

Transforming Shadow Banking into Resilient Market-based Financing

An Overview of Progress and a Roadmap for 2015

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Introduction

Transforming shadow banking into resilient market-based financing has been one of the core elements of the FSB's regulatory reform agenda to address the fault lines that contributed to the global financial crisis and to build safer, more sustainable sources of financing for the real economy.

The FSB has defined shadow banking as “credit intermediation involving entities and activities (fully or partly) outside the regular banking system”, or non-bank credit intermediation in short.¹ Such intermediation, appropriately conducted, provides a valuable alternative to bank funding which supports real economic activity. It is also a welcome source of diversification of risks to credit supply from the banking system, and it provides healthy competition for banks. However, the global financial crisis exposed significant fault lines in shadow banking activities. These centred on heavy reliance on short-term wholesale funding, a variety of incentive problems in securitised and structured finance markets that weakened lending standards, and a general lack of transparency that hid growing amounts of leverage and maturity mismatch, as well as the ultimate bearer of the associated risks. When the prices of securitised assets fell, collateralised financing terms tightened, triggering firesales in particular by leveraged and maturity mismatched investors. As funding markets seized up, investment vehicles failed, money market funds (MMFs) experienced runs, and credit intermediation through the shadow banking system came to a dramatic halt. The viability of the banking system was also threatened and the supply of credit to the real economy was drastically restricted.

The FSB has adopted a two-pronged strategy to deal with these fault lines. First, it has created **a system-wide monitoring framework** to track developments in the shadow banking system with a view to identifying the build-up of systemic risks and initiating corrective actions where necessary. Second, the FSB is coordinating and contributing to the development of **policy measures in five areas where oversight and regulation needs to be strengthened** to reduce excessive build-up of leverage, as well as maturity and liquidity mismatching in the system:

- (i) mitigating risks in banks' interactions with shadow banking entities;
- (ii) reducing the susceptibility of MMFs to “runs”;
- (iii) improving transparency and aligning incentives in securitisation;
- (iv) dampening pro-cyclicality and other financial stability risks in securities financing transactions such as repos and securities lending; and
- (v) assessing and mitigating financial stability risks posed by other shadow banking entities and activities.

¹ Based on such features, some authorities or market participants prefer to use other terms such as “market-based financing” instead of “shadow banking”. The use of the term “shadow banking” is not intended to cast a pejorative tone on this system of credit intermediation. However, the FSB is using the term “shadow banking” as this is the most commonly employed and, in particular, has been used in the earlier G20 communications.

In accordance with the actions and deadlines set by the G20 Leaders in their Roadmap annexed to the St Petersburg Summit Declaration in September 2013,² the development of these policy measures has further progressed and will be adopted by FSB members in an internationally-coordinated manner. To maintain momentum in this further work, the FSB has drawn up an updated Roadmap for the Brisbane Summit (see Annex). The FSB, in coordination with the relevant standard-setting bodies (SSBs), will monitor the national implementation of the agreed policies to ensure they achieve the intended objectives.

The implementation of this integrated set of policies should help mitigate financial stability risks emanating from shadow banking and transform it into resilient market-based financing that will help to support sustainable economic growth. The set of policies should also limit the incentives for, and enable a response to, risky activities moving to the not adequately regulated sectors as tighter regulations on banks and other traditional market participants come into effect. By focusing on the economic functions involved in shadow banking activities, the policies are intended to be robust in the face of innovations and adaptations at or outside the boundaries of bank regulation or the regulatory perimeter. However, since shadow banking activities take a variety of forms and continue to evolve, FSB members are mindful of the need to periodically review these policies.

1. Establishing a system-wide monitoring framework

A first step for authorities towards addressing risks in shadow banking activities is the establishment of system-wide monitoring arrangements that assess sources of systemic risks within and beyond the bounds of prudential regulation. To this end, the FSB began conducting annual monitoring exercises to assess **global trends and risks in the shadow banking system in 2011 and published the results of its fourth exercise** (reflecting data as of end-2013) in October 2014.³ These exercises have prompted an increasing number of national and regional authorities to regularly assess the risks of shadow banking, so that the monitoring now covers 25 jurisdictions⁴ representing 80% of global GDP and 90% of global financial system assets.⁵ In addition, the FSB's Regional Consultative Groups (RCGs) of the Americas and Asia (which include non-FSB member authorities) have recently started to conduct their own monitoring based on the annual FSB monitoring exercises.⁶ This increase in monitoring covers jurisdictions where shadow banking entities are often domiciled and can help to deepen the understanding of authorities.

² <http://en.g20russia.ru/load/782788663>

³ http://www.financialstabilityboard.org/wp-content/uploads/r_141030.pdf

⁴ They are all 24 FSB member jurisdictions and Chile.

⁵ Several jurisdictions (e.g. Australia, Canada, Germany and the Netherlands) and the European Central Bank (ECB) have also published analyses of their respective shadow banking system, leveraging on the FSB annual monitoring exercises. The International Monetary Fund has conducted some analysis using the data collected in the FSB annual monitoring exercise in their October 2014 Global Financial Stability Report (<http://www.imf.org/external/pubs/ft/gfsr/2014/02/pdf/c2.pdf>).

⁶ The reports by the RCG for Americas (http://www.financialstabilityboard.org/wp-content/uploads/r_140822b.pdf) and RCG for Asia (http://www.financialstabilityboard.org/wp-content/uploads/r_140822c.pdf) were published in August 2014.

Going forward, the monitoring exercise is expected to benefit from further improvements in data gathering and follow-up by jurisdictions of identified gaps and data inconsistencies. Implementation of policy recommendations to address shadow banking risks, such as the enhanced data reporting and the structured sharing of information among authorities on risk metrics and adopted policy tools (see next section), will improve the coverage and granularity of the monitoring exercise, and may also help expand activity- and risk-based monitoring.

2. Strengthening the oversight and regulation of shadow banking

The policy work to prevent the re-emergence of systemic risks from shadow banking has focused on the following five areas.

2.1. Mitigating risks in banks' interactions with shadow banking entities

The financial crisis revealed how the regular banking system was both intertwined with, and exposed to, risks in the shadow banking system. The FSB asked the Basel Committee on Banking Supervision (BCBS) to develop policy recommendations to ensure the spill-over of risks from the shadow banking system to the banking system are prudentially mitigated.

The BCBS has now finalised: (i) risk-sensitive capital requirements for banks' investments in the equity of funds; and (ii) the supervisory framework for measuring and controlling banks' large exposures.⁷ The former requirement was published in December 2013⁸ and establishes a more consistent and risk-sensitive approach for computing regulatory capital requirements for banks' investments in equity of funds, by appropriately reflecting both the risk of the fund's underlying investments and its leverage. The BCBS members will implement the new requirement from 1 January 2017, with a focus on banks' investments in the equity of all types of funds that are not held for trading purposes.

The supervisory framework for limiting banks' large exposures to single counterparties was published in April 2014 and seeks to protect the banking sector from the risk of the default of single private sector counterparties, including shadow banking entities.⁹ To achieve this, the definition of a large exposure is now strengthened to limit carve outs and exemptions (which shadow banks may have previously been able to take advantage of), and to more clearly and consistently capture exposures to funds, securitisation structures and other vehicles. Banks will also be subject to a hard limit on large exposures of 25% of Tier 1 capital (15% for global systemically important banks), which is more prudent than the 25% of total capital currently applied in most jurisdictions. The framework will be fully implemented by 1 January 2019.¹⁰

⁷ In addition to these policies, the BCBS members have implemented or are in the process of implementing a number of measures that should strengthen the resilience of the regular banking system against risks posed by shadow banking entities. For example, the BCBS increased the capital requirements applied to banks' re-securitisation exposures and for liquidity facilities (under one year) provided to securitisation vehicles.

⁸ <http://www.bis.org/publ/bcbs266.pdf>

⁹ <http://www.bis.org/publ/bcbs283.pdf>

¹⁰ National/regional supervisors may request that banks begin reporting large exposures to them on the basis of the BCBS framework ahead of January 2019 to facilitate bank preparation and to identify any instances in which banks might have difficulties in transitioning to the new large exposures regulation.

In addition to these finalised measures, **the BCBS continues its review of the scope of consolidation for prudential regulatory purposes** with a view to developing guidance to ensure all banking activities, including banks' on- and off-balance sheet interactions with the shadow banking system, are appropriately captured in prudential regimes. It plans to develop proposals for public consultation by the end of 2015.

2.2. Reducing the susceptibility of MMFs to “runs”

MMFs are important non-bank credit intermediaries as well as a source of wholesale funding for the banking system, and can provide investors with a deposit-like instrument redeemable at short notice and at par. In the crisis, MMFs proved susceptible to contagious investor runs. IOSCO issued final policy recommendations in October 2012 that provide the basis for common standards of regulation and management of MMFs across jurisdictions, including a recommendation that regulators should require, where workable, a conversion of MMFs with stable Net Asset Value (NAV) to floating NAV.

Since the publication of the recommendations, national and regional authorities are making progress in reforming their regulatory frameworks for MMFs. In the US, the world's largest MMF market, the Securities and Exchange Commission (SEC) adopted amendments to the rules that govern MMFs in July 2014 to address risks of investor runs, while preserving the benefits of those funds.¹¹ The new rules will require a floating NAV for prime MMFs with institutional investors (funds that experienced a run during the financial crisis), so that the daily share prices of these funds fluctuate along with the market value of the funds' assets. For non-government MMFs with solely retail investors, the new rules provided boards of directors of these funds new tools, including liquidity fees and redemption gates, to manage redemptions pressures. The new rules also included enhanced diversification, disclosure and stress testing requirements, as well as updated reporting by all MMFs. A two-year transition period for the principal reforms is set to enable both funds and investors time to fully adjust their systems, operations and investing practices.

Meanwhile, in the EU, the second-largest MMF market, the European Commission issued a proposal in September 2013. The proposals include a 3% capital buffer for constant NAV funds, asset diversification requirements, daily and weekly liquidity requirements, as well as a number of other requirements relating to eligible assets, valuation methods, use of external credit ratings, transparency and reporting.¹² The proposal is currently debated both in the European Council and the European Parliament.

At the international level, **IOSCO is currently undertaking a “level one” peer review (i.e. review on timeliness of adoption) on the progress of national/regional regulatory reforms for MMFs in the areas covered by the IOSCO recommendations.** The review aims to cover all FSB member jurisdictions and those IOSCO members from non-FSB member jurisdictions with significant MMF sectors. The preliminary findings, based on self-assessments as of August 2014, indicate that most FSB member jurisdictions have measures in force or progressing towards their intended outcome. The final report will be published in the second quarter of 2015.

¹¹ <http://www.sec.gov/rules/final/2014/33-9616.pdf>

¹² http://ec.europa.eu/internal_market/investment/docs/money-market-funds/130904_mmfs-regulation_en.pdf

2.3. Improving transparency and aligning incentives in securitisation

Securitisation involves pooling and selling loans or contractual debt to investors as bonds, asset backed securities, or collateralised obligations. In the run up to the crisis, misaligned incentives in the credit origination process weakened lending standards, while securitisation structures grew increasingly opaque, hiding growing amounts of leverage and maturity mismatching in their funding.

Final policy recommendations by IOSCO based on a stock-take of national/regional reforms, especially those related to transparency, standardisation and risk retention requirements, were issued in November 2012.¹³ Based on its recommendations, **IOSCO is currently undertaking a level one peer review on national/regional approaches to align incentives associated with securitisation, including risk retention requirements.** It will be a review of progress in adopting measures taken (or planned adoption) by all FSB members and those IOSCO members whose markets contain significant securitisation activity. The preliminary findings, based on self-assessments as of June 2014, indicate that there has been good progress in implementing the recommendations, with a majority of responding jurisdictions having adopted measures or taken some actions to implement the recommendations (e.g. publication of drafts).¹⁴ The final report will be published in the second quarter of 2015.

The resumption of sound securitisation is a goal of the wider financial reform programme, and the FSB and the SSBs will continue to review and address impediments in this regard. The BCBS and IOSCO have established a cross-sectoral working group to identify factors that may be hindering the development of sustainable securitisation markets, and develop criteria to identify and assist in the development by the financial industry of simple and transparent securitisation structures. They are considering the publication of a consultation paper to identify simple, transparent and comparable securitisations. The document setting out criteria agreed for consultation is expected to be published in late 2014.

2.4. Dampening procyclicality and other financial stability risks in securities financing transactions

Securities financing transactions (SFTs), including securities lending and repurchase (repo) agreements, support price discovery and secondary market liquidity for a wide variety of securities, and are central to financial intermediaries' market-making activities as well as to their various investment and risk management strategies. However, SFTs can also be used by non-banks to build-up excessive leverage as well as maturity and liquidity mismatched exposures. As a result, some of these funding markets – for example, the repo market backed by asset-backed securities (ABS) collateral – shrank dramatically during the crisis, with widening haircuts and shortening of maturities.

In October 2014, the FSB published the regulatory framework for haircuts on non-centrally cleared SFTs, which takes into account public consultation findings as well as the results of a two-stage quantitative impact study (QIS).¹⁵ This Framework complements the

¹³ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD394.pdf>.

¹⁴ For example, the US agencies approved a final rule requiring sponsors of securitisation transactions to retain risk in those transactions on 22 October 2014 (see <http://www.federalreserve.gov/newsevents/press/bcreg/20141022a.htm>).

¹⁵ http://www.financialstabilityboard.org/wp-content/uploads/r_141013a.pdf

FSB's policy recommendations to address shadow banking risks in relation to SFTs that had already been finalised in August 2013.¹⁶ **The Framework aims to limit the build-up of excessive leverage outside the banking system and to help reduce the procyclicality of that leverage.** It consists of: (i) qualitative standards for methodologies used by market participants that provide securities financing to calculate haircuts on the collateral received; and (ii) numerical haircut floors that will apply to non-centrally cleared SFTs in which financing against collateral other than government securities is provided to entities other than banks and broker-dealers (referred to for simplicity as "non-banks"). The numerical haircut floors set an upper limit on the amount that banks and broker-dealers can lend against securities of different credit quality.

The FSB has also issued a consultative proposal on the application of the numerical haircut floors to non-bank-to-non-bank transactions to ensure that shadow banking activities are fully covered and, to reduce the risk of regulatory arbitrage and maintain a level-playing field. The FSB plans to complete this work and to set out details as to how it will monitor implementation of the Framework by the second quarter of 2015. The Framework will be implemented by the end of 2017.

Besides the Framework, the FSB and its members have started to implement the policy recommendations that were finalised in August 2013. Based on the recommendations to improve transparency, the **FSB has been developing, in cooperation with market participants, standards and processes for global data collection and aggregation on SFTs that are relevant for financial stability monitoring and policy responses.** Such standards and processes would allow the FSB to collect from national/regional authorities periodic aggregated data on repos, securities lending and margin lending, based on consistent definitions and minimal double-counting at the global level. The standards were published for public consultation in November 2014 and will be completed in 2015.¹⁷ The FSB will also develop an implementation timeline for the global data collection and aggregation by the end of 2015, and will consider potential publication of meaningful aggregates on the global securities financing markets to improve market transparency.

Meanwhile, national/regional authorities as well as market participants have launched legislative and/or data collection initiatives to better understand their securities financing markets and improve market transparency in light of the FSB recommendations. For example, in January 2014, the European Commission adopted a proposal for a Regulation on reporting and transparency of SFTs in the EU, which included a requirement for SFTs to be reported to a trade repository.¹⁸ The European Systemic Risk Board conducted a data collection exercise to gain some initial insights into the structure of the securities financing market and the practices adopted by market participants concerning the re-investment of cash collateral received through securities lending and the re-use of non-cash collateral sourced through SFTs and other transactions.¹⁹ In the US, the Office for Financial Research, in cooperation

¹⁶ http://www.financialstabilityboard.org/wp-content/uploads/r_130829b.pdf

¹⁷ <http://www.financialstabilityboard.org/wp-content/uploads/Global-SFT-Data-Standards-Consultative-Documents.pdf>

¹⁸ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014PC0040&from=EN>.

¹⁹ https://www.esrb.europa.eu/pub/pdf/occasional/20140923_occasional_paper_6.pdf.

with other US authorities, has announced a data initiative to help identify the data gaps with a focus on bilateral repo markets.²⁰

The FSB has **established an expert group to take stock of the current regulatory approaches on re-hypothecation of client assets and examine their possible harmonisation.**²¹ The expert group will also review the financial stability issues regarding the re-use of collateral more generally. Re-hypothecation of client assets and re-use of collateral can create financial stability risks. For example, re-hypothecation of client assets risks may pose risks if clients are not informed about the extent to which their assets have been re-hypothecated, or if there is uncertainty about the treatment in case of resolution or bankruptcy. Re-use of collateral may give rise to increased interconnectedness. The expert group will report by the end of 2015.

2.5. Assessing and mitigating systemic risks posed by other shadow banking entities and activities

Recognising that shadow banking entities and activities take a variety of forms and evolve over time, the FSB has developed a forward-looking high-level policy framework for adoption by authorities to detect and assess the sources of financial stability risks from shadow banking in the non-bank financial space, and apply appropriate policy measures where necessary to mitigate these risks.

The framework comprises: (i) an assessment of non-bank financial entity types based on five economic functions;²² (ii) the adoption of policy tools to mitigate financial stability risks where necessary; and (iii) information-sharing by FSB member authorities through the FSB process to maintain international consistency in applying the framework, minimise gaps in regulation and detect new adaptations.²³ By focusing on economic functions (or activities) rather than legal forms, this framework is intended to allow authorities to capture innovations and adaptations. Furthermore, it is expected that the framework will provide a structured process to further enhance the FSB's annual monitoring exercise as well as for authorities to assess the need for extending the regulatory perimeter.

Based on the framework, the FSB launched in May 2014 an initial information-sharing exercise to exchange information on the status of national authorities' implementation of the framework and to refine the detailed information-sharing process to prepare for future exercises.²⁴ The preliminary assessment by the FSB showed that most non-bank financial entities that authorities judged to be potentially involved in shadow banking activities have relevant authorities responsible for their oversight, and a range of policy tools is available to

²⁰ <http://www.treasury.gov/connect/blog/Pages/OFR-Teams-with-Fed-to-Fill-Key-Gap-in-Financial-Data.aspx>.

²¹ Re-hypothecation can replace ownership of client assets (e.g. securities) with a contractual claim on a financial institution to return equivalent securities, with ownership of the re-hypothecated assets (e.g. securities) transferring to this institution. The experts group plans to also clarify the definitions and terms associated with re-hypothecation.

²² Each of the five economic functions involves non-bank credit intermediation that poses bank-like systemic risks (e.g. maturity/liquidity transformation and leverage).

²³ http://www.financialstabilityboard.org/wp-content/uploads/r_130829c.pdf

²⁴ Fourteen jurisdictions, representing over 80% of the non-bank financial assets of FSB member jurisdictions, participated in the initial exercise. For details, see Annex 3 of the 2014 Global Shadow Banking Monitoring Report (http://www.financialstabilityboard.org/wp-content/uploads/r_141030.pdf).

address the respective risks. The FSB is undertaking a more in-depth analysis of the findings and also plans to further refine the templates to improve comparability and assessment.

Using the refined templates, the FSB will conduct the comprehensive exercise next year covering all FSB member jurisdictions. The results of next year's exercise will provide the basis for a peer review of member jurisdictions' implementation of the policy framework. Based on the findings, the FSB will evaluate the case for developing further policy recommendations for relevant shadow banking entities and will report the results to the G20 Finance Ministers and Central Bank Governors in 2015.

3. Next steps

Following the G20 Brisbane Summit in November 2014, the FSB and its members will take forward work to transform shadow banking into resilient market-based financing, based on the Roadmap for 2015 as set out in Annex:

- *Monitoring of the global trends and risks in the shadow banking system:* The FSB will continue to conduct its annual monitoring exercise and publish its results in the fourth quarter of 2015. The results will include the analysis of the global hedge fund sector by IOSCO. (Item 7 of the Roadmap)
- *Development of the guidance on the scope of consolidation for bank prudential regulation:* The BCBS will develop the guidance for public consultation on the scope of consolidation for bank prudential regulation and issue it by end-2015. (Item 11)
- *Finalisation of the application of numerical haircut floors for non-centrally cleared SFTs to non-bank-to-non-bank transactions:* The FSB will complete its work on the proposed application of numerical haircut floors to non-bank-to-non-bank SFTs, taking into account public responses, by the second quarter of 2015. It will also set out details of monitoring the national/regional implementation of the regulatory framework for haircuts on non-centrally cleared SFTs. (Item 2)
- *Implementation of the regulatory framework for haircuts on non-centrally cleared SFTs at the international level:* The SSBs will review existing regulatory requirements in line with the FSB's regulatory framework for haircuts on non-centrally cleared SFTs, in particular the qualitative standards for methodologies used by market participants by end-2015. In addition, the BCBS will incorporate the numerical haircut floors into the Basel III framework. (Item 10)
- *Finalisation of the standards and processes for the global securities financing data collection and aggregation:* The FSB will complete its standards and processes for the global securities financing data collection and aggregation based on the public consultation findings by end-2015. It will also develop an implementation timeline. (Item 8)
- *Preparation of the findings on the possible harmonisation of regulatory approaches to re-hypothecation:* The FSB will prepare its final findings on the possible harmonisation of regulatory approaches to re-hypothecation of client assets and review possible financial stability issues related to collateral re-use by end-2015. (Item 9)

- *Refinement of the information-sharing process for the high-level policy framework for other shadow banking entities:* The FSB will refine the detailed procedure for information-sharing by March 2015 based on the findings from its initial information-sharing exercise. The refined procedure will be applied to the exercise in 2015 that will cover all FSB members. (Item 1)
- *Monitoring the implementation of policy recommendations:* Shadow banking is one of the priority areas highlighted by the FSB that, under the Coordination Framework for Implementation Monitoring (CFIM),²⁵ should undergo intensive monitoring and detailed reporting once implementation is underway. In this regard, IOSCO will publish the final results of its “level one” peer review on the implementation of its recommendations on MMFs and securitisation in the second quarter of 2015. It will also consider developing a plan for regular monitoring and reporting on the timeliness, consistency and effects of these reforms. The FSB will launch a peer review of its policy framework for other shadow banking entities in 2015. Based on the findings, the FSB will evaluate the case for developing further policy recommendations for the relevant shadow banking entities and report the results to the G20 in 2015. The FSB will continue to coordinate with the relevant SSBs to ensure that implementation monitoring in this area is effective and satisfies the G20 reporting requirements under the CFIM. (Items 3, 4, 5 and 6)

The FSB will report on the progress of the above work to the G20 in November 2015.

²⁵ http://www.financialstabilityboard.org/wp-content/uploads/r_111017.pdf

Annex: Updated G20 Roadmap towards Strengthened Oversight and Regulation of Shadow Banking in 2015

1	2014 Q4 – 2015 Q1	FSB to refine the information-sharing process within its policy framework for other shadow banking entities so as to start the comprehensive information sharing exercise with all FSB members in 2015.
2	2015 Q2	FSB to finalise its work on the application of numerical haircut floors for non-centrally cleared securities financing transactions (SFTs) to non-bank-to-non-bank transactions and set out details of monitoring implementation of the regulatory framework for haircuts on SFTs.
3	2015 Q2	IOSCO to publish the final results of its “level one” peer review (i.e. review on timeliness of adoption) on the progress of national/regional regulatory reforms for MMFs in the areas covered by the October 2012 IOSCO recommendations, and to consider developing a plan for regular monitoring and reporting on the timeliness, consistency and effects of these reforms.
4	2015 Q2	IOSCO to publish the final results of its “level one” peer review on the national/regional approaches to implement the November 2012 IOSCO recommendations to align incentives associated with securitisation, including risk retention requirements, and to consider developing a plan for regular monitoring and reporting on the timeliness, consistency and effects of these reforms.
5	2015	FSB to launch a peer review regarding member jurisdictions’ implementation of its policy framework for other shadow banking entities. Based on the findings, the FSB should evaluate the case for developing further policy recommendations for relevant shadow banking entities and report the results to G20 FM and CBG in 2015.
6	2015 Q4	FSB to report to the G20 on the overview progress of shadow banking reforms, drawing on monitoring and peer reviews by the FSB and standard-setting bodies.
7	2015 Q4	FSB to publish results of its fifth shadow banking monitoring exercise. IOSCO to contribute its analysis of the global hedge fund sector to the FSB within the scope of the FSB’s regular shadow banking monitoring.
8	End of 2015	FSB to complete its work on the standards and processes for the global securities financing data collection and aggregation. Thereafter, the required operational arrangements will be considered. It will also define by the end of 2015 a proposal with a timeline for the implementation of the data collection.
9	End of 2015	FSB to prepare its final findings on the possible harmonisation of regulatory approaches to re-hypothecation of client assets and review of possible financial stability issues related to collateral re-use.
10	End of 2015	Standard setting bodies to review existing regulatory requirements in line with the FSB regulatory framework for haircuts on non-centrally cleared SFTs. BCBS to incorporate the numerical haircut floors into the Basel III framework.
11	End of 2015	BCBS to develop guidance for public consultation on the scope of consolidation of prudential regulatory purposes to ensure all banks’ activities are appropriately captured in prudential regimes.