors and accounting setter and the private sector to ensure consistent application and enforcement of high-quality accounting standards.
12	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	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	DNB participates in the CEBS task force for accounting and procyclicality and the CEBS accounting subgroup both of which have the objective of devising standards and methods for dealing with the so-called "weak" valuations.	

13	(FSF 2009)	Dampening of dynamics associated with FVA.	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	DNB is involved in the revision processes of IASB through international fora such as BCBS, IAIS, CEBS and CEIOPS.	We follow closely the agenda of IASB (and FASB) in this respect.
14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	By 31 December 2010, new capital requirements regulation (CRD2) will apply on this issue. Investors will be penalized via the risk weights for structured product that lack information on the type and the quality of the underlying assets. Furthermore this regulation will require extensive disclosure of securitised assets and the underling exposures.	During 2011 close monitoring of this additional regulation regarding disclosure of the initiator of a securitization will take place.

III. Reforming compensation practices to support financial stability

15	(Lon) (Pitts) (Tor)	Implementation of FSB/FSF compensation principles	National supervisors should ensure significant progress in the implementation of FSF sound practice principles for compensation by financial institutions by the 2009 remuneration round. We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end, We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.	End-2010	DNB has implemented the FSB principles and standards in it's principles on sound remuneration policies (May 2009) and in it's good practices (September 2009). From 1 January 2011 the FSB principles and standards have been implemented in the Regulation on sound remuneration policy of DNB (http://www.dnb.nl/openboek/extern/id/nl/all/40-199829.html) This regulation is legally binding for all credit institutions, investment firms and insurers. The Regulation implements the FSB standards and principles and standards, the CRD III and it is the follow up of the DNB principles on sound remuneration policies. All firms that have received government support during the crisis are, as part of the conditions for the support, required to develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards. This remuneration policy shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potentials for "reward for failure". Also, the Dutch banks, united in the Dutch Bankers Association, issued a voluntary Bankers Code, addressing the remuneration of among others executives (http://www.nvb.nl/scrivo/asset.php?id=292019). Supervisory actions: see our answer to question 16	

16	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	In December 2009 DNB has initiated a review of remuneration policies for 2010 of significant financial institutions (the majority is banks). The purpose is to investigate the alignment of the policies with the FSB principles and standards and the DNB principles and good practices and to ensure full alignment. In May 2010 DNB concluded in her review that the financial institutions did not comply with all FSB and DNB Principles (especially the principles regarding governance and structure of the remuneration). From the information recently provided by significant financial institutions it can be concluded that the majority has already changed their policies. DNB will assess all credit institutions, investment firms and insurers again in 2011 (some by individual assessment; some by self assessment). See our answer to question 15 and our response to the FSB peer review on compensation. DNB responsibility to assess the remuneration policies and practices of financial institutions and to issue new regulation has been strengthened by the Decree on sound regulation policy (December 2010).	NL is committed to the FSB remuneration review process, issued by the Standing Committee on Standards Implementation (SCSI).
IV. Improving OTC derivatives markets						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	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.	Autumn 2009	See our answer to question #18	We support the work of CPSS/IOSCO to develop a new regulatory regime for central clearing parties. negotiations about the European Commission's proposal on new legislation regarding (OTC) derivatives will have started and we expect a compromise before summer 2011.

18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	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.	By end-2012 at the latest	In their second Communication on derivatives, the European Commission has announced a comprehensive action plan, which includes the intention to develop a legislative proposal concerning the clearing of eligible derivatives by central counterparties and the notification of OTC derivative contracts to trade repositories. We are currently working closely with the European Commission to discuss the details of this forthcoming proposal.	We support the proposals by the Basel Committee that will raise the capital charges for OTC derivatives. Higher capital charges will stimulate banks to trade derivatives through exchanges and central clearing parties. In addition, we welcome the initiatives for reporting trades OTC derivative to central repositories. Legislative proposals by the European Commission are being discussed by the European council. We expect a final compromise before summer 2011.
V. Addressing cross-border resolutions and systemically important financial institutions						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	Although we have no specific supervisory regime for SIFIs, our biggest financial institutions are extensively supervised on an ongoing basis.	DNB is currently in the process of implementing the recommendations of the FSB Supervisory Intensity and Effectiveness report.
20	(Pitts)	Development of 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	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.	October 2010		NL is committed to the SIFI initiative conducted by the FSB. We look forward to the final report and the recommendations of this important imitative.

VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas. We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing	The Netherlands is strongly committed to adhere to strengthened prudential, tax and AML/CFT standards.	
22	(Lon)	Periodic peer reviews	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.	Ongoing	The Netherlands is strongly committed to maintaining financial stability, enhancing transparency of the financial sector and implementing strengthened international financial standards. The Netherlands is willing to undergo periodic peer reviews with regard to these goals	
23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	The Netherlands was subjected to an FSAP in 2003/2004	At the request of the Netherlands the IMF is conducting an IMF update. We are expecting that the results of this update will be disclosed in Q2 2011.
24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	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	See our answer to question 23	

VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
25	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	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	See also our answer to question #26 and #29	In order to share relevant information between jurisdictions, the European Systemic Risk Board (ESRB) is an important step forward to incorporate potential systemic risks in ongoing prudential supervision.
26	(Lon)	Powers for gathering relevant information by national regulators	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	On a national level the supervisory authority's have the power to gather all relevant information regarding financial institutions, markets and instruments in order to assess the potential macro prudential risks. However, national supervisors cannot demand information, that is available abroad, to be shared. In order to facilitate information sharing between supervisors, supervisory colleges are established for internationally operating banks. In this respect a legislative proposal, based on CRD2, is being finalised.	
27	(Lon)	Review of the boundaries of the regulatory framework	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	DNB has co-chaired a Joint Forum working group that wrote a report at the request of the G20 and FSB on the differentiated nature and scope of financial regulation. This report has been published by the BCBS, IAIS, and IOSCO in January 2010, and has been endorsed by the FSB.	

28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (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	DNB has published a quarterly bulletin article concerning the use of margining for OTC derivatives (see QB of September 2009). In addition, DNB has started an in-depth investigation into risk management of the trading environment at Dutch Banks. The investigation also explicitly looks into the risk management of OTC derivatives, including margining and collateral management.	We fully support the BCBS proposals regarding the use of a leverage ratio. Leverage ratios have also been added to the standard set of indicators in our regular macroprudential monitoring framework. The BCBS RMMG is working on a new set of regulatory requirements concerning counter party credit risk, which we support.
29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	DNB monitors (among others) asset prices and the implications for the macro economy and financial system on a continuous basis, through macroeconomic model estimations, policy papers and other analyses of the housing market and financial markets.	
30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	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		

31	(FSF 2008)	Supervisory communication with firms' boards and senior management	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	As was the case in 2008, the outcome of DNB's risk analyses 2009 have been shared with senior management of institutions. The risk mitigation programme (RMP) – being the most important component of this communication – spells out the primary risks that the supervisor has identified, what actions/changes are expected from the institutions and what actions supervisors intend to undertake to mitigate these risks.	
32	(FSF 2008)	Improved cooperation between supervisors and central banks	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	DNB is both the central bank as well as supervisory authority. The information sharing advantages have proved themselves during the crisis.	
Hedge funds						
33	(Lon)	Registration of hedge funds	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	In the Netherlands, hedge fund managers offering funds to retail investors (primarily fund-of-funds) are already registered and subject to supervision.	In the Netherlands, it is foreseen that in the coming years hedge fund managers will always be registered and subject to supervision, also when offering funds to professional investors, pending on implementation of the new European Alternative Investment Fund Managers Directive (AIFMD; exact implementation date yet to be determined). Under the AIFMD, hedge fund managers will be obliged to regularly disclose information to supervisors, including on leverage.

34	(Lon)	Effective oversight of cross-border funds	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	The Netherlands endorse the importance of international cooperation as regards the supervision of investment funds and is willing to contribute to any initiative to this end.	
35	(Lon)	Effective management of counter-party risk associated with hedge funds	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	Dutch regulations require institutions to have adequate risk management frameworks regarding their exposures, including the establishment of limits and the monitoring of exposures. For banking institutions, a large exposures regime has been implemented to limit concentrations in single counterparty exposures. In general, investments of financial institutions are to be adequately diversified. More specifically, DNB already developed guiding principles for alternative investments in recent years.	The Netherlands believe that requiring financial institutions to monitor the leverage position of counterparty hedge funds can to some extent contribute to militating excessive leverage. In addition to such 'indirect supervision', however, the Netherlands support direct supervision by the relevant supervisor, as will be the result of implementation of the AIFMD.
36	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing		
Credit rating agencies						
37	(Lon)	Registration of CRAs etc.	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	The EU Regulation on CRAs, which is broadly based on the IOSCO Code, entered into force on December 2009. This requires all CRAs established in the EU, and those based in third countries who wish their ratings to be used for regulatory purposes in the EU, to be subject to registration and supervision within the EU.	

38	(Lon)	CRA practices and procedures etc.	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	See our answer to #37 In addition it is worth noting that EU directive CRD2 (that entered into force on 31 December 2010) reduces the reliance on external ratings for securitised products. (see also our answer on #40)	
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	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	New regulation in Europe is in place (see 37) and differences exists with regulation outside of Europe	Differences will decrease due to similar initiatives in US and Japan.

40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	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	The recently adopted CRD2 directive (2009/111/EG) on (among others) securitisation is a good example of how to increase investor awareness and stimulate independent evaluation. This directive requires that investors have a comprehensive and thorough understanding of their securitisation exposures. Furthermore credit institutions are required to regularly perform their own stress tests appropriate to their securitisation positions. To this end, credit institutions may rely on financial models developed by an ECAI provided that credit institutions can demonstrate, when requested, that they took due care prior to investing to validate the relevant assumptions in and structuring of the models and to understand methodology, assumptions and results. Not only the initiator has the duty to provide information on the assets underlying a securitisation, the investor has the duty to apply this information in their own due diligence and their own risk assessment of the securitisation position obtained. The leading principle is that an external rating is not a substitute of an internal analysis. This point also relates to our answer on question #14	This new directive entered into force on 31 December 2010 and close monitoring will be done by the supervisory authority.

Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	DNB has supervisory colleges in place for ING and AEGON, two of the large complex financial institutions identified as part of the FSF recommendations on colleges. No significant cross border firm has additionally been identified. DNB is committed to supervisory colleges and does not wish to restrict international cooperation to the ING and AEGON colleges on the FSB list. As such, DNB welcomes the upcoming EU requirements for colleges. In the EU, the CRD and Solvency II Directives require that colleges are established for all cross border groups. For the CRD, these colleges need to be in place by 31 December 2010. DNB has established a college in 2009 for Rabobank. For the SII Directive, these colleges need to be in place by 31 October 2012.	DNB preparations to meet the CRD and SII deadlines for colleges for all EU cross border institutions are underway.
42	(FSF 2008)	Supervisory exchange of information and coordination	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	In order to facilitate the supervisory exchange of specific information, the proposed establishment of the European System of Financial Supervisors (ESFS) is an important step forward. We expect that the quality and quantity of information to be shared will increase, inter alia by the further strengthening of the colleges of supervisors within the ESFS, and the issuance of technical standards by the three new European Supervisory Authorities (ESAs). Moreover, the European Systemic Risk Board (ESRB) will monitor the macro-economic risks within the EU and make recommendations to mitigate these risks. In doing so, the ESRB will analyse all relevant data and play an active role in the exchange of information.	The establishment of supervisory colleges helps in cross-border coordination and responsiveness. In addition DNB is involved in the BCBS process of writing guidance on supervisory colleges.

Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	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	The members of the supervisory colleges where DNB is home supervisor meet at least annually. Besides these physical meetings, information exchanges takes place using email, phone and a secure online communication tool.	Preparations for a first meeting with the authorities of the members of the core college of ING are underway. This meeting is planned in November 2010.
44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	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.	End-2010	The European Commission is working on a European legal framework for cross-border crisis management in the banking sector. The Netherlands is also considering introducing legislation on crisis management.	Preparations for a first meeting with the authorities of the members of the core college of ING are underway. This meeting is planned in November 2010. Currently, ING is undergoing a major restructuring of its operations. This restructuring and the consequences for supervision will be discussed with the relevant authorities in the supervisory college or where relevant with the authorities represented in the crisis management group.

45	(Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. 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. 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	On a national as well a European level a review process is ongoing with respect to crisis management in general (including resolution regimes and bankruptcy laws). In his letter to Parliament of 15 December 2009, the Dutch Minister of Finance announced that legislative changes regarding (among other things) a ladder of intervention and the limitation of shareholders' rights in case of crisis will be considered. On March 4th 2011 the Dutch authorities published for public consultation a draft legislative proposal on crisis management (draft Bill 'Special measures financial institutions' or draft Intervention Bill). The Bill consists of three parts. 1. Timely and orderly resolution of credit institutions and insurers which have irreversible problems; 2. Measures to ensure the stability of the financial system; and 3. The rights of contracting parties after a measure ("trigger event") taken by the supervisor or the minister of Finance.	See also our answer to #44
46	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	In the first half of 2009, DNB, the Dutch Ministry of Finance and the Dutch Banking Association, have jointly reviewed the Dutch deposit guarantee system. Based on the review we concluded that the BCBS/IADI Core Principles for Effective Deposit Insurance Systems, June 2009, have been adequately implemented.	The Ministry of Finance is in the process of further improving the national deposit insurance scheme and its funding.

Risk management						
47	(WAP)	Development of enhanced guidance for banks' risk management practices	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		As decided in the CEBS Members Meeting of June 2009: CEBS' high level principles on risk management will be finalised and consolidated (vis-à-vis existing guidelines) by the Secretariat, with input from CEBS Members, in the course of 2009 / 2010.

48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Several Dutch banks (combined representing more than two thirds of the banking sector) participated in the two most recent stress tests in Europe and a national stress test. Outcomes of the latest test were revealed at individual bank level to provide as much transparency to market participants as possible.	Authorities and central banks to assess the stability of financial institutions and the financial system as whole. Since 2004, DNB has used stress testing of large banks, insurance companies and pension funds as a regular component of its macro-prudential analysis, evaluating the tests results in conjunction with other supervisory tools and usually publishing them at an aggregated level (see various issues of DNB´s Overview of Financial Stability). DNB has increased its stress testing activities, and is planning to perform macro-stress tests once per year. Also stress testing methodologies are being improved, which translates among others into the use of more elaborate and stringent scenarios combining credit, market and liquidity risk. Stress testing is also used to scrutinise particular risks or portfolios (e.g. country risk or real estate). Key focus however is to strengthen the link between macro-prudential (sector-wide) analysis and micro-prudential (institution-specific) supervision. For instance, in the recent EU macro-stress test exercise conducted in 2009 and 2010, the macro-stress test outcomes have been used as one of the input variables to determine the required level of capital in the so called Supervisory Review and Evaluation Process (SREP) of banks. To enhance this link further, DNB is working to improve its top-down stress testing methodologies, which are used to challenge the results of the bottom-up (macro-)stress tests. Dutch banks will also take part in the upcoming European stress test to be conducted by the European Banking Authority in 2011

49	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing		
50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • 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	IOSCO's principles were implemented to a substantial extent. IOSCO's code of conduct regarding CRAs was also implemented closely. See also our answer to question #51	
51	(Lon)	Improvement in the risk management of securitisation	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.	By 2010	EU directive 2009/111/EG (CRD2) introduces increased requirements for securitisations. These requirements include (among other measures) a 5% retention rate for securitisations and additional pillar 3 disclosure requirements.	We are finalising our national legislation to implement the CRD2 directive.
52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing	See our answer on #51	
53	(WAP)	Enhanced risk disclosures by financial institutions	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.	Ongoing	DNB has implemented pillar 3 and the best practices of the FSF/SSG. DNB and CEBS monitor disclosures of financial institutions. CEBS formulated good practices and guidelines.	

54	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing		
Others						
55	(Pitts)	Development of cooperative and coordinated exit strategies	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	In October 2008, the Netherlands introduced its Credit Guarantee Scheme of 200 billion euro for the issuance of medium term debt instruments by banks. Although the capital market has shown improvement and the self-reliance of the banks has improved significantly, the recovery of the financial market remains fragile and uncertain. Therefore The Netherlands decided to extend the scheme until 30 June 2010. In order to stimulate banks to fund themselves in alternative ways, the Credit Guarantee Scheme is made less attractive by increasing the guarantee fee as of 1 January 2010. In the midst of the crisis, a few Dutch banks received direct state capital assistance. Due to the capital instruments high pricing and gradual economic recovery, the banks have already repurchased a substantial portion of the amount received. The fiscal exit of EU-countries is coordinated via the Stability and Growth Pact. On the 2nd of December the Ecofin Council started an Excessive Deficit Procedure (EDP) for The Netherlands. The implementation of the EDP-recommendations is discussed in the Stability Programme Update of the Netherlands. The Netherlands will start consolidation in 2011 and will bring the deficit below 3% of GDP in 2013. Among other things, the government has decided to establish 20 high-level working groups to identify structural reform and saving options for a broad spectrum of policy areas. Simultaneously with these 20 groups, a study on the structure of the tax system is being conducted.	

<u>Origin of recommendations</u>:

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
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)