FSB FINANCIAL STABILITY BOARD

A Coordination Framework for Monitoring the Implementation of Agreed G20/FSB Financial Reforms

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A Coordination Framework for Monitoring the Implementation of Agreed G20/FSB Financial Reforms

1. Introduction

At the request of the G20, the FSB has monitored progress in the development and implementation of the G20 recommendations for financial sector policy reforms since the Washington Summit in November 2008. The regular reports to G20 Ministers and Governors and to G20 Leaders have to this point focused primarily on the progress of global policy development in major reform areas.

The FSB has coordinated effectively with the relevant standard-setting bodies (SSBs) on substantial policy development work in a number of key areas critical for strengthening global financial stability. Going forward, the success of the financial regulatory reform efforts in these areas depends on the complete and globally consistent implementation of these policies. This implementation process is increasingly the focus of public and financial industry attention. FSB member jurisdictions have made a commitment to lead by example. It is important to monitor, assess and report on the implementation of agreed reforms to ensure that jurisdictions live up to their commitments.

The FSB is responsible for coordinating and promoting the monitoring of the implementation of agreed G20/FSB financial reforms and its reporting to the G20. This mandate was given to the FSB by the G20 Leaders in its Charter and in G20 Summit Declarations.[1] In order to strengthen the coordination and effectiveness of this monitoring, the FSB, in collaboration with relevant SSBs, has established a Coordination Framework for Implementation Monitoring (CFIM). The CFIM will promote effective and prioritised monitoring by facilitating ongoing consultation and collaboration between the FSB and SSBs as well as by allocating their scarce resources efficiently based on comparative advantage.

This document describes the objectives, scope and structure of the CFIM, especially in priority areas that require enhanced monitoring. In addition, the document clarifies the respective roles of the FSB and SSBs in monitoring national implementation efforts, including those instances where the primary responsibility for monitoring resides with a specific SSB - as in the case of the Basel Committee on Banking Supervision (BCBS) for Basel III (see section 5).

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[1] Article 1 (Objectives) of the FSB Charter calls for the FSB "to coordinate at the international level the work of national financial authorities and international standard setting bodies... in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies" (http://www.financialstabilityboard.org/publications/r_090925d.pdf). At the Pittsburgh Summit in September 2009, G20 Leaders stated that "the FSB's ongoing efforts to monitor progress will be essential to the full and consistent implementation of needed reforms" (para. 11, page 7, http://www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf).

2. Existing implementation monitoring mechanisms

Implementation covers the period from the development of an international standard or policy through its adoption via changes in laws and regulations at national/regional levels to actual practice by market participants and oversight/enforcement by national authorities. International monitoring of this process, in all its phases, helps to ensure complete and consistent implementation across jurisdictions and the effectiveness of the standard or policy in achieving its desired results, and demonstrates accountability by providing information on implementation progress to the public.

Various mechanisms are already in place for monitoring the implementation of international financial standards and policies and for reviewing their effectiveness. They include IMF-World Bank Financial Sector Assessment Program (FSAP) and Reports on the Observance of Standards and Codes (ROSC) assessments; FSB thematic and country peer reviews and progress reports; and monitoring and review processes carried out by the SSBs (Annex A).

Existing monitoring mechanisms vary in terms of their intensity. At one end of the spectrum are mechanisms that are essentially channels for exchanging and disseminating information but involve no collective scrutiny or analysis of the self-reported information. For example, the FSB's Implementation Monitoring Network (IMN) collects information from national authorities about progress in implementing the G20/FSB recommendations on financial regulation and oversees reporting of this information to the G20.

Other mechanisms incorporate an evaluation process, wherein information provided by national authorities is subject to varying levels of scrutiny and analysis. Within the FSB, the most intensive monitoring mechanism is the peer review programme undertaken by the Standing Committee on Standards Implementation (SCSI).

At the other end of the spectrum of implementation monitoring is an independent assessment of compliance/observance of an international financial standard. Under such an assessment, experts independently evaluate (on the basis of an agreed-upon methodology) to what extent a jurisdiction has effectively implemented that standard and identify weaknesses so that they can be subject to remedial measures by the authorities. The most prominent examples of this mechanism are the FSAPs and ROSCs. Assessing whether standards have been implemented in practice – and not only in principle – requires substantial resources and on-site visits.

The two main types of FSB implementation monitoring mechanisms – progress reports of various types[2] and peer reviews[3] – are inter-related and complement each other in terms of the desired scope, timing and intensity. Implementation progress reports tend to be less in-depth, but are more regular and frequent than peer reviews, and can cover both global policy development and national implementation. Peer reviews are fewer in number, more focused and resource-intensive ("deep dives") than progress reports and – in the case of thematic

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[2] Progress reports can cover a specific policy area or span across different areas. An example of the former is the October 2011 report on OTC derivatives market reforms (http://www.financialstabilityboard.org/publications/r_111011b.pdf). An example of the latter is the April 2011 progress report to G20 Finance Ministers and Central Bank Governors meeting on the implementation of the G20 recommendations for strengthening financial stability (http://www.financialstabilityboard.org/publications/r_110415a.pdf).

[3] The reports for all completed country and thematic peer reviews are publicly available on the FSB's website (http://www.financialstabilityboard.org/list/fsb_publications/tid_141/index.htm).

reviews – typically take place once national implementation of a standard or policy is sufficiently underway.

3. Objectives and scope of the CFIM

The existing monitoring mechanisms have been developed separately under different institutional arrangements. In the case of G20/FSB recommendations, the relevant FSB monitoring mechanisms lack an overarching coordination framework or an explicit reporting and governance structure. In addition, some SSBs have recently launched, or are in the process of launching, mechanisms to monitor the implementation of some of their own standards. A coordination framework is therefore needed to integrate the reporting processes for monitoring G20/FSB recommendations and to clarify the lines of responsibility and accountability in order to facilitate consistent and timely policy implementation. Such a framework will enable the FSB to better coordinate between different mechanisms and to efficiently utilise the monitoring efforts by SSBs as part of its own monitoring and reporting, thereby reducing the risk of duplication while ensuring that priority areas get the attention and thorough coverage they deserve.

The objectives of the FSB CFIM are to:

- ensure that implementation monitoring processes are comprehensive, rigorous and timely (with a particular focus on designated priority areas), and that they promote the overall coherence and cross-sectoral/functional consistency of implementation;
- generate comprehensive and consistent information on the nature and pace of implementation of agreed G20/FSB recommendations so that it can be reported to the G20 and to the public at-large, particularly for designated priority areas;
- identify and help to reduce impediments to, and gaps in, implementation by providing political impetus and leveraging peer pressure; and
- identify useful lessons from experience (learning from peers) on the effectiveness of the policy reforms and the associated standards as well as on any unintended consequences.

The motivation for having such a framework is ultimately to ensure that the agreed G20/FSB financial reforms are effectively implemented and have the intended results on global financial stability. Given its mandate and its diverse membership, the FSB is well-positioned to assess the overall coherence and consistency of implementation efforts across its members and to alert relevant bodies of any significant impediments or unintended consequences to implementation.

The scope of application of the CFIM is determined by the FSB's mandate and the responsibilities assigned to it by the G20. In particular, the CFIM will cover those regulatory, supervisory and other financial sector reforms that have been agreed by the G20/FSB in the aftermath of the global financial crisis. The framework does not extend to the monitoring on the implementation of other financial sector policies and standards (some of which are already monitored by other bodies and processes, for example via SSB monitoring and review

mechanisms, IMF Article IV surveillance and IMF-World Bank FSAP/ROSC assessments[4]) unless explicitly mandated by the G20/FSB.

4. Overview of the CFIM

The FSB coordination framework for implementation monitoring addresses the questions of what to monitor; how to monitor; who should monitor; and to whom the information should be reported and disseminated. It has three basic elements:

1. Reporting structure – description of the structure of information flows and of the governance arrangements underpinning the framework, including the allocation of responsibilities for monitoring among various bodies (including the SSBs);
2. Information requirements – identification of the information that needs to be collected, analysed, reported and disseminated within the FSB and to other parties (including the G20 and the public) for monitoring purposes, including the outputs of such monitoring; and
3. Process – design of the actual process that will be followed.

Reporting structure

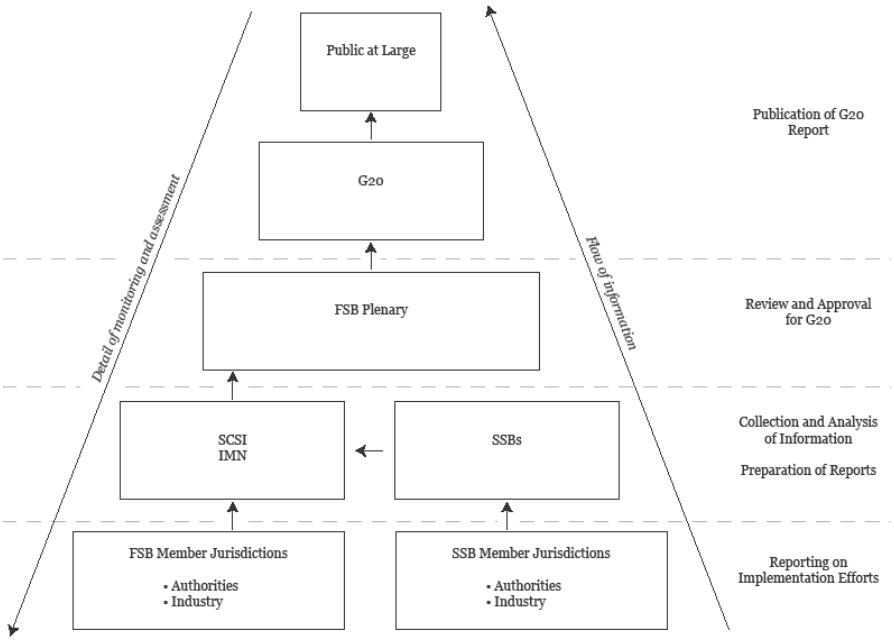
The information flows for G20 reporting that underpin the CFIM can be visually represented in the form of a pyramid (Figure 1). This structure is quite similar to what is already (implicitly) followed by existing FSB monitoring mechanisms such as progress reports and peer reviews: detailed information on national implementation is collected by the most relevant bodies and funnelled via the FSB to the G20 and to the public.

The SCSI will play a coordinating role within the FSB in monitoring implementation efforts under the CFIM. Since it includes representatives from the SSBs, OECD, IMF and World Bank, and given that it already runs the FSB's peer review programme and oversees the IMN, the SCSI provides a natural vehicle for playing such a role.

The FSB will assess the overall progress in implementation in each area being monitored by reviewing the information collected and reported for this purpose. Depending on the intensity of monitoring in an area, the relevant body (e.g. an FSB working group or an SSB) will collect and analyse information, and will include the results and any recommendations in a progress report. The SCSI (and/or other FSB Committees as appropriate) will review implementation progress on the basis of the information included in the report and identify issues to highlight and recommendations to convey to the G20, which will be submitted to the Plenary for approval.

[4] There is a large number of international financial standards issued by SSBs. Twelve of these standards have been designated by the FSB as key because of their importance for sound financial systems, and compliance with these standards is assessed on a voluntary basis by the IMF and World Bank as part of their Standards and Codes Initiative.

Figure 1: Structure of CFIM Information Flows for G20 Reporting[5]



As in the case of global policy development, the FSB's role in implementation monitoring will be closely coordinated with the SSBs in areas of shared responsibility. Depending on the specific area to be monitored, the FSB and the relevant SSB will consult to obtain an efficient division of responsibilities.

In the case of *periodic progress reporting*, an SSB will take primary responsibility for monitoring and reporting on national implementation efforts if:

- the G20/FSB recommendation falls solely within the area of responsibility of the SSB (e.g. a sector-specific standard); and
- the SSB has the commitment and capacity to conduct rigorous monitoring of implementation by FSB member jurisdictions in that area.

In those cases, the relevant SSB will consult the SCSI on its monitoring and reporting plans so that the SCSI can determine their consistency with the G20/FSB information reporting requirements (see below).

In areas that do not fall within the purview of a single SSB or where the SSB does not monitor implementation itself, the FSB will be responsible for monitoring national implementation.

In the case of *thematic peer reviews*, the SSB will take primary responsibility for undertaking the peer review if:

- the topic being reviewed falls solely within the area of responsibility of a single SSB (e.g. a sector-specific standard); and

[5] The figure only includes the information flows for G20 reporting that underpin the CFIM. It does not include other information flows and reporting processes of SSBs stemming from their own structures and governance arrangements.

- the SSB has a robust peer review mechanism in place that is comparable to that of the FSB.

In those cases where the SSB takes primary responsibility for the peer review, the SSB will consult with the SCSI on the objectives, scope, methodology and timelines of the review to ensure that they will satisfy G20/FSB information reporting requirements. In all other cases, the SCSI will take primary responsibility for conducting the peer review, but it will coordinate with the relevant SSBs and seek their support on different aspects of the process as appropriate.[6] Such cases include peer reviews in areas where there is no international standard (for example, the recent peer review on residential mortgage underwriting practices), when the relevant standard has been developed by the FSB itself (for example, the peer reviews on compensation practices), or when the standard is of a cross-sectoral nature where no single SSB is responsible.

Information requirements

The CFIM distinguishes between areas that need special attention (priority areas) and other areas in terms of the depth of information required for implementation monitoring. While the financial regulatory reform agenda is comprehensive and must be implemented in full, prioritisation of monitoring efforts would help the FSB and international bodies, as well as member jurisdictions, to focus their limited monitoring resources. The Plenary will determine the priority areas (see below) and review those areas annually in light of policy developments at the international level.

Priority areas: The implementation of reforms in priority areas will undergo more intensive monitoring and detailed reporting than for other areas. In particular, the information to be included in progress reports for priority areas will:

- be collected and reported frequently (e.g. at least once a year) so that it is timely;
- provide regular country-by-country implementation details covering the scope of application into national laws and regulations (compared to the agreed scope), and the implementation of those laws and regulations, including the process and timeline for the roll-out (compared to the agreed timelines);
- contain, when appropriate, other information that may be relevant for assessing implementation progress (e.g. impact of reforms on the financial industry in terms of quantitative data or qualitative description of major changes in market and institutional practices), including feedback from the industry and the public;
- highlight issues and lessons of experience that implementation has raised for the authorities and market participants (including issues of lagging or ineffective implementation and of any unintended consequences); and
- include potential recommendations to address major impediments to, or gaps in, implementation.

[6] These include, for example, defining the terms of reference for the review; contributing staff to the review team; designing the questionnaire for completion by FSB members; developing evaluation criteria for use in the peer review if these do not already exist; analysing the results; and drafting the report to be discussed by the SCSI.

The FSB will discuss the information included in the implementation progress report for each priority area and determine issues to highlight and recommendations to convey to G20 Leaders. To meet public and market interest and to buttress transparency and accountability, a significant part of the detailed information in these reports will be made public. This would help foster a race to the top by giving due credit to jurisdictions that have implemented the agreed standards and policies, and by identifying good practices and lessons of experience that may be of use to other countries.

Building on the findings from periodic progress reports, the implementation of reforms in each priority area will also be subject to one or more thematic peer review(s) by the FSB once implementation is sufficiently underway. As previously mentioned, if the topic being reviewed falls solely within the purview of a single SSB that has a robust peer review mechanism in place, then the SSB will take primary responsibility for conducting the peer review and providing the necessary information to the FSB for its reporting requirements. The objective of the review will be to evaluate the consistency in cross-country implementation of the relevant standard or policy and to assess its effectiveness in achieving the intended results.[7]

Other areas: In contrast to priority areas, the monitoring on the implementation of G20/FSB reforms in other areas will not be as intensive. National reporting will continue to be based on existing information collection efforts undertaken by the IMN and reported to the G20, although some of that information may instead be collected and reported to the IMN by the SSBs (see below). Thematic peer reviews will continue to be undertaken by the FSB on topics other than the priority areas based on the existing prioritisation criteria that are described in the *Handbook for FSB Peer Reviews*. In order to ensure effective coordination and optimise the selection of topics for such reviews, the SSBs and the SCSI will consult regularly on their respective monitoring and review work programs.

Process

The design of the actual process to be followed will depend on the specific area to be monitored and the allocation of responsibilities for monitoring among various bodies (see below for examples in certain priority areas). The process should be flexible and streamlined, and it should facilitate ongoing consultation and collaboration between the FSB and SSBs.

Progress reporting: The SCSI and the SSBs will consult to determine the specific allocation of responsibilities and design of the implementation monitoring and reporting process across different areas. When an SSB has primary responsibility for the monitoring of implementation progress in a specific area, the FSB will not directly survey member jurisdictions for this purpose. If that area is deemed by the FSB to be a priority area, the information collected will be sufficiently detailed to conform with the information requirements described above.

The overall G20 progress report will continue to be prepared by the FSB Secretariat, in collaboration with the IMN, for review and approval by the SCSI and Plenary. This report will be accompanied by a scoreboard summarising the status of progress in global policy development and implementation, which will be prepared by the FSB Secretariat based on

[7] The information requirements for thematic peer reviews are determined on a case-by-case basis for each review and included in the questionnaire sent to FSB members for completion at the time of the review.

input from the various monitoring processes. It will also be complemented by additional, detailed stand-alone progress reports prepared by relevant FSB working groups or SSBs on priority areas as described above.[8]

Thematic peer reviews[9]: The process to be followed is described in the *Handbook for FSB Peer Reviews*. In those cases where the SSB takes primary responsibility for the peer review, the SSB will consult with the SCSI on any changes to the designated process that may be necessary so that they can be included in the terms of reference for that peer review.

Implications for the Implementation Monitoring Network (IMN)

The IMN will remain the FSB information collection 'hub' and portal on national implementation progress across the entire spectrum of G20/FSB financial sector reforms, and the information it collects will continue to be published on the FSB website. However, in order to enhance the quality of information and streamline the relevant processes, the IMN will rely on SSBs and/or other bodies - as opposed to national authorities - to report on national implementation in certain areas (particularly priority areas) as appropriate. The IMN will play an enhanced role under the CFIM by reviewing information on national implementation in other (non-priority) areas, and by helping to prepare the overall implementation progress report for the G20. In particular, IMN members will collectively review the information they collect in order to ensure consistency in the level of detail provided across national authorities and to facilitate the identification of lagging areas that would need to be brought to the attention of the SCSI and considered as potential candidates for a thematic peer review.

5. Priority areas

As mentioned above, the FSB Plenary will determine priority areas that will undergo more intensive monitoring and detailed reporting than the one currently undertaken by the IMN. The selection of a priority area is based on the importance of consistent and comprehensive implementation of reforms in that area for global financial stability, as determined by the G20. The SCSI will be responsible for proposing changes to the list of priority areas annually (based on a process and a set of criteria that it will develop for this purpose), which will be discussed and approved by the Plenary. Once an area is removed from the priority list, it will continue to be monitored along with other non-priority areas by the IMN and included in the overall G20 implementation progress report.

The current list of priority areas agreed by the FSB is as follows:

1. ***Basel II/II.5/III framework***: The BCBS, FSB and G20 members have committed to put in place the necessary regulations or legislation to implement the Basel III framework starting on 1 January 2013, so that it can be fully phased in by 1 January

[8] Implementation progress reports on other specific issues will continue to be prepared as appropriate, and the findings of these reports will also feed into the IMN, the G20 progress report and the "traffic light" table.

[9] No changes to the current set-up of country peer reviews are envisaged under the CFIM. A working group under the SCSI is currently reviewing experiences to date with FSB peer reviews and will recommend ways to further strengthen and streamline the country peer review process.

2019. All major G20 financial centres have committed to adopt the Basel II framework by 2011. In addition, the BCBS agreed in June 2010 to a coordinated start date of not later than 31 December 2011 for all elements of the July 2009 trading and securitisation package (Basel II.5).

2. ***OTC derivative market reforms***: FSB members have committed to implement by end-2012 the recommendations concerning standardisation, central clearing, exchange or electronic platform trading, and reporting of transactions to trade repositories.

3. ***Compensation practices***: FSB members agreed to implement by end-2010 the *Principles for Sound Compensation Practices* and their *Implementation Standards*.

4. ***Policy measures for global systemically important financial institutions (G-SIFIs)***: Additional loss absorbency requirements for global systemically important banks are proposed to be implemented from 2016 until 2019, while recommendations regarding resolvability assessments, recovery and resolution plans, and cross-border cooperation agreements are to be implemented from 2012 onwards. Recommendations relating to supervisory intensity and effectiveness, with various deadlines, are also included in this area. An FSB Peer Review Council, working with other bodies as appropriate, will review the full and consistent implementation of the G-SIFI measures.

5. ***Resolution frameworks***: The FSB *Key Attributes for Effective Resolution Regimes*, which will be submitted to the G20 Summit in November 2011, will form an international standard that will be subject to assessment processes. Legislative and regulatory changes will be required in many FSB member jurisdictions to implement the *Key Attributes*.

6. ***Shadow banking***: Recommendations for strengthening the regulation and oversight of the shadow banking system are included in a report for the G20 in October 2011, leading to more detailed work in 2012 to specify the policies in more detail.

Each of the priority areas described above has its own specific characteristics and timelines, so the FSB and the relevant SSBs will consult in order to determine the appropriate customisation of the information requirements and of the process for monitoring implementation.

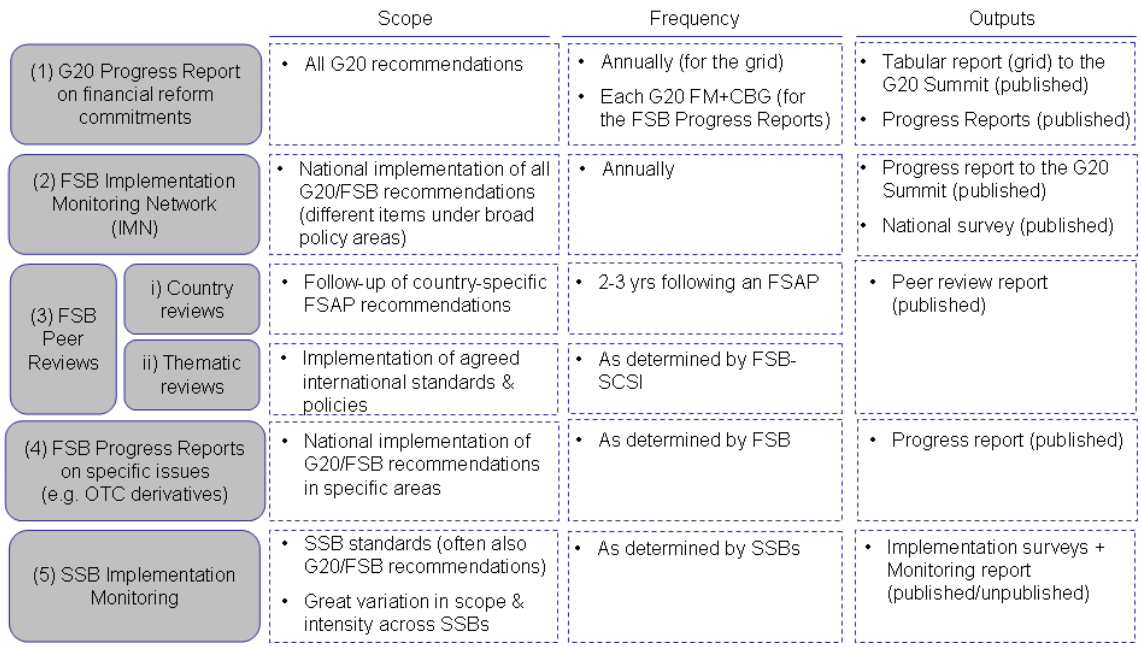
Annex B provides examples of the application of the CFIM to three priority areas: Basel III, OTC derivatives and compensation practices.

Annex A

Implementation monitoring and review initiatives by the FSB and standard setting bodies

Several mechanisms currently exist through which the FSB and SSBs monitor and evaluate the implementation of international financial standards and policies. These mechanisms are summarised in Figure 2.

Figure 2: Monitoring mechanisms at the FSB and SSBs



Financial Stability Board (FSB)

Broadly speaking, there are two main types of FSB implementation monitoring mechanisms: peer reviews and progress reports of various types. Within the FSB, the most intensive monitoring mechanism is the peer review programme undertaken by the SCSI.[10] Review teams comprised of experts are asked to evaluate the information provided by FSB members on national implementation of a specific standard or policy (for thematic reviews) or on actions taken in response to relevant IMF-World Bank FSAP/ROSC recommendations (for country reviews). Thematic peer reviews are expected to identify examples of leading and

[10] Four country reviews (Mexico, Spain, Italy, Australia) and four thematic reviews (an initial and a follow-up review of compensation practices, residential mortgage underwriting and origination, risk disclosure practices) have been completed and their reports are publicly available on the FSB's website. Three more peer reviews are currently underway – two country reviews (Canada, Switzerland) and one thematic review (deposit insurance systems).

lagging practices across FSB jurisdictions, highlight areas where actions might be needed to strengthen implementation, and analyse possible obstacles to implementation. A working group is currently reviewing experiences to date with peer reviews and will recommend ways to further strengthen the review process.

The other existing mechanisms (progress reports) are mainly channels for exchanging and disseminating information. They include reporting by certain FSB working groups on a specific policy area as well as reporting on the overall status of implementation of G20 financial reform recommendations based on Implementation Monitoring Network (IMN) survey responses. The IMN collects information from national authorities about progress in implementing the G20/FSB recommendations on financial regulation, oversees reporting of this information to the G20 and vets its publication on the FSB website. The scope of the IMN's survey is broad and each jurisdiction provides 20-60 pages of information; however, there is no collective scrutiny or analysis of that information. Reporting by the FSB Secretariat based on IMN information currently takes three forms: i) input for the publication by the G20 Chair of a recommendation-by-recommendation progress grid, largely focused on global policy development[11]; ii) summary progress report for the G20 Summit[12]; and iii) reporting of national implementation on a recommendation-by-recommendation basis.[13] This reporting will be accompanied by a scoreboard summarising the status of progress in global policy development and implementation, which will be prepared by the FSB Secretariat based on input from the various monitoring processes.

Basel Committee on Banking Supervision (BCBS)

The BCBS efforts to promote consistent and effective implementation of its standards are coordinated primarily through the Standards Implementation Group (SIG), which was established in 2009 as the successor of the Accord Implementation Group whose focus was primarily on Basel II implementation.

In order to reinforce its monitoring of Basel III implementation and to develop a stronger peer review process, the Committee recently agreed to review several key elements relating to implementation of the Basel capital framework. These elements that will be reviewed are:

- domestic implementation timelines;
- the consistency of domestic regulations with the international agreements;
- the consistency in bank-level outputs, initially focusing on the measurement of risk-weighted assets across banks, both within and across countries; and

The implementation of the Basel II and Basel III frameworks is also supported by the ongoing quantitative monitoring and periodic impact studies conducted by the Basel Committee and by the development of additional guidance through a Frequently Asked Questions process.

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[11] The most recent grid can be found at http://www.g20.org/Documents2010/07/July_2010_G20_Progress_Grid.pdf. The grid covers implementation not only of recommendations relating to financial reforms but also other issues, such as global economy and reform of the international financial institutions.

[12] See *Progress since the Washington Summit in the Implementation of the G20 Recommendations for Strengthening Financial Stability* by the FSB (November 2010, http://www.financialstabilityboard.org/publications/r_101111b.pdf).

[13] The national responses to the IMN survey are published on the FSB website (http://www.financialstabilityboard.org/publications/r_101111b.htm).

In addition, the SIG is putting in place more formal mechanisms and processes to monitor implementation, which include:

- the conduct of thematic peer reviews of selected standards based on BCBS priorities – the first such review is on *Principles for sound stress testing practices and supervision*;
- the conduct of a high-level initial assessment of the implementation of new standards to gather timely feedback via an information collection template; and
- the development of a standards surveillance framework to promote consistency and comprehensiveness of BCBS standards and to ensure that they remain up-to-date.

International Organization of Securities Commissions (IOSCO)

In addition to ongoing verification by the Screening Group on the eligibility of member jurisdictions to become signatories to the Multilateral Memorandum of Understanding (MMOU), the IOSCO has recently launched implementation surveys on the securitisation-related recommendations of the *Task Force on Unregulated Markets and Products*[14]*;* on the IOSCO *Principles for Credit Rating Agencies*[15]; and on the IOSCO *Principles for Hedge Fund Regulation*[16] (planned for later in 2011). The selection of topics is typically determined on an ad hoc basis by the Technical Committee based on a number of factors (e.g. time elapsed since the issuance of the recommendations, input from members and other bodies such as the FSB), and the surveys involve the collection of information via a template by member jurisdictions of the relevant Task Force or Standing Committee.

International Association of Insurance Supervisors (IAIS)

The IAIS recently formed a Standards Observance Subcommittee, whose mandate focuses on self-assessment and peer review of member jurisdictions. This Subcommittee is responsible for following up on the relevant recommendations of the FSB Supervisory Intensity and Effectiveness (SIE) workstream by conducting self-assessments of its members against the *Insurance Core Principles* using a web-based questionnaire. As a pilot exercise to assist with future peer reviews of SIE-recommended topics, the IAIS is currently conducting a self-assessment and peer review exercise on the topic of supervisory cooperation and information exchange across all its member jurisdictions.

Committee on Payment and Settlement Systems (CPSS)

The CPSS does not monitor the implementation of its standards by individual countries. By joint longstanding agreement, this task is carried out instead by the IMF and World Bank as part of ROSC assessments. The CPSS does, however, carry out occasional ad hoc reviews of the overall implementation to help identify standards where there may be particular problems. The last review was carried out as part of the current comprehensive review of the CPSS-IOSCO key standards.

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[14] See http://www.iosco.org/library/pubdocs/pdf/IOSCOPD348.pdf.

[15] See http://www.iosco.org/library/pubdocs/pdf/IOSCOPD346.pdf.

[16] See http://www.iosco.org/library/pubdocs/pdf/IOSCOPD293.pdf.

Annex B

Examples of progress reporting in selected priority areas

The following examples illustrate how progress reporting under the CFIM would work in three priority areas: Basel III, OTC derivatives and compensation practices.

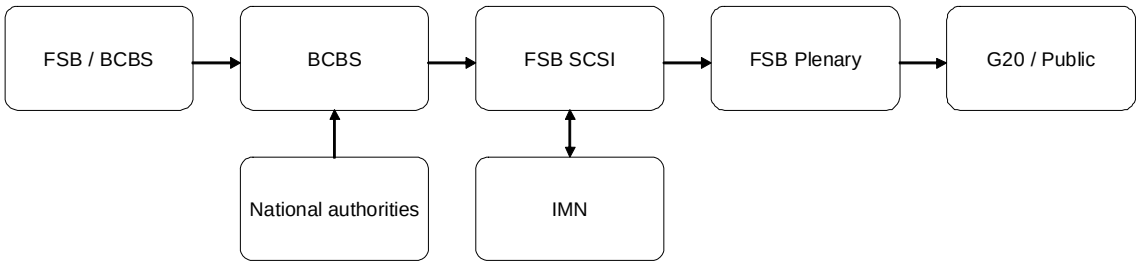
Basel III

In the case of Basel III (including Basel II and II.5), the BCBS will take primary responsibility for monitoring national implementation efforts. To this end, the FSB and the BCBS will collaborate on developing a multi-year plan for monitoring the implementation of Basel III.

The process would work as follows (see Figure 3):

- the BCBS Standards Implementation Group (SIG) will consult with the FSB SCSI to determine the process to follow and information that should be reported and published so that it is consistent with the CFIM requirements;
- National authorities submit detailed information on Basel III implementation to the BCBS;
- the BCBS analyses this information and prepares a detailed progress report;
- the information provided by the BCBS is fed into the IMN (as necessary) and is used by the SCSI to review implementation progress as well as to identify issues to highlight and recommendations to convey to the G20;
- the Plenary discusses the BCBS/SCSI assessments and approves the key messages, which are incorporated in the FSB's overall G20 implementation progress report; and
- the FSB's overall G20 implementation progress report (and possibly a significant part of the BCBS progress report) is sent to the G20 and made public.

Figure 3: Implementation monitoring and reporting process for Basel III



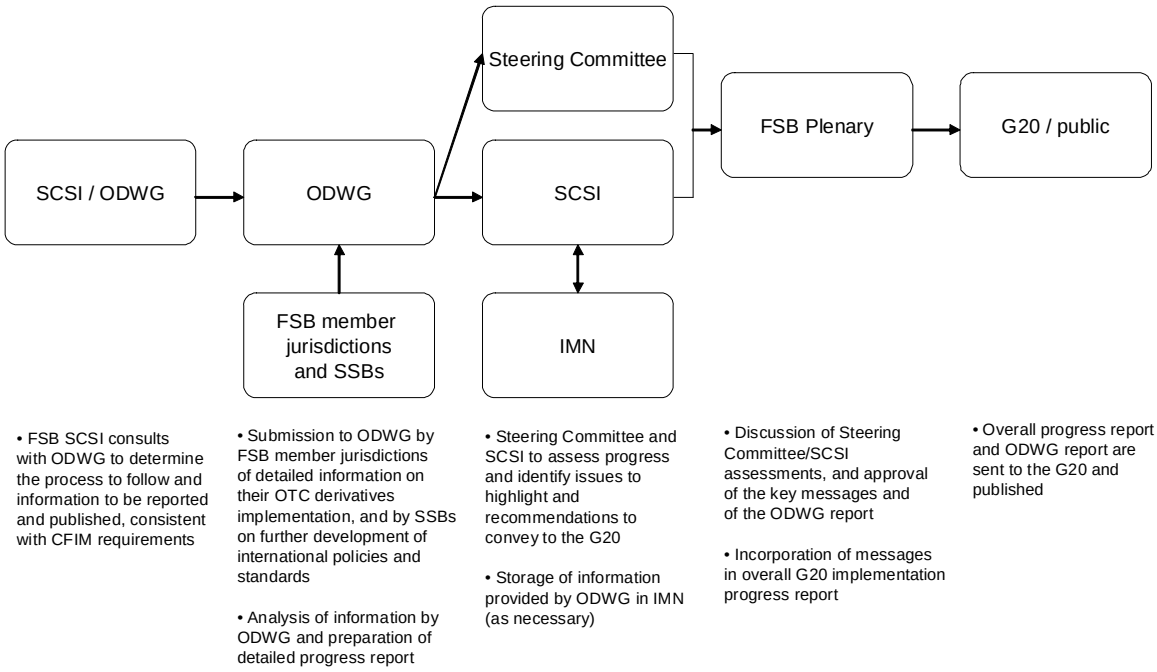
OTC derivatives

In the case of OTC derivatives, the FSB will make use of the monitoring work already undertaken by the FSB OTC Derivatives Working Group (ODWG).

The process would work as follows (see Figure 4):

- the SCSI will consult with the ODWG to determine the process to follow and information that should be reported and published, consistent with the CFIM requirements;
- FSB member jurisdictions continue to submit detailed information on their OTC derivatives implementation and the SSBs continue to provide information on further development of international policies and standards to the ODWG;
- the ODWG analyses this information and prepares a progress report (as is done currently) that includes the above information requirements;
- the information provided by the ODWG is fed into the IMN (as necessary) and is used by the Steering Committee and by the SCSI to assess implementation progress as well as to identify issues to highlight and recommendations to convey to the G20;
- the Plenary discusses the Steering Committee/SCSI assessment and approves the key messages (which are incorporated in the FSB's overall G20 implementation progress report) and the ODWG progress report; and
- the FSB's overall G20 implementation progress report and the ODWG progress report are sent to the G20 and made public.

Figure 4: Implementation monitoring and reporting process for OTC derivatives



Compensation practices

As called for by G20 Finance Ministers and Central Banks Governors[17] and recommended by the follow-up peer review on this topic[18], the FSB will undertake ongoing monitoring and public reporting on the implementation of the FSB *Principles for Sound Compensation Practices* and their *Implementation Standards* as part of the CFIM. Monitoring will focus on remaining gaps and impediments to full implementation by member jurisdictions as well as on the actions taken by relevant parties in response to the peer review's recommendations. The SCSI will determine the process to follow and specific information that should be reported and published, consistent with the CFIM requirements.

[17] Paragraph 7 of the Communiqué from the meeting in Washington DC on 14-15 April 2011 states: "*We urge all jurisdictions to fully implement the FSB principles and standards on compensation. We call on the FSB to undertake ongoing monitoring in this area and will assess the results of the 2nd peer review on compensation practices by our next meeting*" (available at http://www.g20.org/Documents2011/04/G20%20Washington%2014-15%20April%202011%20-%20final%20communique.pdf).

[18] See http://www.financialstabilityboard.org/publications/r_111011a.pdf.