For Information
19 March 2008

Ongoing and Recent Work Relevant to Sound Financial Systems

Cover note by the Secretariat for the FSF meeting on 28-29 March 2008

This cover note highlights and summarises those collective and multilateral initiatives started during the previous six months, out of the initiatives in the attached Secretariat detailed note on work relevant to sound financial systems. Contact information for projects is also provided in the detailed note.

The cover note also includes an overview of major ongoing international regulatory initiatives, including information on their schedules for public consultation and target dates for finalisation, so as to inform FSF members and other stakeholders of the international regulatory "pipeline" and the potential bunching of regulatory initiatives.

I. Macroeconomic Management, Surveillance and Transparency

1. *Debt Sustainability Framework for Low Income Countries* (IMF and World Bank, page 12)

   Debt relief to low income countries (LICs) frees up resources that they may wish to use to make faster progress toward achieving the MDGs. Meanwhile, the emergence of potential new lenders, both public and private, presents new opportunities. Such lending, however, if in excessive volumes or on unfavorable terms, could contribute to the re-emergence of debt vulnerabilities in these countries and create risks to financial and macroeconomic stability. The increasing tendency of some governments to borrow domestically adds to the complexity of assessing these risks. The ultimate objective of the Debt Sustainability Framework is to help LICs identify debt-related vulnerabilities so that they can be adequately taken into account in policy formulation. Ongoing work consists of outreach to debtors and creditors so that they can use debt sustainability analyses to inform their borrowing and lending decisions, and refining the framework as a direct input for the formulation of medium-term debt strategies.

2. *Sovereign Wealth Funds* (IMF, World Bank, and the OECD, page 13)

   Sovereign wealth funds (SWFs) are becoming an increasingly important part of the global financial system. SWFs can play a positive role in many ways, but have also created concerns, including about their impact on global financial stability, their transparency, and their investment motives. The Fund is considering the preparation of best practices for SWFs, especially to improve their transparency and to avoid market-disrupting political reaction in countries in which they may seek to invest.

3. *The Governance of Sovereign Wealth Funds* (OECD, page 13)

   A Working Group has reviewed the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* with special regard to their usefulness for sovereign wealth funds. In their meeting in March, the Group identified those elements in the *Guidelines* that they considered of particular relevance to the governance of SWFs, including provisions that separate the government's regulatory and ownership functions and ensure disclosure of any special obligations.

II. Identifying Financial System Strengths and Weaknesses

1. *Working Group on Market and Institutional Resilience* (FSF, page 21)

   Following a request by the G7, the FSF has established a Working Group on Market and Institutional Resilience. The Group has been working to develop a diagnosis of the causes of the current turmoil, identify the weaknesses that merit attention for policymakers, and recommend actions needed to enhance market discipline and institutional resilience. The Group presented a preliminary report to the G7 on 15 October 2007 and an interim report on 5 February 2008. The FSF will deliver specific recommendations in its report to the G7 in April.

2. *Subprime Crisis* (IOSCO, pages 21-22)

   In November 2007 the Technical Committee took the decision to set-up the Task Force on the Subprime Crisis (TFSC). TFSC was given the mandate to conduct a systematic review of the issues raised by the recent market turmoil in order to identify any implications for securities regulators which could be addressed through current and future Technical Committee work. The following issues are in particular being considered: risk management, transparency, due diligence, valuation of assets, related accounting issues, and rating agencies. TFSC presented a detailed preliminary report during the Technical Committee meeting in February 2008.

3. *Study Group on the Effectiveness of Central Bank Tools Used During the Recent Turmoil* (CGFS, page 22)

   The study group was established in November 2007 with a mandate to review the effectiveness of central bank liquidity management since August 2007. The group presented a preliminary report to the March 2008 CGFS meeting.

III. Market Infrastructure

Cross-border Collateral Arrangements (CPSS, page 33)

The working group on cross-border collateral arrangements (CBCA) was established to follow up on the CPSS 2006 report, entitled *Cross-border collateral arrangements*. The group will update and enrich the information included in the 2006 CBCA report through a detailed description of the existing central bank collateral policies and cross-border collateral arrangements, and will study arrangements that would need to be in place to support those central banks that want to address problems of liquidity in foreign and domestic currencies.

IV. Financial Globalisation, Market Functioning/Conduct and Transparency

1. *Global Emerging Markets Local Currency Bond (GEMLOC) program* (World Bank, pages 42-43)

   GEMLOC is a new initiative by the World Bank Group to promote development of local currency bond markets in emerging market countries (EM) and enhance financial stability through market-based incentives. GEMLOC consists of three pillars: (i) investment strategies developed and managed by a private investment manager to promote investment in local currency bonds of EM; (ii) an index developed in cooperation with IFC that will serve as a benchmark for this asset class; and (iii) advisory services provided by the World Bank Group, paid from fees generated by the investment strategies. In the first phase, the index is expected to include approximately 20 countries. Over five years, it is intended to include up to 40 countries. The

investment manager and index provider were announced in mid-February 2008. The Advisory Services program will begin in April 2008.

2. *The Use of Ratings in Structured Finance Products* (CGFS, page 47)

A study group was asked by the CGFS in November 2007 to provide an initial assessment of the potential weaknesses of structured finance ratings and to give recommendations as to what additional information from rating agencies might help investors to better assess the risks of structured products. The study group will also examine the "hard-wiring" of ratings and the role of monolines in providing credit enhancements to structured product ratings. The study group presented an interim report to the March 2008 CGFS meeting. A revised report will be distributed to the private sector participants for their feedback in April 2008.

3. *Outsourcing Arrangements for Markets* (IOSCO, pages 49-50)

The IOSCO Technical Committee report entitled *Principles on Outsourcing of Financial Services for Market Intermediaries*, the Joint Forum report entitled *Outsourcing in Financial Services*, and the Technical Committee report entitled *Regulatory Issues Arising from Exchange Evolution* do not assess risks nor identify principles related to outsourcing arrangements made by markets. The Technical Committee has approved to examine various types of existing outsourcing arrangements, assess their impact and evaluate the main challenges faced by regulators arising from such arrangements. IOSCO will also assess related risks and determine whether non-prescriptive guidance on outsourcing specifically applicable to markets should be developed.

V. Prudential Regulation and Supervision

1. *Supervision of Bank Liquidity Risk Management* (BCBS, page 52)

The Basel Committee's Working Group on Liquidity delivered its stock take report to the Basel Committee in December 2007 and released a public version of the report in February 2008. The report reviewed different jurisdictions' approaches to supervising and regulating funding liquidity risk. It also assessed preliminary lessons and implications arising from the market turmoil. The group is now revising the BCBS's 2000 *Sound Practices for Managing Liquidity in Banking Organisations,* and expects to issue the new Sound Practices document for public consultation in summer. This guidance will incorporate lessons learned from recent events and will significantly expand the guidance for supervisors.

2. *Computation of Capital for Incremental Default Risk in the Trading Book* (BCBS, page 53)

The consultative document *Guidelines for Computing Capital for Incremental Default Risk in the Trading Book* was published in October 2007, and its consultation period ended on 15 February. This document is aimed to provide further clarification for computing an incremental default risk charge in the trading book as required in the Basel/IOSCO Agreement reached in July 2005[1]. In the development of the guidelines, the Basel Committee's Trading Book Group held several meetings with industry associations and globally active banks to understand evolving industry practices in

[1] Basel Committee on Banking Supervision, *The Application of Basel II to Trading Activities and the Treatment of Double Default Effects*, July 2005.

modeling default risk in the trading book. During the consultation period, the Trading Book Group also conducted a data collection exercise to evaluate the quantitative impact of the guidelines. The Basel Committee is currently reviewing the comments received on the consultative document and the results of data collection exercise.

3. *Initiatives on Risk-based Supervision and Microfinance* (BCBS, pages 53-54)

The International Liaison Group (ILG) was established to provide a forum for deepening the Basel Committee's engagement with supervisors around the world on a broad range of issues. One of its projects is related to risk-based supervision. The ILG currently is reviewing the various approaches to risk-based supervision. This work may result in a range of practices paper that will highlight the various objectives supervisors seek to achieve, the different tools at their disposal and the practical difficulties, issues and tradeoffs which confront supervisors in carrying out their risk-based supervisory mandates.

The ILG has also commenced work related to microfinance regulation and supervision. The ILG intends to identify issues and emerging supervisory responses to microfinance. The objective is not to create new standards but to draw on the collective experience of some of its members with microfinance.

4. *Stress Testing* (BCBS, page 54)

The Basel Committee's Risk Management and Modelling Group is beginning work to assess the industry range of stress testing practices, including an examination of how banks' stress testing practices have held up under the recent market turmoil, where key challenges lie, and where the industry plans to make enhancements. It also aims to determine where industry practices and supervisory guidance could be strengthened.

5. *Cross-border Bank Resolution* (BCBS, page 54)

This initiative will review and analyse issues relating to the resolution of large banks with cross-border operations, building on the work already conducted in this area. Cross -border Bank Resolution Group will compare various national policies, allocation of responsibilities and legal frameworks in place for dealing with a resolution of a bank having significant cross-border operations.

VI. Combating Money Laundering, Terrorist Financing and Other Market Abuses

AML/CFT Transparency in Payment Messages (BCBS, pages 63-64)

Cover payments are used in correspondent banking in particular to execute transfers ordered by customers in foreign currencies. The current messaging standards do not ensure full transparency for the intermediary banks on the transfers they are helping to execute, because of a lack of information on the originator and beneficiary of the transfer. The BCBS has issued in October 2007 a statement to encourage industry initiatives aimed at improving transparency in international payments and has asked its AML/CFT Expert Group to review the supervisory issues related to cover payments and the industry's initiative, in coordination with all interested stakeholders and in particular the FATF, overseers of payment systems and the industry. The group is currently drafting supervisory guidance.

ATTACHMENT

International Regulatory Initiatives

This overview table is intended to provide a snapshot of key regulatory initiatives in the implementation, public consultation and development phases, along with an indication of their timing where applicable. It is intended to assist national authorities, firms and other stakeholders in keeping abreast of and better preparing for major regulatory initiatives as they are taken forward. Initiatives are included in this table, drawing on the advice of the principal international institutions, groupings and committees. The table captures only summary information on major initiatives, and is concerned largely with the timing of implementation. Thus readers are encouraged to refer to the accompanying detailed note on Ongoing and Recent Work relevant to Sound Financial Systems for further insight on the background and objectives of these, and other initiatives of the principal international institutions, groupings and committees. Readers should also be aware that decisions regarding implementation are in most cases left to national discretion, and thus the timing of implementation may vary across jurisdictions. Lastly, the timing of initiatives indicated in the table is based on information as of 29 March 2007, and the relevant bodies should be consulted directly for more recent developments.

International regulatory initiatives in the implementation phase

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BCBS *Basel II*	1 January 2007 for FIRB (credit risk) and BAI/TSA (operational risk)				1 January 2008 for AIRB (credit risk) and AMA (operational risk)							
IAIS *Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors*	Periods beginning February 2007											
IASB *IFRS 7 Financial Instrument: Disclosures*	Periods beginning 1 January 2007											
IASB *Amendments to IAS 1 Presentation of Financial Statements - Capital Disclosures*	Periods beginning 1 January 2007											
BCBS *Updated Basel Core Principles*	From October 2006 all new assessments will be conducted against the updated BCP											

International regulatory initiatives in the public consultation phase

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
IASB *Financial Statement Presentation - Phase A - MOU project*			Published IFRS									
IASB *Financial Instruments - Puttable Instruments*					Published IFRS							
IASB *IFRS 3 Business Combinations - MOU project*					Published IFRS							
IOSCO *Review of Code of Conducts for Credit Rating Agencies*		P.C. ended 11 May				T.D.						
IOSCO *Periodic Disclosure by Listed Issuers*								T.D.(P.C.ended December 2005)				
IOSCO *Issues on Audit Services of Auditors*			P.C. ended 15 October					T.D.				
IASB *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*										T.D. (P.C.for ED ended October 2005)		
OECD/IOPS *Guidelines on Licensing of Pension Entities*			P.C. ended 5 October		T.D.							
IOSCO *Corporate Governance of Listed Companies*	P.C. ended 10 January						T.D.					
IOSCO *Private Equity*					P.C. ended 20 February	T.D.						
IASB *Insurance Contracts*				P.C. for DP ended 16 November					P.C. planned for ED			
IASB *Financial Instruments - Liabilities and Equities*					DP published in March							
IASB *Financial Instruments - Replacement for IAS 39*					DP published in March							
IASB *Derecognition*						Staff research report planned						
IASB *Fair Value Measurement Guidance - MOU project*						Round-table discussion planned			P.C. planned for ED			

IASB ***Consolidations - MOU project***						P.C. planned for ED							
IASB ***Financial Statements Presentation -Phase B- MOU project***							P.C. planned for DP					P.C. planned for ED	
IASB ***Revenue recognition - MOU project***						P.C. planned for DP			P.C. planned for ED				
IASB ***Post-employment benefits (including pensions) - MOU project***					P.C. planned for DP				P.C. planned for ED				
IASB ***Leases - MOU project***									P.C. planned for DP				

Other international regulatory initiatives under development

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BCBS ***Guidelines for Computing Capital for Incremental Default Risk in the Trading Book***								T.D.				
BCBS ***Revision of Sound Practices for Managing Liquidity in Banking Organisations***						T.D. to be followed by a phase of public consultation						
IAIS **Insurers' Solvency:** ***Standards - Structure of Capital Requirements, Enterprise Risk Management, Internal Models (*)***								T.D.				
IAIS **Financial Conglomerates:** ***Principles paper on group-wide supervision, Guidance paper on the role and responsibilities of group-wide supervisor (*)***								T.D.				
IAIS **Reinsurance:** ***Guidance paper on Mutual Recognition of Reinsurance Supervision (*)***								T.D.				
IAIS **Reinsurance:** ***Revision of the Standard on reinsurance cover of Primary Insurers(*)***								T.D.				
IAIS **Reinsurance:** ***Revision of the Guidance on risk transfer, disclosure and analysis of finite reinsurance (*)***								T.D.				
IAIS **Reinsurance:** ***Revision of the Issues Paper on Regulation and Supervision of Captive Insurance Companies (*)***								T.D.				
IAIS **Reinsruance:** ***Global Reinsurance Market Report Annual Edition***				2007 report complete				T.D.				
IAIS ***Revision of Insurance Core Principles (*)***												T.D.
IAIS ***Harmonised International Glossary(*)***					T.D.							
IAIS ***Issues paper on groups and solvency assessment***									T.D.			
IOSCO ***Funds of Hedge Funds***							T.D.					

Agreed international implementation date

P.C. — **Period of public comment on consultation documents**

T.D. — **Target date for finalisation of initiatives**

Note 1: **(*):** **In consultation with IAIS Members and Observers including insurance industry and professionals**

Note 2: **For IASB projects, DP means Discussion Paper. ED means Exposure Draft, public comment of which is normally 120 days.**

Note 3: **For IASB's projects, target dates will not correspond to the date when entities must apply the standard, i.e. agreed international implementation date. Each IASB standard will have an 'application date' which is decided when the final standard is published. All standards issued over the next two year period will have an application date of 1 January 2009 or later. Further, target dates will differ in some parts of the world, depending on when a country will adopt IFRS or endorse the published standard into their framework. For further details of the IASB's**

Note 4: **The IAASB issues proposals (called Exposure Drafts (EDs)) for new or amended International Standards on Auditing (ISAs) for public comment. ISAs are intended to guide auditors in performing high quality external audits and other assurance work and do not usually include guidance that directly affects private sector firms. However, given the indirect effect that audit standards can have on regulators, audit oversight authorities and private sector firms, the link to the IAASB' EDs (http://www.ifac.org/Guidance/EXD-Outstanding.php) is provided for the information of those that use this table.**

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Note by the FSF Secretariat (with inputs from various bodies) for the FSF Meeting on 28-29 March 2008)

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For further information, please contact the FSF secretariat at fsforum@bis.org, +41 61 280 8298.

I. Work Completed Since the Last FSF Meeting

(i) Accounting, Auditing and Public Disclosure

1. Non-Audit Services of Auditors

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: November 2007

Website Locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD241.pdf

Brief Description: Following the March 2005 Technical Committee report entitled *Strengthening Capital Markets Against Financial Fraud* (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD192.pdf), IOSCO decided to set up a Task Force on Non-Audit Services (TFNAS). This involved a study of issues bearing on quality audits and auditor independence. The objective was to lead to improvements in auditor independence practices as well as to encourage cross-border convergence of these practices. The focus has been on the issue of non-audit services offered to publicly listed audit clients and the potential impact of these services on auditor independence. Following the approval and publication in March 2007 of the *Survey on the Regulation of Non-Audit Services Provided by Auditors to Audited Companies,* (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD241.pdf), the Technical Committee decided in November 2007 to disband TFNAS and to pursue work on the potential convergence of existing domestic standards related to non-audit services.

(ii) Financial Globalisation, Market Functioning/Conduct and Transparency

1. The Valuation of Hedge Funds Portfolios

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: November 2007

Website locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD244.pdf
http://www.iosco.org/library/pubdocs/pdf/IOSCOPD253.pdf

Brief Description: During the course of its work, IOSCO noted that hedge funds are playing an increasingly important role in international financial markets. Hedge funds can significantly enhance market efficiency and liquidity. However their nature and structure can also create risk. Valuation is an area of risk and IOSCO expanded the scope of the hedge fund project to cover hedge fund asset valuation. IOSCO decided that a set of principles in terms of valuation may prove of value to the hedge fund industry. The Technical Committee's Standing Committee 5 (TCSC-5) pursued a mandate related to hedge fund valuation.

The Technical Committee published in November 2007 the Report entitled *Principles for the Valuation of Hedge Fund Portfolios* (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD253.pdf). This

report contains principles designed to strengthen the controls, oversight and independence of the valuation process of the financial assets contained in hedge fund portfolios. They emphasize in particular the importance of written policies which are consistently and regularly reviewed. The *Principles* will contribute to strengthening the valuation process thereby making it more likely that the resulting valuation is appropriate. The *Principles* will also assist institutional and other sophisticated investors in assessing the quality of the valuation framework used within hedge funds.

2. Soft Commission Arrangements in the context of Collective Investment Schemes (CIS)

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: November 2007

Website Locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD255.pdf

Brief Description: Soft commissions, as defined in certain jurisdictions, relate to an economic benefit, other than clearing and execution services, that an asset manager receives in connection with the CIS payment of commissions on transactions that involve the CIS's portfolio. IOSCO worked on this topic, with the purpose of examining the regulation and proposed regulation of members on soft commissions involving CIS and CIS operators, identifying any issues of concern to regulators, and if necessary seeking to develop regulatory principles.

The Report *Soft Commissions Arrangements for Collective Investment Schemes* was approved in the Technical Committee meeting of November 2007 and subsequently published at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD255.pdf. The Report assesses the key issues relating to soft commission arrangements and describes the way in which they are addressed in the jurisdictions of TCSC-5 members. The report does not propose international regulatory standards regarding soft commission arrangements, in particular because the relevant law in several jurisdictions is currently changing and because legislative differences from one jurisdiction to another are currently significant. TCSC-5 intends to continue to monitor these changes during the next two years and will then assess whether and how related general regulatory principles might be developed, particularly with respect to limiting the goods and services that can be acquired under soft commission arrangements and with respect to prior and periodic disclosure.

3. Role of Market Intermediaries in the Offering of Financial Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: November 2007

Website Locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD257.pdf

Brief Description: As a follow-up to the Technical Committee report entitled *Strengthening Capital Markets Against Financial Fraud* (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD192.pdf), Standing Committee 3 was given a mandate on the role of market intermediaries in the offering of financial products. The focus of this mandate is on how to manage conflicts of interest that arise within intermediaries (and, if appropriate, the financial group of which they are a part) when they are involved in an IPO. Standing Committee 3 has worked on a report that explores possible conflicts of interest in relation to IPOs and arrangements that could be put in place in order to manage these conflicts. Following public consultation, the Technical Committee has approved the Report entitled *Market Intermediary Management of Conflicts that Arise in Securities Offerings*, in November 2007 (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD257.pdf). The Report sets out guidelines for regulators and market participants when considering how to address conflicts of interest that may arise when market intermediaries are involved in securities offerings, and, in particular, how to address the management of information flows in conflicted situations.

4. The Quality of Domestic Financial Markets and Capital Inflows

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (contact: Laura Kodres, lkodres@imf.org; +1 202 623 6161)

Completion Date: October 2007 (published in the Global Financial Stability Report)

Website Locator: http://www.imf.org/External/Pubs/FT/GFSR/2007/02/index.htm

Brief Description: The paper analyzes whether - in addition to strong macroeconomic fundamentals - a well-functioning domestic financial market encourages capital inflows and reduces their volatility. A panel estimation is performed examining the factors that determine the volume and volatility of annual capital inflows for a sample of developed and emerging market economies from 1977 to 2006. The factors include financial variables such as equity market breadth and liquidity, and financial openness; and a shorter sample also includes institutional quality variables such as corporate governance quality, and accounting standards. A second approach examines how five emerging market countries have coped with the recent rise in capital inflows and discusses their policy options in light of their financial development. The results of the empirical work show that the breadth and depth of financial markets positively influence the level of capital inflows. On the volatility of inflows, the empirical results are less conclusive, but for the capital flow components of equity flows, FDI, and bank borrowing, the breadth and liquidity of equity markets appears to reduce volatility of those inflows. The five country case studies reveal the difficulty of finding a common set of policies that help manage capital inflows, but generally policies that encourage financial market development as a whole (better transparency, credible prudential measures and improved risk management for financial institutions) and tend not to focus on short-term fixes (exchange rate

sterilization and other capital controls) will likely better serve to cushion the financial system from the destabilizing effects of capital flow volatility.

5. The Impact of Market Risk Management Systems on Market Volatility

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (contact: Laura Kodres, lkodres@imf.org; +1 202 623 6161).

Completion Date: October 2007 (published in the Global Financial Stability Report)

Website Locator: http://www.imf.org/External/Pubs/FT/GFSR/2007/02/index.htm

Brief Description: The proposition being tested in the paper is the extent to which Value-at-Risk (VaR)-based risk management systems have enhanced risk appetite at times of low financial market volatility, but could operate to exacerbate market volatility during stressful circumstances. The question is examined in two ways. First, a stylized VaR model is used to demonstrate how VaR measurements vary for representative portfolios when historical market data are applied. The stylized portfolios are also stressed with data from recent episodes of financial market turbulence, and simulations are conducted in which hypothetical, VaR-constrained firms interact in a market setting. Very preliminary results suggest that VaR-constrained traders could act collectively to destabilize markets, especially if risk appetite is low. Second, following interviews with market practitioners, the risk management procedures of investment banks and hedge funds are examined for indications as to whether they conform to the preconditions necessary to amplify market volatility in practice. While all firms maintain that they would not rigidly follow their VaR models in stressful circumstances, there are a number of ways in which VaR metrics, or related risk limits, could act to amplify market volatility. A number of indicative policy conclusions are then drawn.

(iii) Prudential Regulation and Supervision

1. Supervision and Assessment of Insurer's Solvency

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: October 2007

Website Locator: http://www.iaisweb.org/__temp/2_1_1_Guidance_paper_on_the_structure_of_regulatory_capital_requirements.pdf (Guidance paper on the Structure of Regulatory Capital Requirements)
http://www.iaisweb.org/__temp/14__Guidance_paper_No__2_2_5_on_enterprise_risk_management_for_capital_adequacy_and_solvency_purposes.pdf (Guidance Paper on Enterprise Risk Management for Capital Adequacy and Solvency Purposes)
http://www.iaisweb.org/__temp/15__Guidance_paper_No__2_2_6_on_the_use_of_internal_models_for_risk_and_capital_management_by_insurers.pdf (Guidance Paper on the Use of Internal Models for Risk and Capital Management Purposes by Insurers)

http://www.iaisweb.org/__temp/Summary_of_IAIS_postions_on_the_valuation_of_technical_provsions__October_2007.pdf (Position Paper - Summary of IAIS Positions on the Valuation of Technical Provisions)

Brief Description: The IAIS released four solvency related papers: 1) Guidance Paper on the Structure of Regulatory Capital Requirements; 2) Guidance Paper on Enterprise Risk Management for Capital Adequacy and Solvency Purposes; 3) Guidance Paper on the Use of Internal Models for Risk and Capital Management Purposes by Insurers; and 4) Position Paper - Summary of IAIS Positions on the Valuation of Technical Provisions.

Guidance Paper on the Structure of Regulatory Capital Requirements
This paper focuses on the principles-based requirements for a solvency regime in relation to regulatory capital requirements. It outlines the key features expected in a solvency regime, with the objective of facilitating greater comparability and convergence in the assessment of insurer solvency internationally.

Guidance Paper on Enterprise Risk Management for Capital Adequacy and Solvency Purposes
This paper stresses the importance, from an operational and supervisory perspective, of enterprise risk management frameworks. Insurers are encouraged to establish risk and capital management policies, practices and structures, to apply them consistently across their organisations and to use them in their management and solvency assessment processes.

Guidance Paper on the Use of Internal Models for Risk and Capital Management Purposes by Insurers
This paper sets out a high-level framework for supervisors to use in reviewing insurers' internal models. Internal models can be used to assess risk, both quantitatively and qualitatively, and manage capital. The paper considers the use of internal models in the dual contexts of determining the insurer's own economic capital needs and assessing the insurer's regulatory capital requirements.

Position Paper - Summary of IAIS Positions on the Valuation of Technical Provisions
This paper collates previously articulated positions by the IAIS relating to valuation, derived from the Structure Paper and the position paper on the valuation of technical provisions. It provides a concise and readily accessible summary which will be an important foundation for future work in developing standards on solvency assessment, including a standard on valuation. It can also serve as a useful source of reference.

2. Mutual Recognition of Reinsurance Supervision

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: October 2007

Website Locator: http://www.iaisweb.org/__temp/Discussion_paper_on_the_mutual_recognition_of_reinsurance_supervision__October_2007.pdf

Brief Description: This discussion paper comprehensively explores the complex issues related to a mutual recognition framework in the context of reinsurance supervision. A core aim of the IAIS is to support the shaping of an efficient and effective international supervisory framework which could facilitate reinsurance mutual recognition. This work will be taken forward, through further analysis and development of the concepts and proposals in the discussion paper.

3. Global Reinsurance Market Report 2007

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: December 2007

Website Locator: http://www.iaisweb.org/__temp/Global_Reinsurance_Market_Report_2007.pdf

Brief Description: The Global Reinsurance Report analyses the financial position of the largest global reinsurers, monitors trends and considers risks and challenges for the reinsurance industry. This year's report provides linkages with other sectors, including discussion of the potential impact of the subprime turmoil. The report also discusses risk associated with life insurance including pandemic risk and the potential impacts. The 2007 IAIS Global Reinsurance Market Report presents global reinsurance statistics in a manner which has not previously been available. In presenting this worldwide unique data on behalf, and with the support of its members, the IAIS further contributes to an objective of overriding importance: the facilitation of financial stability.

4. Implementation of IAIS Principles and Standards and Emerging Markets

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: January 2008 (launch)

Website Locator: http://www.iaisweb.org/index.cfm?pageID=420

Brief Description: On 15 January 2008, the IAIS launched the IAIS DISCOVER (Development of Insurance Supervision Compendium of Virtual Educational Resources) Project in Beijing, China. The IAIS DISCOVER Project will deliver a series of online tutorials to widen the reach of the Association's standard implementation initiatives, especially in developing and emerging markets. IAIS DISCOVER builds on the Core Curriculum for Insurance Supervisors, developed by the IAIS in cooperation with the World Bank. The interactive features of the online tutorials will improve delivery of topical insurance course content and facilitate timely updates from supervisory authorities on emerging issues, thus ensuring continued relevance of the tutorials. The web-based courses will complement the regular IAIS workshops and distance learning events.

5. Cross-border Trade in Insurance and Pensions

Agency: OECD

Contact Information: andre.laboul@oecd.org; +33 145 24 91 27

Completion Date: February 2008

Website Locator: http://www.oecd.org/dataoecd/41/21/2030182.pdf

Brief Description: The OECD has finalized its examination of the Countries' reservations to the new insurance and pensions obligations of the *OECD Code of Liberalisation of Current Invisibles Operations*. The report was endorsed by the OECD Council on 19 February 2008. The OECD is also analysing the links between liberalisation and appropriate regulations in insurance and pensions fields.

(iv) Combating Money Laudering, Terrorist Financing and Other Market Abuses

1. Asset Freezes and Repatriation

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: February 2008

Website Locator: http://www.iosco.org/library/resolutions/pdf/ IOSCORES25.pdf

Brief Description: IOSCO has adopted in June 2006 a resolution (http://www.iosco.org/library/resolutions/pdf/IOSCORES25.pdf) that encourages members to examine the legal framework under which they operate and to enable assistance in the freezing of assets derived from cross-border securities and derivatives violations. In this way, those who break the laws of the securities sector will be unable to benefit from any gains made as a result of their illegal actions.

The resolution was adopted in response to the growing challenge posed by the increase in cross-border fraudulent and illicit activity and proceeds of fraud that cross borders, along with the general absence of powers to assist in freezing assets internationally. In order to deprive law breakers of the proceeds of their misconduct, IOSCO encouraged regulators to examine their domestic laws in order to identify mechanisms that can be developed to assist in freezing assets.

IOSCO focused its work on updating the April 2005 internal Technical Committee report entitled *Preservation and Repatriation of Property in Cross-Border Enforcement Cases* to take into account latest related developments in the jurisdictions of members. IOSCO also developed detailed guidance to assist members with the implementation of the June 2006 Presidents Committee resolution on preserving and repatriation of property in cross-border enforcement cases. The guidance was approved in February 2008 by the Technical Committee.

II. Ongoing Work

(i) Macroeconomic Management, Surveillance and Transparency

1. External Vulnerability Assessments

Agency: IMF

Contact Information: IMF Surveillance Review Division (imateosylago@imf.org)

Target Date: Ongoing

Brief Description: In light of the emphasis of surveillance on external stability, key objectives of IMF surveillance (Article IV) country reports are to provide in-depth analysis of exchange rate and financial sector issues, debt sustainability, regional and global spillovers, and balance sheet vulnerabilities. In recent years, there has been a general shift in the emphasis of Fund surveillance from real sector to financial developments and their interactions, a greater focus on balance sheet linkages and the sources of financing, and more emphasis on risk-based scenario analysis.[1]

To strengthen practice, the IMF's Monetary and Financial Systems Department and International Capital Markets Department were merged to form the Monetary and Capital Markets Department to support better integration of the analysis of financial sector issues into bilateral surveillance. As well, analytical approaches are being strengthened by refining modeling tools, setting up a comprehensive database to support the analysis of global imbalances and other multilateral policy issues, and adding a contingent claims approach to the analytical framework for balance sheet analysis.

The work of the Consultative Group on Exchange Rates, which involves estimating multilaterally-consistent equilibrium exchange rates, is being refined and expanded to cover emerging market countries. On exchange rate regime classification, IMF staff expects to complete an update of its *de facto* exchange rate regime classification system soon. This work will propose measures to improve existing *de facto* classifications. Looking ahead, staff will thus be provided with better guidance on the description and analysis of *de facto* and *de jure* exchange rate regimes to be reflected candidly in future surveillance reports. Finally, the Board has supported, if feasible, a comprehensive review of the system of exchange rates in 2009. This review will provide an opportunity to distill practical guidance and collect cross-country experience in the area of exchange rate regime choice.

2. Transparency of IMF Policies and Assessments

Agency: IMF

[1] Some recent examples of balance sheet work are: the coverage of the U.S. household sector and mortgage markets in the *WEO* and *GFSR*, the long-term public sector balance sheet issues set out in Germany's Article IV report, and the analysis of the credit derivatives market in the United Kingdom Article IV report.

Contact Information: IMF Surveillance Review Division (imateosylago@imf.org)

Target Date: Ongoing

Brief Description: Under the IMF's transparency policy, publication is voluntary but presumed for most country documents, including Article IV consultation, Use of Fund Resources, country policy intention, regional surveillance, and related documents. Publication of Financial System Stability Assessments (FSSAs) and Reports on the Observance of Standards and Codes (ROSCs) is voluntary. ("Voluntary" means that publication requires the member's explicit consent. "Presumed" means that a document is expected to be published within 30 calendar days following the Board meeting.) For countries with programs involving exceptional access to IMF resources, the Managing Director will generally not recommend Board approval of a program or completion of a review unless the authorities consent to publication of the staff report. The IMF's transparency policy allows for the deletion of specified sensitive material prior to publication at the relevant member country's request. In addition, publication of Fund policy papers, except those pertaining to administrative matters of the IMF, is presumed, and the Executive Board agenda is made public several days in advance. An amended Transparency Decision was issued with the last review by the Executive Board of the transparency policy in August 2005; the main changes aim at clarifying the scope for deletions prior to publication of a document and reducing publication lags. The vast majority of IMF staff reports are now published. Detailed publication statistics and trends are available at http://www.imf.org/external/np/pp/eng/2008/013108.pdf.

3. Sovereign Asset Management: Guidelines for Foreign Exchange Reserves Management

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Sovereign Asset and Liability Management Division, IMF(udas@imf.org)

Target Date: Ongoing

Brief Description: The *Guidelines for Foreign Exchange Reserves Management* have been developed as part of the IMF's broader program to help strengthen the international financial architecture, promote policies and practices that contribute to stability and transparency in the financial sector, and reduce external vulnerabilities (see http://www.imf.org/external/pubs/ft/ferm/guidelines/2004/index.htm).

The *Guidelines* are intended to assist governments in strengthening their policy frameworks for reserve management so as to help increase their country resilience to shocks that might originate from global financial markets or within the domestic financial system. The aim is to help the authorities articulate appropriate objectives and principles for reserve management and build adequate institutional and operational foundations for good reserve management practices. The *Guidelines* are being used as a framework to review reserve management practices. Key issues regarding reserve adequacy, strategic asset allocation framework, transparency, and accounting and measurement of reserves are covered in

IMF's work on Article IV surveillance, FSAPs, as needed, and through technical assistance work.

4. Sovereign Liability Management: Guidelines for Public Debt Management

Agency: IMF and World Bank

Contact Information: Monetary and Capital Markets Department, Sovereign Asset and Liability Management Division, IMF and The World Bank Treasury
Udaibir S. Das (udas@imf.org), and Phillip R. D. Anderson (prdanderson@worldbank.org)

Target Date: Ongoing

Brief Description: The *Guidelines for Public Debt Management*, developed by the IMF and the World Bank in 2001, are being used as a framework to review debt management framework and practices and as a tool in assisting governments in designing debt management reforms. An assessment of public debt management has been incorporated into surveillance work, where relevant, and included in other Bank and Fund advisory and technical assistance work. A paper reviewing Bank-Fund staff experience with applying the *Guidelines* in strengthening public debt management frameworks and capacity in developing countries was discussed by the Boards of the two institutions in May 2007 and led to endorsement of an agenda for strengthening debt strategy and debt management in middle- and low-income countries (*Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward*, Prepared by the Staff of the IMF and the World Bank http://www.imf.org/external/np/pp/2007/eng/032707m.pdf). The paper draws key lessons, identifies the continuing challenges facing debt managers, and proposes further capacity building and advisory work in public debt management. Ongoing capacity building efforts include work related to strengthening debt management within the context of a broader asset-liability management framework.

5. Methodological Framework for Medium-Term Debt Strategies

Agency: IMF and World Bank

Contact Information: Udaibir S. Das (udas@imf.org), and Carlos Alberto Primo Braga (cbraga@worldbank.org)

Target Date: Ongoing

Brief Description: Efforts are underway to strengthen public debt management capacity in low-income countries through the development of effective public debt management frameworks. A joint Bank-Fund technical working group is developing a methodological framework for medium-term debt strategies (MTDS), with a view to helping low-income countries make well-informed decisions about public debt and its management that is consistent with maintaining debt sustainability and limiting portfolio risk over the medium term (see http://www.imf.org/external/np/mae/pdebt/2000/eng/index.htm). The development of the MTDS will be undertaken in close cooperation with various stakeholders - including other technical assistance providers and

donors - after which pilot missions in selected low-income countries will be undertaken.

6. Debt Sustainability Framework for Low Income Countries

Agency: IMF and World Bank

Contact Information: Official Financing Operations Division, IMF and PREMED, World Bank Martine Guerguil (mguerguil@imf.org) and Mark Thomas (mthomas@worldbank.org)

Target Date: Ongoing

Brief description: The apparent borrowing space created by debt relief to low income countries (LICs) - and the extent to which it should be filled - has raised new policy challenges. Debt relief frees up resources that LICs may wish to use to make faster progress toward achieving the MDGs. Meanwhile, the emergence of potential new lenders, both public and private, presents new opportunities. Such lending, however, if in excessive volumes or on unfavorable terms, could contribute to the re-emergence of debt vulnerabilities in these countries and create risks to financial and macroeconomic stability. The increasing tendency of some governments to borrow domestically - and the impact on overall debt risks - adds to the complexity of assessing these risks. The ultimate objective of the IMF's Debt Sustainability Framework (DSF) is to help LICs themselves identify debt-related vulnerabilities so that they can be adequately taken into account in policy formulation. Ongoing work consists of outreach to debtors and creditors so that they can use debt sustainability analyses to inform their borrowing and lending decisions, and refining the framework as a direct input for the formulation of medium-term debt strategies.

7. Sovereign Liability Management: Leading Practices in Debt Management and Government Securities Markets

Agency: OECD

Contact Information: Hans J. Blommestein (hans.blommestein@oecd.org)

Target Date: Ongoing

Brief description The OECD provides authoritative information on technical and policy issues in the area of public debt management and government securities markets through its Working Party on Public Debt Management (WPDM). The WPDM formulates leading practices based on discussions among OECD debt managers. A recent report *Advances in Risk Management of Government Debt* deals with practices on market, credit, and operational risk as well as guarantees. The WPDM has achieved a singular international status in the international community of debt managers, while its activities have resulted in a set of leading practices that function de facto as global standards. (Some of them are reflected in the IMF-WB *Guidelines for Public Debt Management*.) Ongoing work includes policy challenges related to primary systems, electronic markets, auction systems, cash management and risk management. A joint project with the IMF includes work related to debt management

within the context of a broader asset-liability management framework. The *Annual OECD Global Forum on Public Debt Management* brings together debt managers from all over the world to discuss viewpoints and experiences relating to policies, techniques, and experiences in the field of government debt management. The focus of the *Annual OECD/World Bank/IMF Global Bond Market Forum* is on the latest developments in worldwide bond markets and to share and learn from country cases and leading practices in developing efficient public and corporate bond markets. Conclusions from the last forum are incorporated in the OECD/WB/IMF report *Use of Derivatives for Debt Management and Domestic Debt Market Development.*

8. Sovereign Wealth Funds

Agency: IMF, World Bank, and the OECD

Contact Information: Alison M. Stuart (astuart@imf.org)

Target Date: Ongoing

Brief Description: Sovereign wealth funds (SWFs) are becoming an increasingly important part of the global financial system. SWFs can play a positive role in many ways, but have also created concerns, including about their impact on global financial stability, their relative transparency, and their investment motives. SWFs have been a part of Fund surveillance, both bilateral and global, and the International Monetary and Financial Committee has welcomed expanded work by the Fund to analyze issues for investors and recipients of such flows. The Fund is considering the preparation of best practices for SWFs, especially to improve their transparency and to avoid market-disrupting political reaction in countries in which they may seek to invest. Toward this end, in November 2007, the Fund held round-table discussions with many SWFs, who generally agreed to the need for better understanding and transparency of SWFs.

9. The Governance of Sovereign Wealth Funds

Agency: OECD

Contact Information: mats.isaksson@oecd.org

Target Date: Ongoing

Brief Description: The Working Group on Privatisation and Corporate Governance of State-Owned Assets has reviewed the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* with regard to sovereign wealth funds. In their meeting in March, the Working Group identified those provisions in the *Guidelines* that they considered of particular relevance to the governance of sovereign wealth funds, including provisions that separate the government's regulatory and ownership functions and ensure disclosure of any special obligations. The work will contribute to ongoing OECD-IMF work to respond to a request by G7 Finance ministers and their respective memberships.

(ii) Identifying Financial System Strengths and Weaknesses

1. Reports on Financial Stability and Regulatory Risk Assessments

A number of central banks, regulators and international institutions now publish reports that attempt to identify current and prospective risks to institutions and financial systems operating in their jurisdictions. Below is a list of website links of reports regularly published by the members of the Financial Stability Forum (similar reports are, needless to say, also published by bodies outside the FSF membership).

- Reserve Bank of Australia: Financial Stability Review (http://www.rba.gov.au/FinancialSystemStability/financial_publications.html)
- Bank of Canada: Financial System Review (http://www.bankofcanada.ca/en/fsr/index.htm)
- Banque de France: Financial Stability Review (http://www.banque-france.fr/gb/publications/rsf/rsf_b.htm)
- Deutsche Bundesbank: Financial Stability Review (http://www.bundesbank.de/presse/presse_finanzstabilitaetsbericht.en.php)
- Hong Kong Monetary Authority: Monetary and Financial Stability Report (http://www.info.gov.hk/hkma/eng/public/index.htm)
- Bank of Japan: Financial System Report: An Assessment of Financial System Stability (http://www.boj.or.jp/en/theme/finsys/fsys/index.htm)
- De Nederlandsche Bank: Overview of Financial Stability in the Netherlands (http://www.dnb.nl/dnb/home/news_and_publications/dnb_publications/overview_of_financial_stability/en/13-66426-64.html)
- Monetary Authority of Singapore: Financial Stability Review （http://www.mas.gov.sg/masmcm/bin/pt1MAS_FSR.htm）
- Financial Services Authority, UK: Financial Risk Outlook (http://www.fsa.gov.uk/pubs/plan/financial_risk_outlook_2006.pdf)
- Bank of England: Financial Stability Report (http://www.bankofengland.co.uk/publications/fsr/2006/fsr20.htm)
- European Central Bank: Financial Stability Review (http://www.ecb.int/pub/pdf/other/financialstabilityreview200612en.pdf)
- International Monetary Fund: Global Financial Stability Report (http://www.imf.org/external/pubs/ft/gfsr/index.htm)
- World Bank: Global Development Finance Report (http://www.worldbank.org/reference/)

2. Financial Sector Assessment Program

Agency:	IMF and World Bank
Contact Information:	Monetary and Capital Markets Department, Financial Sector Policy Division, Mark Swinburne (mswinburne@imf.org, + 1 202 623 4777); Susan Marcus (smarcus@worldbank.org, +1 202 458 0035)
Target Date:	Ongoing
Brief Description:	The Financial Sector Assessment Program (FSAP) provides a comprehensive framework for identifying financial system strengths,

risks, and vulnerabilities, assessing development needs and priorities, and helping to develop appropriate policy responses. These analyses provide the basis for the IMF's Financial System Stability Assessments (FSSAs) which are discussed by the IMF Executive Board within the context of a country's Article IV consultation (see www.imf.org/external/np/fsap/fsap.asp for published FSSAs). They also provide the basis for the World Bank staff's Financial Sector Assessments (FSAs), which are distributed to the World Bank Executive Board for information (see http://worldbank.org/fsap for published FSAs). A significant part of the IMF/World Bank work on assessing OFCs and on anti-money laundering and combating terrorist financing is also undertaken under the FSAP.

About 140 countries and economies, including all G-20 member countries except China and Indonesia have undergone, or have formally requested, an initial assessment under the program (for Argentina, a G20 country, an initial assessment started in 2001, but was interrupted by the financial crisis). About 50 countries, including some G-20 countries, have undergone or requested an FSAP update.

The IMF and World Bank Boards last reviewed the FSAP in March 2005 (see www.imf.org/external/np/sec/pn/2005/pn0547.htm); the next review will be in 2009.

3. External Assessments of Implementation through Reports on the Observance of Standards and Codes (ROSCs)

Agency: IMF and World Bank

Contact Information: IMF Surveillance Review Division (imateosylago@imf.org); lpromisel@worldbank.org

Target Date: Ongoing

Brief Description: The IMF and the World Bank have recognized 12 areas as useful for their operational work and endorsed associated standards in 11 areas, which fall in three broad categories: transparency, financial sector, and market integrity. The financial sector standards include banking supervision, securities, insurance, payments and securities settlement systems, and AML/CFT, and are usually assessed under the FSAP. Reports on the Observance of Standards and Codes (ROSCs), which are prepared and published at the request of the member country, summarize the extent to which countries observe these standards and codes. ROSCs and FSAP can be accessed at http://www.imf.org/external/standards/index.htm and http://www.worldbank.org/ifa.

As of end-October 2007, 971 ROSC modules and updates (for 137 economies) have been completed, of which 77 percent have been published. Detailed information on published ROSCs is available at http://www.imf.org/external/standards/summary/2007/0907.pdf.

Following the review of the standards and codes initiative in July 2005 (http://www.imf.org/external/np/sec/pn/2005/pn05106.htm), the IMF issued in June 2006 a paper laying out operational changes made to its work on Standards and Codes to implement its recommendations as well

as those of the Managing Director's medium-term strategy. The changes aim at improving the country coverage and prioritization of ROSCs, the integration of ROSCs with IMF surveillance and technical assistance, and the quality and timeliness of ROSCs (http://www.imf.org/external/pp/longres.aspx?id=566). The *Code of Good Practices on Fiscal Transparency* was revised in May 2007 (http://www.imf.org/external/np/fad/trans/index.htm).

4. Financial Soundness Indicators

Agency: IMF

Contact Information: Armida San Jose (asanjose@imf.org), Andreas Georgiou (ageorgiou@imf.org)

Target Date: Ongoing

Brief Description: The work program on the Financial Soundness Indicators (FSIs) involves a number of initiatives. In the period 2004-2007, the IMF conducted a coordinated compilation exercise (CCE), which aimed to support efforts by 62 participating countries to compile and disseminate cross-country comparable FSIs. Along with FSAPs and other IMF surveillance work, the CCE was to lead to an increasing number of countries compiling FSIs on an ongoing basis. The data and metadata compiled under the CCE for 57 countries were disseminated by the IMF on its website in the first part of 2007. The data and metadata for the remaining CCE-participating countries will be posted on the IMF website as these countries finalize their submissions.

On November 7, 2007, the Executive Board of the IMF reviewed the experience with the work program on FSIs, and in particular the CCE, and discussed proposals for taking forward the work on FSIs. The Executive Board discussion was based on a paper entitled *Financial Soundness Indicators: Experience with the Coordinated Compilation Exercise and Next Steps*, and on supporting information provided in a background paper. The paper, among others, reflected the CCE participating countries' views on and experience with compiling FSIs.

In the November 2007 Board meeting, Executive Directors had a positive assessment of the CCE and underscored the importance of continued IMF engagement with regard to FSIs. In this context, Directors saw clear value in the regular collection and dissemination of FSIs by the IMF, with the creation of a centralized public FSI database that would be available to member countries, international institutions, and markets. Directors agreed that countries should be encouraged - but not required - to report FSIs to the IMF. Many Directors supported the voluntary provision of FSIs with quarterly periodicity and with a one quarter lag, while many others felt that semiannual or annual reporting would be sufficient. The IMF Statistics Department, in coordination with other IMF departments, is currently in the process of preparing for the implementation of the regular collection and dissemination of FSIs by the IMF, which is envisaged to start in 2008 with countries that participated in the CCE.

In the CCE, the recommendations of the *Compilation Guide on Financial Soundness Indicators* were used as a reference in compiling FSIs and producing the metadata for the indicators. This *Guide* had been posted on the IMF's external website and was published as an IMF document in 2006. In the November 2007 Board meeting, Directors noted that the *Guide* had been helpful during the CCE, and acknowledged the need for some amendments to the *Guide* in light of experience. The amendments were presented in the papers discussed at that IMF Board meeting.

In parallel with this statistical development work, there has been ongoing analytic work on FSIs aimed at enhancing their usefulness as a surveillance tool. This work has been integrated with the development of other surveillance tools, such as stress testing and standards assessments, and the FSAP. It includes guidance on how to interpret FSIs and apply them to different country situations and work to clarify how to integrate the analysis of FSIs with other financial data and early warning indicators. This work is summarized in the *Handbook of Financial Sector Assessment*, a joint publication of the IMF and the World Bank, which was released in late 2005. The IMF, in collaboration with the BIS, conducted a conference on real estate indicators and financial stability during October 2003. A volume on conference proceedings was released in April 2005. The publication is also posted on the IMF and BIS websites. Work is ongoing as a part of IMF and the World Bank efforts to further develop and refine macro-prudential analysis.

5. Joint External Debt Statistics Hub

Agency: BIS, IMF, OECD, and World Bank

Contact Information: http://www.jedh.org/jedh_contact.html

Completion Date: Ongoing

Brief description: To increase the availability of external debt data to the public, the BIS, IMF, OECD, and the World Bank have developed a joint external debt hub (JEDH) (http://www.jedh.org/). The JEDH brings together national external debt data (from the QEDS database, see below) provided by most of the subscribers to the IMF's Special Data Dissemination Standard (SDDS); creditor/market sourced external debt and selected foreign assets data for 175 countries; and associated metadata for the two sets of statistics. A major enhancement, made possible by ongoing work with the Berne Union (the International Union of Credit & Investment Insurers), was the availability from end-January 2008 of data collected from its members on export credit exposures, as an alternative source following the discontinuation of the collection of data on official and officially-supported trade credits at the OECD. The JEDH will also benefit at a later stage in 2008 of a joint project between the IMF and World Bank aimed at extending their Quaterly External Debt Statistics database (QEDS) to subscribers of the IMF's General Data Dissemination Standards (GDDS), particularly low-income countries. The project focuses on disseminating public and publicly guaranteed external debt stock data in line with the GDDS data category (see below,

Point 6). The data will also be available from the JEDH in the coming months.

6. Expansion of Debtor Data Coverage in QEDS

Agency: IMF and World Bank

Contact Information: Robert Heath (rheath@imf.org) and Punam Chuhan-Pole (pchuhan@worldbank.org)

Target Date: Early 2009

Brief description: The IMF and the World Bank have developed a project to improve the availability of developing countries' quarterly external debt data to the public (http://www.worldbank.org/qeds). The project aims to extend the Special Data Dissemination Standards-based Quarterly External Debt Statistics (QEDS) to participants of the IMF's General Data Dissemination Standards (GDDS), particularly low-income countries. At present, GDDS participants are not required to report these data for GDDS purposes but rather to provide metadata to be posted on the IMF website. Considering the capacity constraints to produce external debt data in most low-income countries, the project focuses on the public external debt stock data, as the mandatory item for participation in QEDS, but encourages the dissemination of other data in line with the GDDS framework. The first results of the project were made available with the publication of data for nine low-income countries in the QEDS database in February 2008. The intention is to expand the number of GDDS participating countries in the coming months.

7. International Reserves and Foreign Currency Liquidity

Agency: IMF

Contact Information: Robert Heath (rheath@imf.org), Phone: +1 202 623 7904

Target Date: Ongoing

Brief Description: To promote transparency on countries' international reserves and foreign currency liquidity positions, the International Reserves and Foreign Currency Liquidity Data Template (reserves template) is a prescribed item of the IMF's Special Data Dissemination Standard (SDDS). The SDDS calls for subscribing countries to disseminate timely, accurate, and comprehensive template data on their national websites, which are hyperlinked to the IMF's Dissemination Standards Bulletin Board (DSBB). The DSBB is accessible to the public at http://www.dsbb.imf.org. In addition, to bring together comparable data for SDDS-subscribing countries in one central location, since 2000 the IMF has invited subscribers, both existing and new, to provide their reserves template data to the IMF for re-dissemination on the IMF's external website (http://www.imf.org/external/np/sta/ir/index.htm). This website also disseminates countries' time series data on key components of the reserves template, facilitating research and analysis. 63 economies (inclusive of the ECB and the Eurosystem) currently transmit their template data to the IMF for re-dissemination. Countries' template data are to be compiled under an internationally agreed

framework set out in the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (*Guidelines*). The *Guidelines* will be reviewed in the context of the new *Balance of Payments and International Investment Position Manual, sixth edition (BPM6).*

8. Financial Sector Development Indicators

   Agency: World Bank

   Contact Information: FSDI@worldbank.org

   Target Date: Ongoing

   Brief Description: The project on Financial Sector Development Indicators (FSDI) has completed its first phase. Data have been made available externally at http://www.fsdi.org/. FSDI provides easily accessible and standardized information for assessing financial sector development, covering, beyond size, the dimensions of access, efficiency and stability. The information included comprises indicators, benchmarks, detailed statistics and analytical notes that can be utilized to assess financial sectors. The project takes stock of existing data and other information, reviews its quality, coverage and frequency, using robust selection criteria. In addition, new cross-country data have been obtained through surveys, such as that of bank regulatory agencies, and are made available. The project aims to be comprehensive, while retaining the flexibility for customized assessment. Information can be utilized directly or can be complemented opportunistically using sources specific to countries. In the coming periods, FSDI will be further extended in coverage and depth.

9. Effectiveness and Efficiency of Financial Regulation

   Agency: OECD

   Contact Information: André Laboul (andre.laboul@oecd.org; +33 1 45 24 91 27)

   Target Date: Ongoing

   Brief Description: The OECD Committee on Financial Markets and the OECD Insurance and Private Pensions Committee are conducting an analysis of regulatory effectiveness and efficiency in selected sub-components of financial services via a case-study approach. Participating delegations with regulatory review procedures in place will provide information on their methodology, how they identify costs and benefits, and resultant outcomes. Selected good practices will be identified, including on preconditions for regulatory effectiveness and efficiency.

10. Financial Management of Large-Scale Disasters

    Agency: OECD

    Contact Information: Timothy Bishop (timothy.bishop@oecd.org; +33 145 24 84 66)

    Target Date: Ongoing

    Brief Description: Based on the work it has conducted on terrorism insurance and catastrophic risks, the OECD has established an International Network and a High Level Advisory Board on the Financial Management of

Large-Scale Catastrophes, operating under the aegis of the Insurance and Private Pensions Committee and the Committee on Financial Markets. The objective of the Network is to promote the exchange of information regarding the mitigation and financial management of large-scale natural and man-made disasters, review the tools and schemes implemented in OECD and non-OECD countries, and develop policy analysis and recommendations aimed at improving catastrophe mitigation and compensation strategies and addressing financial and systemic risks that may arise from large-scale disasters. A policy handbook on risk awareness for catastrophic risks is under preparation while current other studies include the analysis of alternative financial instruments. The first Conference under the auspices of the Network was held in Hyderabad, India, on 26-27 February 2007, in cooperation with the Insurance Regulatory and Development Authority of India. A high level seminar should be organized in spring 2008 in Beijing.

11. Financial Sector Capacity Enhancement Program

Agency: World Bank

Contact Information: ssmith7@worldbank.org; Afleming@worldbank.org (learning); lmerican@worldbank.org (AML/CFT)

Target Date: Ongoing

Brief Description: The Financial Sector Capacity Enhancement Program of the World Bank has three main components: the Financial Sector Learning Program; the Anti-Money Laundering and Combating the Financing of Terrorism; and the Financial Sector Assessment Capacity Enhancement Initiative. The program offers a range of training activities, including institution building, that foster a firm foundation for financial services, sound banking systems, strong capital markets, a diversified financial system, and improved access by the poor and small-and medium-sized enterprises to financial services. The topics range from risk management to financial infrastructure and access to finance. Activities, which include global, regional and country focus events, are steadily growing.

In delivering training activities, the Financial Sector Capacity Enhancement Program partners with various multilateral, bilateral and academic organizations as well as standard setting agencies, private sector institutions, and NGOs at the local level.

12. Dialogue with Financial Market Stakeholders

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD239.pdf

Brief Description: With a view to enhance the dialogue with the industry, the Technical Committee decided in its meeting of February 2007, to publish the report entitled *An Overview of the Work of the IOSCO Technical*

Committee, as a consultation report with a comment period ending on 8 June 2007.

All comments received have been analyzed. Most comments were driven by an emphasis on cost benefit analysis and are seeking to move regulators towards convergence in order to minimize industry expenses. While minimizing costs is a legitimate consideration from an industry perspective, it is clearly not the sole priority for regulators, which are primarily concerned with market integrity and investor protection. The comments will serve IOSCO to review its work priorities. A meeting with industry representatives took place in Tokyo in November 2007 where attendees were informed of IOSCO's plan to organize once a year a high-level meeting with representatives of financial market stakeholders on an informal basis to exchange views on topics of mutual interest.

13. Working Group on Market and Institutional Resilience

Agency: FSF

Contact Information: fsforum@bis.org

Target Date: Ongoing

Brief Description: Following a request by the G7, the FSF has established a Working Group on Market and Institutional Resilience. The Group comprises national authorities, the chairs of international supervisory, regulatory and central bank bodies and the relevant international institutions as members. The Group has been working to develop a diagnosis of the causes of the current turmoil, identify the weaknesses that merit attention for policymakers, and recommend actions needed to enhance market discipline and institutional resilience.

The Group presented a preliminary report to the G7 on 15 October 2007 (http://www.fsforum.org/publications/FSFWGPreliminaryreportG715Octt.pdf), and an interim report on 5 February 2008 (http://www.fsforum.org/publications/FSFWGG7Interimreport5Febfinal.pdf). The FSF will deliver specific recommendations in its report to the G7 in April.

14. Subprime Crisis

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: May 2008

Website Locator: http://www.iosco.org/news/pdf/IOSCONEWS108.pdf

Brief Description: In November 2007 the Technical Committee took the decision to set-up a Task Force on the Subprime Crisis (TFSC). TFSC was given the mandate to conduct a systematic review of the issues raised by the recent market turmoil in order to identify any implications for securities regulators which could be addressed through current and future Technical Committee work. The following issues are in particular being considered: risk management, transparency, due diligence, valuation of assets, related

accounting issues, and rating agencies. TFSC presented a detailed preliminary report in the Technical Committee of February 2008.

15. Study Group on the Effectiveness of Central Bank Tools Used During the Recent Turmoil

Agency: CGFS

Contact Information: cgfs@bis.org

Target Date: Ongoing

Brief Description: The study group was established in November 2007 with a mandate to review the effectiveness of central bank liquidity management since August 2007. The study group presented a preliminary report to the March 2008 CGFS meeting.

(iii) Market Infrastructure

1. Principles of Corporate Governance

Agency: OECD and World Bank

Contact Information: mats.isaksson@oecd.org; tbarger@ifc.org

Target Date: Ongoing

Brief Description: Having completed the review of the OECD *Principles of Corporate Governance* and the OECD's *Methodology for Assessing the Implementation of the OECD Principles on Corporate Governance*, the Steering Group on Corporate Governance is analyzing current corporate governance issues in order to provide policy guidance based on interpreting the *Principles*. The first study in the new series concerns the proportionality debate (i.e. one-share-one-vote, and control enhancing mechanisms). In the first half of 2008, the Steering Group will analyse takeover arrangements, especially where there is an insider involved, and rules governing cooperation between shareholders.

Under the ROSCs initiative, the World Bank takes the lead in assessing the compliance of the corporate governance of emerging market countries with the OECD *Principles*. As of end-December 2007, 64 corporate governance ROSCs have been completed or were underway for 53 countries, including 12 updates; 59 assessments have been published. The World Bank assisted in the development of the OECD's *Methodology*, and has now incorporated the *Methodology* into the ROSC process. The OECD will also use the *Methodology* and its State-Owned Enterprises (SOE) Guidelines as a basis for carrying out corporate governance reviews of Chile, Estonia, Israel, Russia and Slovenia during 2008 and 2009 as part of its accession review process of candidates for OECD membership.

The OECD and World Bank Group regularly organize Regional Roundtable meetings in key emerging and developing markets. These are also supported by the IFC-administered multi-donor funded Global Corporate Governance Forum. The Roundtables are working to implement priorities agreed to in White Papers on Corporate Governance issued for Asia and Latin America, and a Comparative Overview for Eurasia. The OECD also has corporate governance programmes in

China, Russia, the Middle East North Africa (MENA), and in southern Africa (see http:www.oecd.org/daf/corporate-affairs/roundtables).

2. Corporate Governance of State-Owned Enterprises

Agency: OECD and World Bank

Contact Information: Mats Isaksson (mats.isaksson@oecd.org); Alex Berg (aberg@worldbank.org)

Target Date: Ongoing

Brief Description: Activities are also under way to support the active use and implementation of the OECD *Guidelines on Corporate Governance of State-Owned Enterprises* (SOEs). Regional Roundtables focusing on governance of SOEs were held in 2006 and 2007 in China, Russia, Latin America and the MENA regions, Southeast Europe and Eurasia. A specific Network on the corporate governance of SOEs met in Singapore in May 2006 and in the Philippines in April 2007. It is developing recommendations and priorities for reforms in this region, and will complete this work at its next meeting in India in the spring 2008. A regional policy dialogue is developing in southern Africa as well as focused task forces in Russia and the MENA region. The strong global interest in this work has led to the launching of an OECD global network on corporate governance of SOEs which held its first meeting in March 2008. This network advanced the work on the *Accountability and Transparency Guide* for the state as a shareholder developed by the Working Group on Privatisation and Corporate Governance of State-Owned Assets. The *Guide* will be issued in the first half of 2008. The next meeting of the global network is planned for spring 2009. The Working Group will also focus its work in 2008 on developing a best practice review of recent privatisation experiences in OECD countries.

In response to demand from its client countries, the World Bank has also developed a set of diagnostic tools to review the corporate governance of SOEs and the performance of client governments as owners, in line with the OECD Guidelines. Four pilot reports have been drafted to date, and five more are on-going. The reviews cover the corporate governance of SOEs, as well as the performance and professionalism of the state acting as the owner/shareholder of the enterprises.

3. Assistance for Countries in Reviewing Corporate Governance in Banking Organizations

Agency: World Bank

Contact Information: Laura Ard (lard@worldbank.org, +1 202 473 9662)

Target Date: Ongoing

Brief Description: In concert with the BCBS revision and issuance of the revised principles for “Enhancing Corporate Governance in Banking Organizations”, the World Bank is assisting partner countries to review the state of their commercial bank governance framework. Since inception, six reviews have been completed with additional reviews planned. The objectives of each review are tailored to a country’s existing settings and circumstances. The final report, in the form of a technical note, includes

key findings and recommendations for bank governance enhancement at the country level.

A toolkit with which to conduct the bank governance reviews has been developed. This toolkit includes a comprehensive methodology, a set of benchmarks based on the BCBS guidance, and a set of questionnaires for banks and the bank supervisor. Following the review, the toolkit will be published and posted on the World Bank website.

The World Bank also has recently developed guidelines for the corporate governance of state-owned commercial and development banks and is preparing case studies that highlight good practices. The objective of the work is to clarify the essential components of good corporate governance in a state bank and how demanding and costly it can be to put in place. The work is a response to resurging interest in state banking, especially state development banking, in many client countries.

In the coming months, the World Bank will be enhancing already existing modules designed to review the state of governance in insurance companies, pension funds, and mutual funds.

4. Impact Assessment and Better Regulation in the Area of Corporate Governance

Agency: OECD

Contact Information: mats.isaksson@oecd.org

Target Date: End 2008

Brief description: The OECD Steering Group on Corporate Governance is examining ways to improve evaluation of the regulatory impact and regulatory costs in the area of corporate governance. The ambition is partly to investigate the scope for more evidence-based reform and thereby prepare policy-makers and regulators for taking adequate and more informed actions in response to perceived or real shortcomings in the corporate governance framework. The work will also address the issue of unintended consequences, including unforeseen compliance, surveillance or enforcement costs. The study will cover various techniques such as regulatory impact assessment, risk-based regulation and cost-benefit analysis as tools for better regulation. It will examine how these techniques may be used, both ex ante and ex post, in the formulation/assessment of policy responses to corporate governance issues that also may have impact on financial market integrity and efficiency. A preliminary paper including market failure analysis and case studies was discussed by the Steering Group at its November 2007 meeting and a publication is expected in mid 2008.

5. Corporate Governance of Listed Companies

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2nd half of 2008

Website Locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD238.pdf

Brief Description: In collaboration with the OECD, IOSCO's Task Force on Corporate Governance (TFCG) is examining how different jurisdictions address important issues relating to the corporate governance of companies on stock exchanges. IOSCO published in February 2007 the Report entitled *Board Independence of Listed Companies*, which contains a useful review of the various definitions and roles of independent directors on the board of issuers as they apply in many capital markets. In November 2006, the Technical Committee also agreed to approve detailed terms of reference for a mandate on the protection of minority shareholders. TFCG is concentrating on Principle III A.2 as applied to listed companies in major securities markets. The focus is on minority shareholders holding ordinary voting stock, but also covers some issues arising out of the use of different classes of equity securities, the mechanisms for minority shareholders to participate in corporate decisions and the impact on them of certain corporate events, including take-over bids. The structure/table of content of a preliminary report has now been completed and TFCG has finalized the preparation of a questionnaire that will be used to gather related substantive information. TFCG has prepared corresponding amended draft terms of reference. The aim of the report will be to describe, in a fact-finding approach, the different mechanisms in place, including the principles and objectives that inspire them, without establishing recommendations or best practices among them.

6. Corporate Governance of Insurers and Reinsurers

Agency: IAIS

Contact information: iais@bis.org

Target Date: Ongoing

Brief Description: A Governance and Compliance Subcommittee has recently been established to develop high level corporate governance principles and guidance applicable to the insurance industry. In addition, the Subcommittee will provide input to the revision of the Insurance Core Principles, specifically on those elements relating to corporate governance.

7. Guideline on Governance of Insurers

Agency: OECD

Contact information: André Laboul (andre.laboul@oecd.org; +33 1 45 24 91 27)

Target Date: Ongoing

Brief description In 2008, the OECD will revisit its 2005 guidelines on governance of insurers, which were developed after the revision of the *OECD Principles of Corporate Governance*. This work will be developed in close co-operation with the IAIS.

8. Assessments and Technical Assistance for Insolvency and Creditors Rights Reform

Agency: World Bank

Contact Information: vtata@worldbank.org, muttamchandani@worldbank.org

Target Date: Ongoing

Brief Description: In July 2005, the World Bank reported to its Board on the experience in carrying out assessments of insolvency and creditor rights systems under the ROSC programme.

The World Bank is the designated institution for the conduct of ROSC assessments in the area of insolvency and creditor rights. To date, ICR ROSC assessments have been completed or are underway in 38 countries. Assessments typically lead to a dialogue on legal modernization initiatives and have led to assistance on reform in 80% of the countries where assessments have been completed. The World Bank continues to review the contributions of the ROSC programme in order to consolidate lessons learned.

In regions where the lack of development of insolvency systems has been particularly acute, the World Bank has launched region-wide initiatives (e.g. MENA) to catalyze the ICR reform process.

The World Bank Group's follow-on technical assistance projects have included (i)supporting the legislative reform and drafting process (numerous countries, particularly in LAC and ECA), (ii)implementing collateral registries (Nepal and Honduras), and (iii)providing specific, tailored advice to governments on the implementation of specific ROSC recommendations (Nigeria, India and Sri Lanka).

9. Principles and Guidelines for Effective Insolvency and Creditor Rights Systems

Agency: World Bank

Contact Information: vtata@worldbank.org, muttamchandani@worldbank.org

Target Date: Ongoing

Brief Description: The revised version of the World Bank's *Principles and Guidelines for Effective Insolvency and Creditor Rights Systems* (*Revised Principles 2005*) and the *Creditor Rights and Insolvency Standard* (*ICR Standard*), comprising the *Revised Principles 2005* and the recommendations that form part of the UNCITRAL Legislative Guide on Insolvency Law, have been posted on the Bank's website at http://www.worldbank.org/ifa/rosc_icr.html.

Working with the IMF and UNCITRAL staff and experts, World Bank legal staff and internationally recognized experts have completed the ICR ROSC Assessment Methodology (*ICR ROSC Methodology*). The *ICR ROSC Methodology* is based on the World Bank's *Principles*, as well as UNCITRAL's Legislative Guide on Insolvency.

The World Bank is continuing to dialogue with other key stakeholders to develop a more concise version of the *ICR Standard* and expects to report to the Board on those efforts in 2008.

In addition, as part of the World Bank's ongoing standard-setting functions, the World Bank, UNCITRAL and other international partner continue to examine emerging issues in insolvency through colloquia involving experts and stakeholders, and publications. Current issues most relevant to systemic stability include (i) the need for a legal

framework for the treatment of corporate groups in insolvency, (ii) the impact of the extensive use of derivative instruments as loan-risk hedging tools and (iii) the insolvency of state-owned enterprises.

The Global Insolvency Law Database (GILD), which, inter alia, provides an information portal for policy-makers to access both global and region-specific information on insolvency reform (www.worldbank.org/gild), was launched as a companion piece to the initiative and is being continually developed and updated.

10. Global Forum on Insolvency Risk Management and Regional Roundtables

Agency: OECD and World Bank

Contact Information: elena.miteva@oecd.org, vtata@worldbank.org, muttamchandani@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank organized the Forum on Insolvency Risk Management (FIRM) to sustain a global dialogue on the fundamental role and importance of insolvency and creditor rights systems. The Forum is being promoted in collaboration with the OECD to coordinate outreach on insolvency and creditor rights systems through a series of regional roundtables, including the Forum for Asian Insolvency Reform (FAIR) and the Forum on Insolvency in Latin America (FILA).

Organized by the OECD, and co-sponsored by the World Bank and ADB, in partnership with the Governments of Australia and Japan, the FAIR seeks to promote a regional dialogue on initiatives related to insolvency, risk management and credit systems. The FAIR will shift its focus from stocktaking and raising awareness of international guidance to building capacity and implementation. It will draw on a dedicated Network of policy makers and practitioners from the region, established in 2007. The FAIR plans to reconvene in 2008. Prior FAIR meetings have taken place in China, India, Korea, Thailand, and Indonesia. In June 2004, the World Bank and OECD launched the FILA, to promote a dialogue in the Latin American region on the topic of Enterprise Restructuring and Revitalizing Business Environments. The OECD, in conjunction with the World Bank and Hawkamah organized a meeting in Cairo on insolvency as part of the MENA Working Group on Corporate Governance.

11. Global Judges Forum

Agency: World Bank

Contact Information: vtata@worldbank.org, muttamchandani@worldbank.org, arouillon@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank launched the Global Judges Forum in 2003 to promote the sharing of experience among insolvency and commercial law judges from around the world, bringing together more than 100 judges from 70 countries. In 2007, the first joint judicial colloquium between

the Bank, UNCITRAL and INSOL International (the leading insolvency NGO) was held in Cape Town, South Africa and was hailed as a huge success. This represented the first such joint effort and the first major international insolvency conference to ever be held on the African continent. The next such event is scheduled for 2009.

The World Bank continues to work towards the development of protocols that permit court-to-court communication and facilitate the reduction of duplicative and contradictory processes in multi-jurisdictional insolvencies. In addition, the World Bank continues to facilitate knowledge sharing and policy dialogue *within* countries and, in particular, between policy-makers, judges, academics and private-sector actors (most recently in Honduras, Sri Lanka and Nigeria).

12. Bank Insolvency Initiative

Agency: World Bank and IMF

Contact Information: Ernesto Aguirre (eaguirre@worldbank.org, +1 202 473 4912); Maike Luedersen (mluedersen@imf.org, +1 202 623 7795)

Target Date: Ongoing

Brief Description: The project, closely related to the work on effective insolvency described above, seeks to identify an appropriate legal, institutional and regulatory framework to deal with bank insolvency, including in the context of systemic crisis, and to develop an international consensus regarding that framework. Significant attention is devoted to participation of the highest possible number of countries. The initiative is being coordinated with other international efforts in related areas.

A number of global and regional seminars, as well as a series of consultation meetings with supervisory/legal authorities in all areas of the world, have been completed. A Core Consultative Group with participation of 17 important countries and a number of international agencies has been actively cooperating in the preparation of the Main Document under the initiative.

A version of the Main Document was presented for a technical briefing to the World Bank Board of Directors in January 2004. The Document and its supporting and complementary papers are being used as benchmarks for voluntary policy dialogue with countries and for the respective reviews of their framework for bank insolvency. A number of pilot country reviews (including Chile, Czech Republic, South Africa and Brazil) have been completed and sent to the respective country authorities. An additional Annex to the Main Document, with a comparative analysis of the pilot country reviews undertaken by the World Bank was completed. It is expected that an updated version of the Main Document would be presented at the IMF Board of Directors.

13. Collective Action Clauses

Agency: IMF

Contact Information: IMF Sovereign Asset and Liability Management Division (udas@imf.org)

Target Date: Ongoing

Brief Description: A working group of the G10 Ministers and Governors developed recommendations for Collective Action Clauses (CACs) in international sovereign bond contracts in September 2002 (Report of the G10 Working Group on Contractual Clauses). The use of such clauses has steadily increased since the first such bond was issued in March 2003. By the second half of 2004, almost all bonds issues issued under New York law by emerging market countries included CACs, which has become the market standard. As of July 2007, bonds with CACs represented 66 percent of the value of the outstanding stock of bonds issued by emerging market countries. In response to calls by the IMFC, the IMF has continued to promote the use of CACs in international sovereign bonds. Progress has also been made in the design of CACs. It now appears that market practice for bonds issued under New York law has rapidly converged to a 75 percent voting threshold (based on outstanding principal) for majority restructuring provisions, in line with the G-10 recommendations. The inclusion of CACs in sovereign bonds has not resulted in any observable impact on pricing.

14. Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets

Agency: G20/IIF

Contact Information: IMF Crisis Resolution Issues Division (mmecagni@imf.org)

Target Date: Ongoing

Brief Description: In September 2005, the IMFC welcomed the efforts by emerging market issuers and private sector creditors to broaden the consensus on the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets*. These *Principles* could facilitate dialogue between creditors and debtors, promote corrective policy action to reduce the frequency and severity of crises, and improve the prospects for an orderly and expeditious resolution of crises. The *Principles* are based on four pillars: information sharing and transparency, close debtor-creditor dialogue and cooperation, good faith actions during debt restructuring, and fair treatment of all parties. A three-tier process for monitoring implementation of the *Principles* has been developed, including the completion of technical work (Tier One), the creation of the Principles Consultative Group (Tier Two), and the formation of the Group of Trustees (Tier Three).

15. Crisis Resolution

Agency: IMF

Contact Information: IMF Crisis Resolution Issues Division (mmecagni@imf.org)

Target Date: Ongoing

Brief Description: The IMF's most recent crisis related work has focused on analysing the possible channels of future financial crises, and the new challenges they pose for the Fund. Looking ahead, work in the area of crisis resolution will include a review of the IMF's lending into arrears policy. The IMF's efforts on crisis resolution also remain supportive of initiatives to

improve the process of restructuring sovereign debt within the existing legal framework, including through (i) the inclusion of collective action clauses (CACs) in international sovereign bonds; (ii) the acceptance of the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets* (discussed above); and (iii) continuing efforts to enhance the IMF's capacity to assist members in resolving crises. The IMF has continued to analyze cross-country experience with debt restructuring and the restoration of debt sustainability, along with policy issues raised by specific cases (http://www.imf.org/external/pubs/cat/longres.cfm?sk=19634.0). It has examined issues related to the restoration of international capital market access following crises, and studied factors that help explain the duration of capital account crises (http://www.imf.org/external/pubs/ft/wp/2007/wp07258.pdf). It is also reexamining policy responses to surges and reversals in capital flows to emerging markets.

16. Foreign Exchange Settlement Risk Management

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 1st half of 2008

Brief Description: The sub-group on foreign exchange settlement risk is monitoring the use of the Continuous Linked Settlement (CLS) service and other developments as part of its assessment of the implementation of the strategy for reducing foreign exchange settlement risk adopted by the G10 Governors in 1996. The sub-group is carrying out a survey to gather more information on how major market players are settling their foreign exchange transactions; depending on the results of that survey, it will decide what further action, if any, might need to be taken to implement the strategy. A report for public consultation was published in July 2007.

17. Interdependencies of Payment and Settlement Systems

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 1st half of 2008

Brief Description: The CPSS established a working group to study the continuing effects of financial sector consolidation and globalisation on the interdependencies of payment and settlement systems. The working group is analyzing the risk and efficiency implications of key relationships between different systems such as cross-system settlement links and cross-system operational dependencies, with a particular focus on how large financial institutions participate in multiple systems, and how common participants may serve as a channel for risk transmission between systems.

18. Conceptual Developments and Compilation Guidance for Measuring Remittance-related Flows in the Balance of Payments Framework

Agency: IMF and World Bank

Contact Information: Emmanuel Kumah (Ekumah@imf.org +1 202 623 7981), Jens Reinke (jreinke@imf.org, +1 202 623 6493)

Target Date: Late 2008

Brief Description: The IMF and the World Bank are leading efforts to improve data on remittances in the balance of payments framework. This project is being carried out mainly in response to the outcome of the G7 summit on Sea Island in 2004 which emphasized the importance of remittances and called for better data. The Luxembourg Group (a consultative group formed to develop proposals for improved compilation guidance) held its final meeting in Brazil, where a draft of the compilation guide on remittances statistics was reviewed. Publication of the compilation guide is planned for mid 2008.

19. Bilateral Remittance Corridor Analysis (BRCA)

Agency: World Bank

Contact Information: lmerican@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank has been conducting bilateral remittance corridor analysis (BRCA) between several countries. These studies are based on research guidelines that allow for consistency, quality, and comparability of results from the different corridor analyses. The guideline has been revised to reflect lessons from new BRCA studies. The corridor studies that have been completed and published are the corridors of US-Mexico, Canada-Vietnam, Germany-Serbia, Italy-Albania, US-Guatemala, and UK-Nigeria. Currently, reports examining the Malaysia-Indonesia, UK/US/South Africa-Uganda, and South Korea-Mongolia corridors are being finalized. Requests from both developed and developing economies for World Bank assistance in conducting analysis of other corridors include the corridors between Canada and the Caribbean (Haiti and Jamaica) and US and Honduras. In addition, the World Bank will hold workshops to share the findings from the BRCA studies in 2008. By the end of 2008, results from these studies will be compiled into a comprehensive report that will draw lessons and options for public policy on remittances that protect the integrity of remittance flows, maximize development impact of remittances, and improve access by remittance senders and beneficiaries to financial services.

20. Enhancing Information Exchange among Securities Regulators

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD126.pdf

Brief Description: To enhance information exchange among the signatory securities regulators and facilitate financial crime investigation, the President's

Committee of IOSCO endorsed the IOSCO MMOU during its May 2002 annual meeting (http://www.iosco.org/library/index.cfm?section=mou_main). The MMOU builds on the many previously existing IOSCO Resolutions and Principles to establish an international benchmark for cooperation and information sharing. Prior to signing the IOSCO MMOU, member regulators must establish through a fair and transparent process that they have the legal capacity to fulfill its terms and conditions. The process adopted for the implementation of the MMOU provides incentives for members that do not have the legal capacity to sign the MMOU to raise their respective national standards. Currently, 47 IOSCO members have completed the application process and have become signatories to the MMOU. Also, 15 IOSCO members have expressed their commitment to become signatories and are currently listed on Appendix B of the MMOU.

Part of the IOSCO strategic direction involves giving greater prominence to the MMOU. At its April 2005 Annual Conference, IOSCO adopted a timetable by which all member regulators, which are not already signatories to the MMOU, have been asked to meet this international benchmark by 1 January 2010. By this date, all member regulators should have applied for and been accepted as signatories or have expressed a commitment to seek the legal authority that would enable them to become signatories. In order to achieve these objectives, IOSCO through the MOU Assistance Program, is currently providing additional assistance to members, including technical support, so that progress is made.

21. Dealing with Uncooperative Jurisdictions in Cross-border Cooperation

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: http://www.iosco.org/news/pdf/IOSCONEWS80.pdf

Brief Description: IOSCO has been examining the problems of cross-border cooperation for a number of years. During its 2005 Annual Conference, IOSCO took the opportunity to re-confirm its commitment to raising the standards for cross-border cooperation among securities regulators as a priority task. IOSCO has identified jurisdictions that appear to be unable or unwilling to cooperate, and it has been engaging a dialogue with the relevant authorities in order to resolve outstanding issues. At the 2007 Annual Conference IOSCO welcomed the positive and constructive progress that has been made with a number of the securities regulators with which the dialogue has been ongoing. Indeed, progress has been such with the Financial Services Commission of the British Virgin Islands that it became an IOSCO ordinary member.

Given the progress made by jurisdictions initially contacted as part of this initiative, IOSCO has expanded the group of jurisdictions with which it is dealing with.

22. Cross-border Collateral Arrangements

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: Second half of 2008

Brief Description: The working group on cross-border collateral arrangements (CBCA) was established to follow up on a report published by the CPSS in January 2006, entitled *Cross-border collateral arrangements* (http://www.bis.org/publ/cpss71.htm). In particular, the group is updating and enriching the information included in the 2006 CBCA report through a detailed description of the existing central bank collateral policies, the existing central bank cross-border collateral arrangements, and other services provided by central banks or market infrastructure that can be used for mobilising foreign collateral. The functioning of the existing arrangements is analysed with the aim to identify potential operational constraints to the use of foreign collateral in both routine and in emergency situations, and to identify some practical issues for central banks, including possible ways to increase the efficiency and flexibility in the use of foreign collateral by market participants. In addition, the CPSS asked the group to study arrangements that would need to be in place to support those central banks that want to address problems of liquidity in foreign and domestic currencies with policy responses such as establishing standing swap lines among themselves and accepting foreign government collateral for their monetary policy operations.

(iv) Accounting, Auditing and Public Disclosure

1. Accounting

a) International Financial Reporting Standards

Agency: International Accounting Standards Board (IASB)

Contact Information: http://www.iasb.org/about/contact_details.asp

Target Date: Ongoing

Brief Description: The IASB is focused on its convergence efforts aimed at eliminating differences among existing national and international accounting standards. Particular emphasis will be on convergence projects underway with a number of countries, including China, India, Japan, and the United States. The IASB's efforts with the United States Financial Accounting Standards Board (FASB) on short-term convergence projects should be complete by year end, and the IASB will continue its work on the major projects set out in the Memorandum of Understanding (MOU) between the IASB and the FASB, which are part of the efforts towards the removal of the US reconciliation requirements for non-US companies registered with the US Securities and Exchange Commission. These efforts will be undertaken in close consultation with interested parties in jurisdictions where IFRSs are applied. In 2007, the SEC removed the reconciliation requirements for those companies using IFRSs as

published by the IASB. The SEC is currently considering whether to permit US companies to use IFRSs as well.

In addressing convergence projects, the IASB will balance the desire of many for stability with the need to progress on convergence projects. As part of their joint work, the IASB and the FASB are addressing major conceptual accounting issues, including insurance, performance reporting, a re-examination of financial instruments accounting, consolidations and the conceptual framework.

b) Banking

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Accounting Task Force is continuing its ongoing program to evaluate proposals for new standards put forward by the IASB (accounting) and the IAASB (auditing and assurance). Additionally, the ATF is evaluating implementation efforts of banks on the recent BCBS publications regarding fair value accounting, loan valuation, and compliance. The ATF will also concentrate on emerging accounting and auditing issues related to fair value measurements and loan loss provisioning. The BCBS is also participating as an observer on the IASB's international working groups dealing with financial instruments, insurance and performance reporting.

c) Insurance

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Throughout the IASB project on accounting for insurance contracts, the IAIS will continue to be actively involved. In establishing a close working relationship with the IASB, the IAIS goal is to facilitate as much consistency as possible between the general purpose accounting model and the approach used for prudential purposes. It is important that the accounting model recognises the specific characteristics of insurance in order to avoid accounting rules that lead to misleading information being provided. An essential component of this framework is, ultimately, the definition of supervisory requirements on valuation, in particular the valuation of technical provisions for solvency purposes. Considerable work has already been undertaken in this area, and the views of the IAIS were set out in the Cornerstones paper, Structure paper, and position paper on the valuation of technical provisions.

The IAIS continues to monitor and comment on the international standards on auditing (ISAs) issued by the International Federation of Accountants (IFAC).

Public Disclosures
During 2004-2006 the IAIS produced a trio of standards on public disclosures requirements by insurers. The IAIS is now considering proposals to assess implementation by its members of these standards. The results of such work are expected to provide valuable feedback on implementation issues and may identify needs which will inform the future standard-setting work by the IAIS in the area of disclosure.

The IAIS is also monitoring developments on the IASB's Phase II project with respect to its likely impact upon the public disclosure requirements for insurers of general purpose financial reports.

d) Securities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: https://www.iosco.org/ifrs/

Brief Description: The IOSCO Technical Committee launched a project on "Regulatory Interpretations of International Financial Reporting Standards" to address communications among IOSCO members to promote the consistent application and enforcement of IFRSs. The major output of this project is a central database of regulatory decisions and a process for facilitating communications and cooperation among regulators and other enforcers relating to IFRSs, which was made operational in January 2007. 50 members have up to now agreed to participate in the IOSCO IFRS Interpretation Database, which is now fully operational. The Technical Committee team is communicating and coordinating with CESR-FIN regarding a similar project in the EU.

The Technical Committee is also undertaking another initiative on "Review and Enforcement of Application of Financial Reporting Standards" focusing on the range of activities and powers that relate to reviews of public company financial statements by securities regulators and others. This project focuses on the powers and activities of a review process, and criteria and actions needed, regardless of the accounting standards in use. The major output of this project is expected to be an IOSCO statement of principles, best practices, and/or descriptions of effective models in use for such review functions.

2. Accountancy Profession

Agency: PIOB

Contact Information: Donna Bovolaneas, Secretary General (dbovolaneas@ipiob.org)

Target Date: Ongoing

Brief Description: The Public Interest Oversight Board (PIOB), established on 28 February 2005 to oversee the public interest activities of the International Federation of Accountants (IFAC), focuses its attention on IFAC's international standard-setting activities in the areas of audit performance standards, independence and other ethical standards for auditors, audit

quality control and assurance standards, and education standards (http://www.fsforum.org/press/press_releases_71.html). It also oversees IFAC's program to monitor member body compliance with these same standards.

The PIOB's ongoing operations are focused primarily on active observation of the groups responsible for these activities, supplemented by regular dialogue with both the Chairs of these groups and other IFAC leaders and by additional staff assessments and recommendations regarding the completeness of related due process. Furthermore, the PIOB oversees and continuously assesses all elements of the annual due process used by IFAC to recruit and select members for these groups and approves all final nominees. Finally, the PIOB is now undertaking its first review of the future strategic plans and work programs of the three standard-setting boards. This review will be completed in the first half of 2008. The PIOB's key oversight task in 2008, already underway, will be to evaluate whether each of the remaining standards in the Clarity project has been developed in accordance with approved due process and can therefore be published.

In addition to its oversight tasks, the PIOB maintains ongoing relations with various external stakeholder groups having a common interest in the improvement of audit quality.

By the end of 2007 the PIOB Secretariat filled its two remaining vacancies and is now operating at full capacity.

3. Auditing Standards

Agency: IFAC

Contact Information: Jim Sylph, IAASB Executive Director, Professional Standards (jimsylph@ifac.org)

Target Date: Ongoing

Brief Description: In response to calls from regulatory groups and others, the International Auditing and Assurance Standards Board (IAASB) has been working on a program to issue a set of clarified ISAs (International Standards on Auditing). The first phase of the program was completed in 2008 Q1 with the issue of the last of 35 exposure drafts seeking comment on the proposed changes to the ISAs. The Board is on schedule to complete the project by 2008 Q4 and expects to issue finalized ISAs by that time.

The IAASB has confirmed that the effective date for the ISAs will be for audits of financial statements for periods beginning on or after December 15, 2009.

The independent Consultative Advisory Group continues to provide input from numerous stakeholder groups to IAASB in the direction of its projects and the content of its agenda.

The BCBS and IOSCO continue to evaluate ISAs in order to provide supervisory input. IAIS holds a watching brief on IAASB activities.

4. Ethical Standards for Auditors

   Agency: IFAC

   Contact Information: Jim Sylph, IAASB Executive Director, Professional Standards (jimsylph@ifac.org)

   Target Date: 1st quarter in 2009

   Brief Description: The existing provisions of the IFAC Code of Ethics were issued in 2005 and became effective in June 2006. Responding to changes in expectations of auditor independence over the last 3-4 years, the IFAC International Ethics Standards Board for Accountants (IESBA) commenced a project to revise certain of the independence requirements. The IESBA is currently considering comments to these proposed changes resulting from the exposure process. The Board has agreed changes to the exposure draft originally issued in December 2006. It anticipates agreeing changes to the July 2007 exposure draft at its meeting in April 2008. Following that a redrafted Code with clarified wording will be issued for public comment. It is expected the final Code will be issued in 2009 Q1.

   The independent Consultative Advisory Group continues to provide input from numerous stakeholder groups to IESBA in the direction of its projects and the content of its agenda.

   The BCBS and IOSCO continue to evaluate the Code of Ethics in order to provide supervisory input.

5. Strengthening Country Capacity for Improving the Quality of Corporate Financial Reporting

   Agency: World Bank

   Contact Information: John Hegarty (jhegarty@worldbank.org);
   M. Zubaidur Rahman (mrahman@worldbank.org)

   Target Date: Ongoing

   Brief Description: The World Bank has increased its efforts for assisting member countries to strengthen institutional capacity for improving observance of internationally recognized accounting and auditing standards. In this regard, the Bank works with the stakeholders of member countries to develop and implement follow-up country action plans from Accounting and Auditing ROSCs (ROSC A&A). In recent years, the authorities of developing and emerging market economies have been showing keen interest in ROSC A&A follow-up capacity development activities. A number of capacity building projects were launched in Africa and South Asia Regions, including in: Bangladesh, Botswana, Nigeria, Tanzania, and Uganda. In Europe and Central Asia Region, accountancy development activities in general and ROSC A&A follow-up in particular have been expedited by the REPARIS program and establishment of the World Bank's Vienna Center for Financial Reporting. The stakeholders of ROSC A&A countries, specifically the developing and emerging market economies, have been asking for increasing assistance to implement ROSC A&A follow-up country action

plans. As of end-January 2008, 74 ROSC A&A have been completed, of which 59 have been published.

6. Issues on Audit Services of Auditors

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: End 2008

Website Locator: http://www.iosco.org/library/index.cfm?section=pubvids

Brief Description: The Technical Committee meeting of June 2006 agreed to create a Task Force on Audit Services (TFAS) and to ask it to present for consideration at the next meeting of the Technical Committee project specifications concerning potential work on the impact of audit firm concentration and auditor liability on audit quality, and on the development of an international contingency plan in case of demise or suspension of a major audit firm. In November 2006, TFAS presented to the Technical Committee two project specifications which were approved. The first one was a project specification to develop a regulators contingency plan for a potential exit of a major audit firm from the market. During its 6 November 2007 meeting, the Technical Committee agreed to send this contingency plan for comments to the IFIAR members. TFAS is currently awaiting those comments. The second project specification was the organization of a roundtable discussion on *Quality of Public Company Audits from a Regulatory Perspective*, on 1 June 2007 hosted by AMF in Paris. A written transcript and video of the Roundtable are available on the IOSCO website. As a follow-up to the Roundtable discussion on audit issues, TFAS has prepared a comprehensive list of issues raised during that event by the various participants. TFAS will consider these comments and subsequently present a related report with recommendations to the Technical Committee.

7. Periodic Disclosure by Listed Issuers

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: End 2008

Brief Description: The Technical Committee's Standing Committee 1 is developing principles for periodic disclosure by listed issuers that will facilitate an international consensus on disclosures to be included in periodic reports and particularly in annual reports.

(v) Financial Globalisation, Market Functioning/Conduct and Transparency

1. Private equity and leveraged finance markets

Agency: CGFS

Contact Information: cgfs@bis.org

Target Date: May 2008

Brief Description: A working group on private equity and leveraged finance markets was established in March 2007 with the objective of providing an overview/stock-taking of existing work in this field, especially concerning: (a) the characteristics, structure and operations of leveraged finance markets; (b) the role and importance of the main market participants, including private equity firms, institutional investors and investment vehicles; and (c) the main forces that have and still are driving the growth of leveraged finance markets including differentiating between cyclical factors and more permanent structural changes.

2. Hedge Funds

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org, +1 202 623 7151)

Target Date: Ongoing

Brief Description: This work program aims to take stock of developments in the hedge fund industry, focusing on: (1) counterparty exposure; (2) use and measurement of leverage; (3) sources of market discipline; (4) disclosure practices and transparency; and (5) hedge funds' impact on smaller and developing markets, including emerging markets. An initial report was published in the September 2004 Global Financial Stability Report (http://www.imf.org/external/pubs/ft/gfsr/2004/02/index.htm). Update were published in the April 2005 and April 2007 issues of the GFSR (http://www.imf.org/external/pubs/ft/gfsr/2005/01/index.htm and http://www.imf.org/external/pubs/ft/gfsr/2007/01/index.htm).

3. Funds of hedge Funds

Agency: IOSCO

Contact information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Fall 2008

Website Locator: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD244.pdf

Brief Description: The Technical Committee started work on a mandate on funds of hedge funds, which will examine the key regulatory concerns and elements of international regulatory standards for funds of hedge funds. This work is expected to be completed in fall 2008.

In February 2003 the Technical Committee approved and publicly released the report entitled *Regulatory and Investor Protection Issues Arising from the Participation by Retail Investors in (Funds-of) Hedge Funds*. Since then the volume of traded funds of hedge funds has tremendously increased and significant regulatory developments have taken place in several jurisdictions. During its February 2007 meeting the Technical Committee gave to TCSC-5 the mandate to review the content of the above mentioned report in light of recent developments, in particular, to assess whether the regulatory principles presented in the 2003 report need to be amended and/or completed. As a result, TCSC-5 prepared a consultation paper that is calling for views on

issues that could be addressed by IOSCO on funds of hedge funds. The paper entitled *Call for Views on Issues that could be addressed by IOSCO on Funds of Hedge Funds*, was presented for consideration by the Technical Committee in April 2007 and publicly released for comments (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD244.pdf).

TCSC-5 is currently in the process of analyzing the related comments received from the international financial community and intends to prepare a draft final report that will take these comments into consideration. This report will also present the results of a survey of the current regulatory framework, for funds of hedge funds being offered to retail investors, in the jurisdictions of members and the results of three roundtable discussions organized by TCSC-5 with experts on funds of hedge funds in Asia, Europe and America.

4. The Role of Alternative Investment Vehicles in Corporate Governance

Agency:	OECD
Contact information:	Mats Isaksson (mats.isaksson@oecd.org)
Target Date:	End 2008
Brief Description	The OECD Steering Group on Corporate Governance has decided to extend its work on the role of alternative investment vehicles such as hedge funds and private equity firms in corporate governance. At its November 2007 meeting it discussed general policy implications and will now supplement this work with studies of specific policy areas such as rules governing shareholder cooperation and takeover arrangements. The papers are being made available on the website http://www.oecd.org/dataoecd/21/13/40037983.pdf.

5. Aspects of Global Asset Allocation

Agency:	IMF
Contact Information:	Monetary and Capital Markets Department, Global Financial Stability Division (contact: Laura Kodres, lkodres@imf.org; +1 202 623 7151)
Target Date:	Ongoing
Brief Description:	This work program aims at reviewing and assessing the influences underpinning asset allocation decisions by institutional investors (including changes in regulatory frameworks and prudential standards, legal frameworks and accounting regimes, development of market infrastructures and investment products), and their implications for the conduct of surveillance of global financial markets. The factors that determine changes in asset allocation and therefore, capital flows across national borders and sectors have significant implications for financial stability.

6. Capital Flows to Emerging Market Economies: What are the Financial Implications?

Agency:	CGFS
Contact Information:	cgfs@bis.org

Target Date: September 2008

Brief Description: A working group was established in May 2007 with a mandate to address the following issues: (a) consequences of capital inflows for bank and corporate balance sheets and domestic asset markets; (b) implications for the conduct of monetary policy including exchange rate developments and international reserve accumulation; (c) impact on inflation, current account positions and government budget balances; (d) implications for the domestic financial infrastructure development; and (e) challenges posed to regulation of the domestic financial sector.

7. Coordinated Direct Investment Survey

Agency: IMF

Contact Information: Ralph Kozlow (rkozlow@imf.org, +1 202 623 9398), John Joisce (jjoisce@imf.org, +1 202 623 6136)

Target Date: End 2009

Brief Description: With its interagency partners, the IMF is undertaking a Coordinated Direct Investment Survey (CDIS) in respect of end-2009. As of the end of 2007, 120 countries responded positively to the IMF's invitation to participate in the CDIS. The IMF has formed a Task Force, comprising 6 international organizations and 10 economies, to provide advice and content for a survey guide. The Task Force met in January 2008 to finalize the guide, which should be released by mid-2008. The CDIS will collect data on inward direct investment positions for all participating economies and outward direct investment positions for major investing economies and for other economies that can provide these data.

8. Local Capital Markets Development in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date Ongoing

Brief Description: A work is ongoing on local capital market development in emerging market countries (EM) and development of the investor base for EM debt instruments. It examines trends in local market development and broadening of the investor base for EM debt, which have allowed many EM to reduce debt-related vulnerabilities, especially foreign exchange, rollover, and interest rate risks. This work is designed at bolstering financial stability in EM through initiatives to develop deeper and more efficient local markets and broaden the EM investor universe, which provides a more stable funding base for EM and leaves them less vulnerable to adverse developments. This ongoing work also examines how appropriate regulation supports a balanced development of local markets and a broader investor base to reinforce financial stability.

9. Broadening the Local Bond Market Database in Emerging Market Economies

Agency: IMF

Contact Information: Armida San Jose (contact: asanjose@imf.org, +1 202 623 6327) and Ceyla Pazarbasioglu (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date: End 2008

Brief Description: The objective of the project is to facilitate the development of a common methodological framework for securities statistics that could be used by IMF member countries. For its part, the Fund would provide expert advice to promote consistency across macroeconomic statistics and promote the benefits of security databases across the membership in cooperation with other international organizations.

10. Broadening of the Investor Base in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date March 2008

Brief Description: The Fund is developing a set of best practices for developing the domestic institutional investor base (including enabling reforms such as pension fund reforms), and for improving regulation and consistency of treatment of institutional, foreign, and other investors. The Fund is also working as part of the Capital Markets Consultative Group (CMCG) on a study to explore factors driving the changes in investor behavior in emerging markets, key impediments to development of emerging capital markets and local and foreign institutional investors therein, and remedial measures. The Working Group paper and related analyses will cover several areas including: the state of play of the institutional investors of selected emerging market countries; development of a consistent database on assets and investment allocations of the pension funds, mutual funds and insurance companies; regulations regarding foreign investor participation, ownership restrictions, discriminatory tax treatment, and minimum holding periods; and the significance of structural issues such as shallow local investor base, illiquid secondary markets, and poor price formation. Case studies of mature market countries and some emerging market countries that have successfully developed a local institutional investor base and liquid bond markets will be used to draw lessons and assimilate “best practices” while tailoring them to individual circumstances.

11. Global Emerging Markets Local Currency Bond (Gemloc) program

Agency: WBG

Contact Information: Shidan Derakhshani (sderakhshani@ifc.org)
Alison Harwood (aharwood@ifc.org)

Completion date: Ongoing

Website locator: http://www.gemloc.org

Brief Description: The Gemloc Program represents a new initiative by the World Bank Group to promote development of local currency bond markets in emerging market countries and enhance financial stability through market-based incentives. The focus is on middle and low income countries. This initiative is closely aligned to priorities on local bond market development as expressed by the G-8. The Gemloc Program consists of three separate but complementary pillars: (i) investment strategies developed and managed by a private investment manager to promote investment in emerging market local currency bonds; (ii) an index developed in cooperation with IFC that will serve as a benchmark for this asset class (inclusion in the index is based on a country's bond market size and "investability" as determined by key market features such as regulation, taxation, infrastructure, and liquidity); and (iii) advisory services provided by the World Bank Group, paid for from fees generated by the investment strategies, to support country efforts to strengthen their local markets and improve their investability. The three pillars will operate separately but are expected to complement one another and generate positive externalities. In the Gemloc Program's first phase, the index is expected to include approximately 20 countries. Over five years, it is intended to include up to 40 countries. The investment manager (PIMCO) and index provider (Markit) were announced on February 19, 2008. The Advisory Services program will begin in April 2008.

12. Asset-Backed Securitization in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: hshah@imf.org, 1 202 623 9831 or cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date March 2008

Brief Description: The IMF is preparing an Occasional Paper on developments in asset-backed securities (ABS) markets in emerging market countries. Based on brief country studies of 6–8 emerging ABS markets, as well as lessons from more mature markets, the paper will outline some of the key policy considerations in developing ABS markets in emerging markets, including in developing enabling legal and regulatory framework, standardization of underlying credits, tax treatment, and market development. It would also articulate the role of this market for reducing risks within the banking system, facilitate housing and infrastructure development, and investments by pension funds and insurers. At the same time, it would assess some of the systemic stability implications of asset-backed securitization underscored by the recent financial market turmoil. The paper will facilitate more refined bilateral surveillance and advice on developing ABS markets in emerging economies.

13. Hedging Instruments in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date March 2008

Brief Description: The IMF is working on a major project with the objective to distill policy conclusions for deepening existing derivatives markets in more advanced emerging countries and for developing derivatives markets in less advanced economies by highlighting successful strategies and warning of potential pitfalls. Planned outputs include the publication of an Occasional Paper and conduct of regional workshops on derivative market development. More specifically, the Occasional Paper will review the current state of derivative markets in emerging market countries and identify linkages between derivatives and the development of local capital markets based on prominent cases of emerging derivative markets in selected countries.

14. Capital Markets Assessment Tool (EM)

Agency: WB/IFC

Contact Information: Capital Markets Advisory Group - CCGCM (contact: (cdelvalle@worldbank.org + 1 202 458 8276)

Target Date Ongoing

Brief Description: It is an ongoing work to produce a Capital Markets Assessment tool, intended to provide a methodology to conduct thorough diagnostics on the state of development of the capital markets of a given country (e.g. as part of FSAP's). It is expected that the methodology will provide disciplined and objective framework for assessing the major obstacles for the market to develop, and should provide a more consistent basis for implementation of strategies to develop individual markets. It is intended to be also a methodology for early stage that uses a developmental approach to evaluate the potential for private capital markets. The methodology also may be used to formulate a sequenced capital markets development strategy in countries with differing economic and legal infrastructure conditions. The methodology is intended for use in both countries where there are, or there is potential to develop, traditional markets for equities and corporate debt securities, and in countries where the development of such markets, in whole or in part, could be challenging and other alternatives to access capital should be considered.

15. Financial Education

Agency: OECD

Contact Information: Andre.laboul@oecd.org; +33 145 24 91 27

Target Date: Ongoing

Brief Description: The OECD launched a major project on financial education conducted by the Committee on Financial Markets (CMF), the Insurance and Private Pensions Committee (IPPC) and the Working Party on Private Pensions (WPPP). An analytic report was released at the end of 2005. The OECD

Council endorsed in June 2005 a new Recommendation on "Principles and good practices for financial education and awareness". At their June 2006 meeting, the G8 Finance Ministers called for further development by the OECD of guidelines on financial education. The IPPC, the WPPP and the CMF have finalized further analysis and guidelines on good practices on financial education in the areas of pensions and insurance which were released for public consultation. These guidelines will be transmitted shortly to the OECD Council for approval. The OECD will also co-organize conferences with the US Treasury (Washington, 7-8 May 2008), Indonesian central Bank (Jakarta, fall 2008), and Federal Reserve Bank (spring 2009). Further work by the OECD will include analysis and guidelines on financial education at school, credit (including mortgage), codes of conduct for financial intermediaries, financial education programmes, etc.

16. Longevity Risks, Annuities and Financial Markets

Agency	OECD
Contact Information:	Pablo.antolin@oecd.org; +33 145 24 90 86
Target Date:	Ongoing
Brief Description:	Several OECD bodies, including the Committee on Financial Markets, its Working Party on Debt Management, the Insurance and Private Pensions Committee and its Working Party on Private Pensions are developing work related to the impact of increased longevity on financial and annuities markets and the possible role of governments (including for instance on the bond markets). This project will also include work on annuities and more generally the payout phase, to begin soon in several countries. A high level conference will be organized in November 2008.

17. Private Equity

Agency:	IOSCO
Contact Information:	Greg Tanzer (g.tanzer@iosco.org)
Target Date:	Mid 2008
Website Locator:	http://www.iosco.org/library/pubdocs/pdf/IOSCOPD254.pdf
Brief Description:	The IOSCO's Technical Committee decided in the course of its meeting of February 2007, to launch a fact finding exercise on the theme of private equity, given its increasing importance as a component of capital markets, and to create a Task Force on Private Equity (TFPE). TFPE has conducted a review of private equity markets and identified a set of issues which private equity markets may pose to capital markets. These issues were considered in accordance with their pertinence with the *IOSCO Objectives and Principles of Securities Regulation* and recommendations were made as to what further work might be considered within the Technical Committee and within the international financial community. As a result of this work, TFPE has identified seven specific issues relating to private equity markets that have been raised as potential risks to financial markets, of which six are relevant to IOSCO's objectives. These issues are outlined in detail in the Technical

Committee report on *Private Equity*, which was published in November 2007 as a Consultation Document. The deadline for comments from the international financial community was 20 February 2008. Those comments are now being assessed. With respect to further recommended work by the report, to avoid any duplication, due regard has been given to work already done within IOSCO and in other international fora.

18. Review of Code of Conduct for Credit Rating Agencies

Agency:	IOSCO
Contact Information:	Greg Tanzer (g.tanzer@iosco.org)
Target Date:	May 2008
Website Locator	http://www.iosco.org/library/pubdocs/pdf/IOSCOPD233.pdf
Brief Description	IOSCO reconstituted a Task Force to review the codes of conduct that have been released by Credit Rating Agencies (CRAs) to determine whether CRAs consistently choose to "explain" (rather than comply) with specific provisions of the IOSCO CRA Code. The review has assisted in assessing whether any aspects of the IOSCO CRA Code need to be modified to better reflect market realities or better explained to help ensure more consistent compliance. The review of the codes of conduct published by CRAs in response to the IOSCO CRA Code was completed by November 2006. This review is not limited to the largest CRAs but also includes smaller firms. The Task Force finalized the drafting of a Consultation Paper entitled *Review of Implementation of the IOSCO Fundamentals of a Code of Conduct for Credit Rating Agencies*, on the basis of the above mentioned survey and conclusions (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD233.pdf). This Paper was presented for consideration by the Technical Committee in February 2007, which approved its public release with a comment period ending in May 2007. In the Paper it is revealed that any variations from the IOSCO Code are usually noted and adequately explained by the CRAs. Nevertheless, IOSCO has also noted that in specific areas, there is still room for improvement. The Task Force on Credit Rating Agencies (TFCRA) proceeded to an analysis of the comments received from the international financial community on the Consultation Report. In addition, TFCRA has initiated work on a new mandate to consider the adequacy of the models used by CRAs to assess the risks related to structured finance products and the potential conflicts of interests involved. TFCRA held a fact finding meeting with representatives of seven CRAs on 18 September 2007, which in particular focused on the role of CRAs in the development of structured finance products. A key issue that was raised during that meeting was how CRAs intend to restore investor confidence in their activities. CRAs stated that their ratings were not related to anything other than solvency risk. It is however now clear that some market participants misperceived these ratings as also covering liquidity and pricing risks. As a result of this meeting TFCRA has decided to focus its review of the IOSCO CRA Code on the provisions relating to conflicts of interests, transparency of fees and transparency of rating criteria. The definition of ancillary services will also be reviewed

to see whether providing ratings for structured finance has been properly excluded from that definition. TFCRA presented a comprehensive report during the February 2008 meeting of the Technical Committee.

19. The Use of Ratings in Structured Finance Products

Agency: CGFS

Contact Information: cgfs@bis.org

Target Date: May 2008

Brief Description: A study group was asked by the CGFS in November 2007 to provide an initial assessment of the potential weaknesses of structured finance ratings and to give recommendations as to what additional information from rating agencies might help investors to better assess the risks of structured products. The study group will also examine the "hard-wiring" of ratings in structured investment vehicles and the role of monolines in providing credit enhancements to structured product ratings. The study group presented an interim report to the March 2008 CGFS meeting. A revised report will be distributed to the private sector participants for their feedback in April 2008.

20. Point of Sale Disclosure to Retail Investors

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: May 2008

Brief Description: Many retail investors who buy investment products, particularly interests in a collective investment scheme (CIS) and possibly similar products, do not clearly understand the products or the layers of costs associated with those products. Also, many retail investors may not clearly understand their intermediary's financial stake in selling those products, including so-called "revenue sharing" arrangements. Therefore, they might end up purchasing a product that they would not have otherwise, had they understood the true costs of the product and/or their intermediary's conflicts.

Pursuant to a February 2007 Technical Committee mandate, IOSCO is currently considering the key information that customers ought to receive at the point of sale in order to support sound investment decision-making. Industry and academic reports on the types of information that investors expect and find meaningful at the time they make an investment decision, primarily for investments in CIS, have been collected and are currently being reviewed. The next step will be to survey the related regulatory requirements and initiatives in the jurisdictions of members. A consultation paper on the issues raised by this topic will be published. If appropriate, IOSCO will later develop recommendations or principles relating to this issue, which would also be published for consultation.

21. Regulatory Oversight of Intermediaries' Adherence to Rules of Conduct

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: End 2008

Brief Description: Although the members' approaches and policies to promote compliance with their regulations differ, they share the common belief that rules of conduct play an essential role in promoting investor protection, market integrity and ethical behavior. They believe that the supervision of market intermediaries' conduct through different tools helps to ensure the maintenance of high standards and the protection of investors. The IOSCO Technical Committee approved in November 2006 detailed terms of reference for examining the methods used by its members to oversee market intermediaries' compliance with rules of conduct and potentially developing principles applicable to regulatory oversight of firms' compliance with rules of conduct to help ensure investor protection and market stability. TCSC-3 has surveyed the methods used by its members to oversee market intermediaries' compliance with rules of conduct and is proceeding to an analysis of the gathered information. A key objective of the analysis is to assess the possibility of developing high-level principles intended to assist IOSCO member regulators in improving their oversight programs and addressing the challenges they face in seeking to ensure market intermediaries' adherence to rules of conduct. TCSC-3 intends to shortly initiate the preparation of a draft report which will be presented for consideration by the Technical Committee in 2008. However, this report would only be addressed to the IOSCO members.

22. Direct Access to Exchanges and Other Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: A mandate on direct access to exchanges and other markets and the related project specifications were approved during the Technical Committee meeting of April 2007. The operation of exchanges and other markets and the methodologies for accessing them have over the past few years evolved rapidly. Today, various financial intermediaries and investors have direct market access (DMA), in particular through electronic means. Surveying the various approaches taken in different jurisdictions with respect to DMA would assist regulators in addressing important related regulatory issues, such as: the risks relating to market integrity and security, the requirements in place for the different access methodologies, the categories of financial market stakeholders who are granted DMA, how the DMA risk management issues are addressed and which authorities are responsible for developing and enforcing related rules. TCSC-2 has conducted a fact-finding survey to identify the approaches taken by markets and clearing organizations regarding DMA. Given that DMA also implies access to market intermediaries, the assistance of TCSC-3 has been sought to provide related input. A survey

on intermediaries in order to better understand the trends and actual practices in DMA will be conducted. A related report will be presented to the Technical Committee.

23. Bond Market Microstructure: Lessons from best practice countries

Agency: WB/IFC

Contact Information: Capital Markets Advisory Group - CCGCM (contact: (cdelvalle@worldbank.org +1 202 458 8276)

Target Date Ongoing

Brief Description: This technical note seeks to identify the key factors responsible for the development of a corporate bond market focusing on the capital raising function of the primary market for new issues and the liquidity provision and price discovery function of the secondary or trading market. It discusses important differences between debt and equity from an issuer and investor perspective, the impact these have had on the evolution of successful bond market infrastructures and seeks to draw out the regulatory and legislative implications which flow from them. The note illustrates these points by reference to two of the largest and most successful corporate bond markets to have developed in recent decades—the US corporate bond and the Europe based but global Eurobond market.

24. Outsourcing Arrangements for Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: Market operators are increasingly using third party service providers to perform processes, services or activities (regulated or not) that would otherwise be undertaken by the market operators themselves (outsourcing arrangements). This may bring benefits for market operators, in particular cost reductions resulting from the use of specialized expertise and improved technology. On the other hand an increased reliance on outsourcing of activities may impact the ability of markets to manage risks and monitor compliance with regulatory requirements. This may have an impact on market integrity and on the ability of regulators to fulfil their missions. The Technical Committee report entitled *Principles on Outsourcing of Financial Services for Market Intermediaries*, the February 2005 Joint Forum report entitled *Outsourcing in Financial Services* and the November 2006 Technical Committee report entitled *Regulatory Issues Arising from Exchange Evolution* do not assess risks nor identify principles related to outsourcing arrangements made by markets. TCSC-2 therefore has proposed and the Technical Committee has approved to examine various types of existing outsourcing arrangements, assess their impact and evaluate the main challenges faced by regulators arising from such arrangements. TCSC-2 will also assess related risks and determine whether non-prescriptive guidance on outsourcing specifically applicable

to markets should be developed.

(vi) Prudential Regulation and Supervision

1. Review of Risks Related to Customer Suitability Issues

   Agency: Joint Forum

   Contact Information: Joint.Forum@bis.org

   Target Date: 2nd quarter 2008

   Brief Description: The objective was to examine the existing practice in firms for managing the risks of potential mis-selling of financial products and services and the basic tenets of conduct of business rules across sectors. The report deals only with requirements in respect of retail customers and products with a significant investment component. It therefore includes investment-based or investment-linked insurance products, but not those insurance contracts that only insure against risk. Credit products sold by banks in retail settings were not part of this review. The Joint Forum adopted the report at its November 2007 meeting and submitted it to the Joint Forum parent committees for their endorsement, recommending that the report be made public. The Basel Committee endorsed the report in December 2007 while the IAIS and IOSCO have suggested a few amendments that have been discussed by the Joint Forum at its meeting on 20-21 February 2008.

2. Review of Risk Concentration Management

   Agency: Joint Forum

   Contact Information Joint.Forum@bis.org

   Target Date: 1st quarter 2008

   Brief Description: The Joint Forum is undertaking a review of how firms in the banking, securities and insurance sectors manage risk concentrations at the conglomerate or group-wide level and how current and emerging techniques are employed to identify potential concentrations. Through this review, the Joint Forum will seek to understand the challenges that firms face in assessing firm-wide concentrations and build on its previous related work, including the 2003 report on trends in risk integration and aggregation. This report, although begun before the 2007 financial market turmoil, has incorporated observations from recent events.

3. Supervision of Financial Conglomerates

   Agency: Joint Forum

   Contact Information Joint.Forum@bis.org

   Target Date: End 2008

   Brief Description: The Joint Forum is undertaking a stock-taking of the extent to which supervisors have implemented the 1999 Joint Forum principles on the supervision of financial conglomerates. In the interest of promoting the work of the Joint Forum beyond its traditional boundaries, this workstream will involve non-member agencies. The work is being

conducted principally by means of a self-assessment completed by working group members. The revised version has been sent to the parent committees on 4 March. Publication could take place at end March.

4. Credit Risk Transfer

Agency:	Joint Forum
Contact Information	Joint.Forum@bis.org
Target Date:	1st quarter 2008
Brief Description:	This workstream is updating the Joint Forum's Credit Risk Transfer document that was released in 2005. It assesses the increase in credit risk transfer (CRT) volumes and the number of participants, including understanding the motives and behaviour of new participants in the CRT markets, including hedge funds. The group is also documenting new products and structures (for example, credit default swaps (CDS) on asset-backed securities (ABS); collateralised debt obligations (CDOs) of ABS; and CDSs on bank loans) and the impact of increased leverage. It examines how new developments in CRT markets are leading regulated firms to change their business strategies, including impacts on credit origination and exposures that have resulted from new entrants and products, and the associated potential risks for firms that rely on CRT mechanisms and markets. It also explores what, if anything, can be learned about how CRT may be impacted during a "credit downturn" situation. Included in this area will be an investigation into where the credit risk resides. The revised version has been sent to the parent committees on 4 March. Publication could take place at end March.

5. Implementation of the New Capital Adequacy Framework (Basel II)

Agency:	BCBS
Contact Information:	baselcommittee@bis.org
Target Date:	Ongoing
Brief Description:	The Accord Implementation Group (AIG) provides a forum for information sharing in order to promote consistency in the implementation of the new capital framework. The AIG regularly discusses practical issues related to cross-border implementation of Basel II for internationally active banks. The challenges of coordination between home and host supervisors go beyond Basel II's Pillar 1 (minimum capital requirements) and have clear implications for Pillar 2 (supervisory review process), particularly around topics like global risk management, diversification effects and treatment of risks beyond those captured in Pillar 1. The BCBS and the AIG are devoting significant resources to the Pillar 2 implementation process, including better understanding supervisory approaches to implementation of Pillar 2 for non-complex banks. In May 2008, the AIG is conducting a workshop on this topic together with the International Liaison Group's Working Group on Capital (ILGC). The AIG has also begun assessing banks' Pillar 3 disclosures. It intends to hold a workshop with the ILGC and industry participants on Pillar 3 in June 2008.

The AIG has two subgroups to address specific issues that are of particular concern to the banking industry and supervisors in the implementation of Basel II. The first subgroup is addressing issues related to validation of the most advanced credit risk approaches in Basel II. The second subgroup is addressing issues related to the cross-border implementation of the advanced measurement approaches (AMA) for operational risk in Basel II.

Lastly, in the course of implementation of Basel II, national supervisors are monitoring capital requirements to ensure that banks in their jurisdiction maintain a solid capital base throughout the economic cycle. The Basel Committee has established a Basel II Capital Monitoring Group that will from time to time share national experiences in monitoring capital requirements.

6. Supervision of Bank Liquidity Risk Management

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee's Working Group on Liquidity is reviewing different jurisdictions' approaches to supervising and regulating funding liquidity risk. It also assessed preliminary lessons and implications arising from the market turmoil, and presented its findings to the Committee in December 2007. A public version of the report with a summary of the findings was published in February 2008. The group has recently initiated an update of the Basel Committee's 2000 guidance on *Sound Practices for Managing Liquidity in Banking Organisations.* This update will review the current *Sound Practices* and strengthen areas identified as warranting additional attention due to financial market developments. The update will also include further guidance for the supervision of liquidity risk management and will address issues that arise in cross-border banking groups. The working group plans to present its update to the Committee in June 2008, and will then issue the document for public consultation.

7. Review of Trends in Regulatory Capital Instruments

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: March 2008

Brief Description: The Basel Committee has launched an initiative to review the definition of regulatory capital across jurisdictions. The Definition of Capital subgroup has undertaken a stock-take of the current definition of capital used in member jurisdictions as well as in a number of non-member jurisdictions. The subgroup has evaluated how market participants, including rating agencies, perceive and value the equity-like characteristics of various capital instruments. This fact-finding work is focusing on the fundamental aspects of capital such as its loss

absorbency. The subgroup has also reviewed the role of accounting in the calculation of regulatory capital.

8. Computation of Capital for Incremental Default Risk in the Trading Book

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: July 2008

Brief Description: The Basel Committee's Trading Book Group (TBG) was set up to provide further clarification for computing an incremental default risk charge in the trading book as required in the Basel/IOSCO Agreement reached in July 2005[2], as well as to share experience in overseeing banks' implementation of the trading book capital regime. The consultative document *Guidelines for Computing Capital for Incremental Default Risk in the Trading Book* was published in October 2007, and its consultation period ended on 15 February. In the development of the guidelines, the TBG held several meetings with industry associations and globally active banks to understand evolving practices in modeling default risk in the trading book. During the consultation period, the TBG conducted a data collection exercise to evaluate the quantitative impact of the guidelines. The Basel Committee is currently reviewing the comments received on the consultative document and the results of data collection exercise, and aims to finalise the guidelines by July 2008.

9. Initiatives on Risk-based Supervision and Microfinance

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee established the International Liaison Group (ILG) to provide a forum for deepening its engagement with supervisors around the world on a broad range of issues. The ILG provides a platform for non-member jurisdictions to contribute to new Committee initiatives early in the process and to develop new proposals that are of particular interest to ILG members. One of the ILG's current projects is risk-based supervision as a shift to a more principles- and judgmentally-based approach to supervision has been witnessed over the last decade or so. The ILG is undertaking a survey on issues related to risk-based approaches among its members which may result in a document on current practices. An additional workstream of the ILG is related to microfinance regulation and supervision. The ILG intends to identify issues and emerging supervisory responses to microfinance. The objective is not to create new standards but to draw on the collective

[2] Basel Committee on Banking Supervision, *The Application of Basel II to Trading Activities and the Treatment of Double Default Effects*, July 2005.

experience of some of its members with microfinance in order to identify supervisory issues and illustrate accepted practices.

10. Valuation Practices

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: 2008

Brief Description: The Basel Committee's Accounting Task Force (ATF) and Risk Management and Modelling Group (RMMG) jointly conducted a review of banks' model-based valuation practices, particularly for complex and illiquid products. This work was conducted from February 2007 through February 2008. Committee representatives surveyed around 30 banks late in 2007 and gained additional perspectives from meetings with bankers, banking industry groups, and accounting and auditing standard setters. The findings of this work were presented to the FSF in March 2008. The Committee intends to release its findings to the public during April 2008 and provide supervisory guidance later in 2008.

11. Stress Testing

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee's Risk Management and Modelling Group is beginning work to assess the industry range of stress testing practices, including an examination of how banks' stress testing practices have held up under the recent market turmoil, where key challenges lie, and where the industry plans to make enhancements. It also aims to determine where industry practices and supervisory guidance could be strengthened.

12. Bank Resolution

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Early 2009

Brief Description: This initiative, conducted by the Basel Committee's newly-formed Cross-border Bank Resolution Group, will review and analyse issues relating to the resolution of large banks with cross-border operations, building on the work already conducted in this area. The working group will compare various national policies, allocation of responsibilities and legal frameworks in place for dealing with a resolution of a bank having significant cross-border operations.

13. Supervision and Assessment of Insurers' Solvency

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS has a strong commitment to the development of a cohesive set of standards and guidance on solvency assessment – with an overall objective of facilitating greater comparability and improved convergence over the long term of supervisory practice towards a risk based solvency regime.

In 2007, guidance papers were issued on the structure of capital requirements, enterprise risk management and internal models. In 2008, as emerging practice becomes more settled, the papers will be further developed into the following standards:

- Standard on the structure of capital requirements;
- Standard on enterprise risk management for solvency purposes; and
- Standard on internal models.

A new and important work stream in the area of solvency assessment is to begin detailed considerations on the issues of group capital and solvency assessment. After finalisation of a paper on the *Principles of Group-wide Supervision*, the IAIS will develop an issues paper on solvency assessment for groups.

14. Reinsurance

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: i) Standard-setting on reinsurance and other forms of risk transfer

In 2007, the IAIS issued a discussion paper which comprehensively explores the complex issues related to a mutual recognition framework in the context of reinsurance supervision. This work will be taken forward, through further analysis and development of the concepts and proposals in the discussion paper, with a view to developing a guidance paper on mutual recognition of reinsurance supervision. The aim is to facilitate the development of an international supervisory framework which is sufficient to allow host supervisors to recognize the quality of the regulation and supervision exercised by another jurisdiction.

Furthermore the IAIS Reinsurance Subcommittee intends to revise the Standard on the evaluation of the reinsurance cover of primary insurers and the security of their reinsurance during 2008. In addition, the finite reinsurance drafting group has been re-established to upgrade the current guidance on risk transfer, disclosure and analysis of finite reinsurance. Finally, the ongoing work of the Captives Paper Drafting Group aims at adopting the revised paper during the Annual Meeting in 2008.

ii) IAIS Global Reinsurance Market Report 2008

In 2008, the IAIS will publish its fifth annual global reinsurance market report based on 2007 data provided by supervisors of the largest global reinsurers in Bermuda, France, Germany, Japan, Spain, Switzerland, the UK and the US. The report aims to improve the transparency of the global reinsurance industry by providing analysis of financial position,

monitoring trends and considering risks and challenges for the reinsurance industry.

15. Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The increasing integration of financial markets and the growing number of internationally active insurers and reinsurers has made the need for mutual cooperation and information exchange more urgent. In response to members' desire for more concrete arrangements to facilitate information exchange, a project commenced in October 2005, culminating in the Multilateral Memorandum of Understanding (MMOU) framework. The adoption of the MMOU framework in February 2007 is an important step towards broadening contacts and creating mutual trust and confidence amongst insurance supervisory authorities. The framework establishes a formal basis for facilitating cross-border communication between supervisors, regarding the supervision of both insurance companies and insurance groups, where cross-border matters arise. So far the number of members expressing interest in applying for MMOU accession is encouraging. It includes jurisdictions from both major insurance markets and other regions.

16. Implementation of IAIS Principles and Standards and Emerging Markets

i) Insurance Regional Seminars and Training

Agency: IAIS and FSI

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: In January 2008, the IAIS launched IAIS DISCOVER, consisting of a series of online tutorials complemented with regular IAIS workshops and distance learning events. The project launch piloted three tutorials in Beijing for insurance supervisors from Asian jurisdictions. The IAIS will continue to develop additional tutorials based on the Core Curriculum for Insurance Supervisors developed by the IAIS in cooperation with the World Bank.

The IAIS also organizes, in collaboration with the FSI and national insurance supervisory authorities and other bodies, about 10-15 regional seminars and workshops annually to assist insurance supervisors implement IAIS principles and standards on insurance supervision.

ii) Issues in Regulation and Supervision of Microinsurance

Agency: IAIS and CGAP Working Group on Microinsurance

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Following the completion of an issues paper on microinsurance, the IAIS undertook a survey on the role of mutuals and cooperatives in microinsurance. The preliminary survey findings were completed in early March 2008 and further analysis will be undertaken. Following analysis of the issues paper and completion of the analysis of the survey findings, work will commence on the development of principles and guidance on the regulation and supervision of microinsurance. In addition, an issues paper will be completed on the regulation and supervision of mutual organizations, in relation to microinsurance in emerging markets.

17. Financial Conglomerates

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Groups are the most common organisational structure of international active insurers. As a result, the IAIS aims to establish Principles and Standards in this area, and establish a comprehensive framework for streamlining group supervision. The main goal is to achieve efficient group supervision which preserves the level of policyholders' protection while avoiding unnecessary supervisory burden.

During 2008, the IAIS plans to issue a principles paper on group wide supervision and a guidance paper on the role and responsibilities of the group-wide supervisor. In addition, the IAIS is developing an issues paper on groups and solvency assessment.

18. Review of Insurance Core Principles

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The Insurance Core Principles (ICPs) are the foundation on which all standard setting activities of the IAIS build. However, as the range and scope of supervisory and other papers of the IAIS expand, and as practice in the industry and supervisory sector evolves, it is appropriate to periodically take stock of the foundation principles to ensure they remain appropriate, comprehensive and current. The IAIS has recently formed a task force to review and revise the ICPs.

19. Harmonized International Glossary

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS Glossary provides definitions of the main terms used by IAIS working parties in their work. The IAIS is undertaking a comprehensive review of the solvency terminology in the current Glossary. This review

will form part of the work being undertaken in the development of a globally accepted regime for solvency assessment. The review will pay close regard to the glossaries of other relevant international and supra-national bodies – in particular the glossaries of the IAA and the CEA/Groupe Consultatif Solvency II Glossary – with a view to harmonization of terminology and potential longer term convergence towards a harmonized international glossary.

20. Strategic Direction of IOSCO Activities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2010

Brief Description: IOSCO formally endorsed in April 2005 a range of operational priorities that will further strengthen its effectiveness in this regard.

a) maintaining the role of IOSCO as the international standard setter for securities regulation

IOSCO has proven successful at setting international securities regulatory standards and IOSCO is recognized as the international standards setter for securities markets. Its current position must be maintained by constant work to upgrade the IOSCO principles to take into account emerging regulatory issues and to protect this key international standard setting responsibility.

b) improving enforcement related cross-border cooperation

IOSCO is pushing forward in identifying obstacles that prevent enforcement cooperation and exchange of information within its membership and with non-member securities regulators.

The IOSCO Presidents Committee endorsed in April 2005 the IOSCO MMOU as the international benchmark for enforcement related cooperation and exchange of information and to move forward with its implementation by 1 January 2010 as being a signatory or through a commitment to seek the legal authority to do so (see paragraph 20 in section (iii)).

c) implementing the IOSCO objectives and principles of securities regulation

Now that IOSCO has endorsed a full set of IOSCO Principles and has an operational Methodology to practically assess the level of implementation of the IOSCO Principles, the Organization is focusing on the systematic assessment of the level of implementation of the IOSCO Principles within the jurisdiction of each one of IOSCO's members and will provide technical and policy level assistance, whenever needed, to achieve this objective (see below the IOSCO Assisted Assessment Program).

In this respect, the Implementation Task Force is currently developing with the General Secretariat a work program to improve awareness of the IOSCO Principles and to encourage members to work towards their full

implementation. This will in particular involve making related focused presentations at coming Regional Committee meetings.

d) continuing to raise the international profile of IOSCO and the level of internal communications

IOSCO has decided to continue to improve communications so that its initiatives, objectives and priorities become better known from the international financial community. One of the great advantages of IOSCO is its wide membership and the fact that its members regulate most of the world's securities markets. For that purpose IOSCO is using ways to leverage as much as possible the communications' aspects of this broad membership in order to facilitate the diffusion of IOSCO's messages and actions to its members' jurisdictions.

21. The IOSCO Principles Assisted Assessment Program

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: IOSCO is increasingly focusing its efforts on promoting the implementation of its principles by its members. To assist its members in this task, the IOSCO Executive Committee approved in February 2003 a pilot program to assist its members in the completion of an assessment of their level of implementation of the IOSCO Objectives and Principles of Securities Regulation. Pursuant to this pilot program, experts selected by IOSCO from among its membership assist each participating jurisdiction in an assessment of its level of implementation of the IOSCO Principles using an innovative Assessment Methodology and in the development of an action plan to correct identified deficiencies. The IOSCO Executive Committee extended this pilot program in October 2004.

To date a number of IOSCO members have greatly benefited from assistance in this initiative including those from El Salvador, Turkey, Thailand, Morocco, Sri Lanka, Ecuador, Peru, Romania, WAMU, Uruguay, Honduras, Venezuela, Tunisia and Costa Rica. As part of the new IOSCO strategy the program will cover all IOSCO members.

In addition to providing direct assistance to members, the General Secretariat is gradually developing a network of experts who have gathered experience from direct participation in the *IOSCO Principles Assessment and Implementation Program* and is using this network to train other experts, develop related written guidance, and provide training seminars on the IOSCO Principles and on the IOSCO Assessment Methodology. A working session with experts involved in assessments was organized in Madrid on 4-5 December 2006 in coordination with the IOSCO Implementation Task Force and the World Bank and IMF in order to share experiences and strengthen the understanding of the IOSCO Methodology by assessors. The Workshop was designed to be an interactive session for participants with extensive experience in using the Assessment Methodology either through conducting an FSAP

Assessment or an IOSCO Assisted Assessment. IOSCO will organize a similar Workshop in 2008, which will take place in Mumbai.

22. Securities Regional Seminars and Training & Assistance Programs

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator http://www.iosco.org/events/

Brief Description: IOSCO and its members conduct a wide variety of seminars and training programs throughout the year. These programs take place in all regions of the world and benefit from the participation of IOSCO members and the expertise of their staffs.

The programs for 2008 will include: http://www.iosco.org/events/

- A regional Seminar on "Cooperation and Exchange of Information between Securities Supervisors from Eastern and Southern Europe – how to join and effectively use IOSCO Multilateral Memorandum of Understanding", which will take place in Warsaw on 27-28 March and will be hosted by the Polish FSA.
- A regional Seminar on "Enforcement Aspects of Takeover Regulation", which will take place on 11-14 June 2008 in Istanbul.

23. Principles for Regulation and Supervision of Private Pensions

Agency: OECD, and International Organisation of Pension Supervisors (IOPS)

Contact Information: andre.laboul@oecd.org; +33 145 24 91 27

Target Date: Ongoing

Brief Description: A Recommendation on core principles of pension regulation was approved by the OECD Council in March 2004. Building on this work, the OECD Working Party on private pensions developed further *Guidelines on pension fund asset management* and *on funding and benefit security in occupational pension plans*. Both guidelines were released for public consultation and subsequently approved by the OECD Council. *Guidelines on the Licensing of Pension Entities* were developed and finalized jointly with the International Organisation of Pension Supervisors (IOPS). After a public consultation and endorsement by the IOPS General assembly, they will now be transmitted to the OECD Council. A compendium of all OECD guidelines was issued in December 2007 together with the core principles and an assessment of their implementations which will lead to review of the principles in 2008 and 2009. This will provide a basis for country assessments. In December 2007, the Working Party launched its review of the *Guidelines for pension fund governance* and in July 2008 it will review the *Guidelines for the protection of the rights of members and beneficiaries*.

The OECD also continues its work to monitor the pension fund industry by publishing an annual review (Pension Markets in Focus). The data

published is based on OECD's Classification system and glossary on private pensions published in 2005.

The OECD will continue to lead the development of international standards on pension regulation, while work on supervisory issues and the related development of supervisory standards will be conducted by the IOPS. The IOPS agreed on principles on pension supervision at the occasion of its 2006 AGM and decided to launch work on guidelines on off-site and on-site supervision in 2007. A set of good practices recommended by supervisors for alternative investment by pension funds is currently under finalization. The IOPS 2008 work will focus on risk-based supervision. The OECD and IOPS work in close co-operation under a Cooperative Agreement signed in January 2005.

The IOPS and the World Bank have also entailed the examination of risk-based supervision of pensions in several countries through the Pensions Risk Management project.

(vii) Combating Money Laundering, Terrorist Financing and Other Market Abuses

1. Actions to Combat Money Laundering & Terrorist Financing

Agency: FATF

Contact Information: John Carlson (john.carlson@fatf-gafi.org & secretariat@fatf-gafi.org +33 145 24 79 46)

Target Date: Ongoing

Brief Description: In 2003 the FATF issued the (revised) Forty Recommendations, which together with the FATF Nine Special Recommendations on Terrorist Financing (TF) provide the international anti-money laundering and counter-terrorist financing (AML/CFT) standard. The FATF has developed interpretation and best practices to support the 40+9 Recommendations.

In 2004, the FATF, in collaboration with the IMF, the World Bank and the FATF-style regional bodies (FSRBs), developed a (revised) Methodology to assess compliance with the 40+9 Recommendations. This methodology underlies all FATF/FSRB/World Bank/IMF AML/CFT assessments. A Handbook of common practices has also been developed, and provides guidance and a common format for the evaluation and its report.

In January 2005 the FATF commenced a third round of mutual evaluations of its members' compliance with the 40+9 Recommendations. By the end of 2007, reports on Australia, Belgium, China, Denmark, Finland, Greece, Iceland, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK, and the United States were completed and made publicly available. Ultimately, all FATF members will be assessed over a 5-6 year cycle. The reports of mutual evaluations of FATF members are available at http://www.fatf-gafi.org/document/32/0,2340,en_32250379_32236982_35128416_1_1_1_1,00.html. The FSRBs also assess their members' compliance with the 40+9 Recommendations and publish those reports on their websites.

An FATF Working Group continues to ensure that there is consistency of interpretation of the FATF standards and the AML/CFT Methodology 2004 in all AML/CFT evaluations and assessments. This Working Group has agreed a number of measures, such as enhanced training, that will help to ensure the quality and consistency of assessment/evaluation reports prepared by all assessment bodies (FATF/FSRBs/IFIs). Quality and consistency is also meant to ensure that private sector entities will be able to use and better compare all AML/CFT evaluations.

Following an initial meeting in December 2005, at which the FATF discussed implementation issues with some financial sector representatives (banking and securities sectors), the FATF created an advisory group, with public and private sector membership. In June 2007 this group published guidance for the public and private sectors on the risk-based approach for addressing AML/CFT issues. The FATF also held a dialogue in November 2006 with the legal and accounting professions. In addition, an online consultative forum has been launched for discussion of issues and ideas from private sector organisations and associations.

The FATF continues its longstanding work on "typologies" to gather information on and knowledge of methods and trends so as to ensure that the 40+9 Recommendations remain up to date and effective. These reports are published on the FATF website (www.fatf-gafi.org).

In June 2007, the FATF issued *Guidance Regarding the Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction* and in October 2007 complemented this with guidance regarding implementation of the activity-based financial prohibitions of UNSCR1737.

2. Ongoing Activities in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Agency: IMF and World Bank

Contact Information: Nadim Kyriakos-Saad (nkyriakossaad@imf.org, +1 202 623 5646); Latifah Osman Merican (lmerican@worldbank.org, +1 202 458 8833)

Target Date: Ongoing

Brief Description: The IMF and the World Bank continue to deliver an intensive AML/CFT work program. To date, the Fund and the Bank have conducted 34 AML/CFT assessments using the 2004 Methodology [3] and plan to conduct about 7 new assessments over the next 6 months.

[3] Bahrain, Belarus, Bermuda, Botswana, Cambodia, Cape Verde, CEMAC, Denmark, Djibouti, Fiji, Gibraltar, Greece, Haiti, Honduras, Hungary, Italy, Latvia, Liechtenstein, Mauritania, Mauritius, Madagascar, Namibia, Panama, Qatar, Rwanda, Senegal, Sierra Leone, Sudan, Tajikistan, Thailand, Tunisia, Uganda, United Arab Emirates, and Uruguay.

- **Technical Assistance:** The two institutions have also continued a high level of AML/CFT technical assistance (TA) activity, carrying out 110 events and missions from 1 June 2007 to 31 December 2007, including 76 bilateral TA missions and 34 regional training events. These missions and events covered a wide range of topics and activities including legislative drafting, supervision, issues specific to institutional and regulatory frameworks, FIUs, and desk reviews of laws and regulations. Both the WB and the IMF also continue to conduct training for assessors, in conjunction with FATF and FATF Style Regional Bodies (FSRBs).
- **Outreach:** Bank and Fund staff participated in 61 events during this period, including conferences, donor coordination meetings, global dialogues, outreach to the private sector, and FATF and FSRB plenary and working group meetings.
- **Coordination:** The IMF and the World Bank continue to work closely with each other, FATF, the FSRBs, and bilateral donors to coordinate assessment calendars, optimize the provision of TA, and to strengthen global understanding of AML/CFT issues. In addition, collaboration with UNODC is on-going, with emphasis (for the Bank) on the joint work in Central Asia and in Cambodia, Vietnam, and Laos through the UNODC/WB mentors.
- **Policy Development and Research**: The two institutions both work to identify and disseminate international best practices in the implementation of the AML/CFT standard and to improve global understanding of AML/CFT issues, also with the view to improve the effectiveness of technical assistance. While the Fund and Bank collaborate and coordinate, their research and policy programs reflect their respective mandates as macroeconomic/financial sector and development institutions. One specific area of common interest where the Fund and Bank are collaborating closely is assisting members to assess their AML/CFT risks.

3. AML/CFT Transparency in Payment Messages

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: 2nd half 2008

Brief Description: Cover payments are used in correspondent banking in particular to execute transfers ordered by customers in foreign currencies. The current messaging standards do not ensure full transparency for the intermediary banks on the transfers they are helping to execute, because of a lack on information on the originator and beneficiary of the transfer. The BCBS has issued in October 2007 a statement to encourage industry initiatives aimed at improving transparency in international payments and has asked its AML/CFT Expert Group to review the supervisory issues related to cover payments and the industry's initiative, in coordination with all interested stakeholders and in particular the FATF, overseers of payment

systems and the industry. The group is currently drafting supervisory guidance.

(viii) Offshore Financial Centres (OFCs)

1. Offshore Financial Centre Assessments (OFCA)

   Agency: IMF

   Contact Information: Monetary and Capital Markets Department (mailto:bjohnston@imf.org)

   Target Date: Ongoing

   Brief Description: The IMF began assessing financial regulation and supervision in OFCs in 2000. Typically, the assessments review compliance with supervisory standards in banking relative to the Basel Core Principles and the anti-money laundering and combating the financing of terrorism regime relative to the FATF 40+9 recommendations. In addition, where warranted, the reviews include insurance and securities supervision as well. Member countries can also request to be assessed under the FSAP, which includes in addition a review of domestic financial vulnerabilities.

   The first phase of the program was completed in 2005 with 42 of the 44 jurisdictions contacted having been assessed (two jurisdictions received technical assistance in lieu of assessment). Since 2005, the IMF has assessed 14 jurisdictions and 12 assessments are scheduled for 2008; 28 jurisdictions submitted data under the Information Framework Initiative. The fifth annual roundtable was held in January 2008 in Basel to discuss the program with onshore and offshore supervisors and standard setters.

   The Executive Board of the IMF reviewed the OFC assessment program in November 2003. The next review is expected in the coming months, at which time the Board will have an opportunity to consider merging the OFC and FSAP programs.

   Progress reports on the OFC program prepared for the IMF Board were transmitted to the FSF prior to its meetings in September 2002, March 2003, September 2003, March 2004, March 2005 and March 2006. The reports are available at http://www.imf.org/external/np/ofca/ofca.asp.

2. Statistics on OFCs

   Agency: IMF

   Contact Information: cpis@imf.org and mcmif@imf.org

   Target Date: Ongoing

   Brief Description: The IMF is helping OFCs to improve their statistics, primarily by encouraging them to participate in international statistical collections such as the Co-ordinated Portfolio Investment Survey (CPIS), but also by helping them to improve their national macroeconomic statistics. Selected OFCs have been invited to participate in the 2009 Coordinated Direct Investment Survey. The information dissemination and monitoring framework is also expected to contribute to the financial statistics collated by, and available on, OFCs. CPIS information and data are available on http://www.imf.org/external/np/sta/pi/cpis.htm.

3. Review of Relevant Work of International Bodies on OFCs

   Agency: FSF

   Contact Information: fsforum@bis.org

   Target Date: Ongoing

   Brief Description: In March 2005 the FSF established a group to review reports by the IMF and other bodies on the status of their efforts on OFCs and results that have been achieved with a view to advising the FSF on follow-up actions as appropriate. The FSF's OFC Review Group is continuing to monitor progress by FSF member bodies in working with OFCs to improve cross-border cooperation and exchange of information. At its latest meeting in September 2007 (http://www.fsforum.org/press/press_releases_108.html), the FSF issued a separate press release on OFCs (http://www.fsforum.org/publications/publication_23_89.html) in which it presented the results of the assessment of the OFC Review Group. In the press release, the FSF noted that, thanks importantly to the FSF initiative and the efforts of its members, significant progress had been observed in the assessments of OFCs' compliance with international standards and in cooperation and information exchange practices. However, it also recognized that a few concerns remained, and it committed to continue supporting the ongoing efforts of FSF members. It encouraged ongoing information exchange on the progress of these efforts and on specific risk concerns in the Review Group on a regular basis, and invited members to enhance their consultations and exchange information on a bilateral basis as well. It also restated the undiminished commitment of the FSF to fostering compliance with international standards in onshore and offshore jurisdictions, including better cooperation and information exchange, and its political support for the work of its members.

(ix) E-Finance

1. E-Finance and Debt Management

   Agency: OECD

   Contact Information: hans.blommestein@oecd.org; +33 145 24 79 90

   Target Date: Ongoing

   Brief Description: The OECD Working Party on Public Debt Management discusses on a regular basis the implications of information and communications technology on debt management practices.

2. E-Finance and Taxation

   Agency: OECD

   Target Date: Ongoing

   Brief Description: In the summer of 2003 the OECD published a series of papers on tax administration and consumption tax issues, which focused on issues, such as electronic payment accountability, on-line business/customer

identification and data elements for transaction information. In 2004 a report on enhancing facilities for the collection of consumption taxes on cross-border business-to-consumer e-products was published. In 2005 guidance on developing audit software to assist tax compliance was issued.

III. Glossary of Agencies and Web Addresses

BCBS	Basel Committee on Banking Supervision (www.bis.org/bcbs)
BIS	Bank for International Settlements (www.bis.org)
CGFS	Committee on the Global Financial System (www.bis.org/cgfs)
CPSS	Committee on Payment and Settlement Systems (www.bis.org/cpss)
FATF	Financial Action Task Force on Money Laundering (www.fatf-gafi.org)
FSF	Financial Stability Forum (www.fsforum.org)
G-10	Group of 10
G-20	Group of 20
IAIS	International Association of Insurance Supervisors (www.iaisweb.org)
IASB	International Accounting Standards Board (www.iasc.org.uk)
IAASB	International Auditing and Assurance Board (www.ifac.org/iaasb)
IFAC	International Federation of Accountants (www.ifac.org)
IMF	International Monetary Fund (www.imf.org)
IMFC	International Monetary and Financial Committee
IOPS	International Organisation of Pension Supervisors (www.iopsweb.org)
IOSCO	International Organization of Securities Commissions (www.iosco.org)
OECD	Organisation for Economic Co-operation and Development (www.oecd.org)
PIOB	Public Interest Oversight Board
UNCITRAL	United Nations Commission on International Trade Law (www.uncitral.org)
World Bank	International Bank for Reconstruction and Development (www.worldbank.org)