

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

#		G20/FSB RECOMMENDATIONS		DEADLINE	PROGRESS TO DATE	PLANNED NEXT STEPS
# in brackets are # from the 2010 template					<i>Explanatory notes:</i> <i>In addition to information on progress to date, specifying steps taken, please address the following questions:</i> 1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? Also, please provide links to the relevant documents that are published.	<i>Explanatory notes:</i> <i>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</i> <i>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</i> <i>What are the key challenges that your jurisdiction faces in implementing the recommendations?</i>
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	1. no 2. implemented in all EU Member States via the Capital Requirements Directive Directives 2006/48/EC and 2006/49/EC	Amendment of the Capital Requirements Directive (CRD 3) will enter into force end 2011.
2	(FSB 2009)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010.	By end-2011	1. no 2. yes. Capital Requirements Directive (CRD3, adopted in 2010). http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:329:0003:0035:EN:PDF	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

	(Tor)		We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.			
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	1. no 2. two consultations conducted in spring and autumn 2010; http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#new_proposal http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#consultation 1. no 2. yes. In August 2010, CEBS (now EBA) issued revised guidelines on stress testing http://www.eba.europa.eu/News--Communications/Year/2010/CEBS-today-publishes-its-revised-Guidelines-on-str.aspx 1. no 2. Consultation on the leverage ratio in spring 2010 http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#new_proposal CRDIV http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm	
4 (4, 7, 9, 48)	(WAP)	Strengthening supervision and guidelines on banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line	Ongoing	In July 2011 the Commission has adopted the CRD IV proposal ¹ which strengthens the requirements regarding risk management practices and structures of credit institutions putting in place clear rules and standards with regard to the role and independence of the risk management function and the overall risk oversight by boards. These rules are in line with the revised Basel Principles for enhanced corporate governance.	The proposal has to be adopted by the European Parliament and the Council.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0453:FIN:EN:PDF>

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

		with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.		EBA is in process of adopting in September final guidelines on internal governance ² which cover risk management and internal control issues.	
	(FSF 2009)	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.		Stress tests: 1. no 2. Capital Requirements Directive; 2 EU-wide stress tests conducted in 2009, 2010 and 2011 http://www.eba.europa.eu/EuWideStressTesting.aspx	
	(FSF 2008)	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks'			

² <http://eba.europa.eu/cebs/media/Publications/Consultation%20Papers/2010/CP44/CP44.pdf>

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

	(FSB 2009)		implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.			
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	1. no 2. yes, in place since 2006	Key challenge is alignment of implementation amongst the G20, global implementation is crucial.
6 (43, 44)	(Pitts)	Mandatory international recovery and resolution planning for G-SIFIs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the	End-2010 (for setting up crisis management groups)	1. no 2. Consultation finished end of January 2010. Conference on resolution tools and crisis management took place on 7 March 44: 1. no 2. legally possible as governance is a requirement and information exchange is required by Capital Requirements Directive and Financial Conglomerates Directive	Key challenge is alignment of implementation amongst the G20, global implementation is crucial. EU Commission legislative proposal for a crisis management Directive (scheduled for November 2011) will seek to put in place a legal framework for

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.			crisis management in the EU, including a range of resolution powers which must be available to authorities in all EU member States.
	(Seoul)		We agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups.	Ongoing		The proposal will include requirements for (i) drawing up of recovery and resolution plans by institutions and resolution authorities; and (ii) crisis management groups ('resolution colleges') to be established for cross-border banking groups. The proposal will confer functions on resolution colleges, provide for rules for their operation and impose enhanced information sharing requirements.
	(Lon)		To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of			

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			authorities with a common interest in that financial institution meets at least annually.			
7 (45)	(Seoul)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly	Ongoing		EU Commission legislative proposal for a crisis management directive (scheduled for November 2011) will seek to put in place a legal framework for crisis management in the EU, including a range of resolution powers which must be available to authorities in all EU member States. The proposal will include requirements for (i) drawing up of recovery and resolution plans by institutions and resolution authorities; and (ii) crisis management groups ('resolution colleges') to be established for cross border banking groups. The proposal will confer functions on resolution colleges, provide for rules for their operation and impose enhanced information sharing requirements.
	(Tor)					
	(WAP)					

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

	(FSF 2008)		wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.			
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...	June 2009 (for establishing supervisory colleges) Ongoing	1. no 2. achieved by Committee of European Banking Supervisors/EBA, 36 biggest groups. All European Economic Area cross border banking groups had a college of supervisors in place by the end of 2010	See above
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of	Ongoing	1. no 2. legally possible	Introducing insights and alerts into day-to-day supervisory programs.

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			information and coordination in the development of best practice benchmarks should be improved at both national and international levels.			
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing		
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	Taking on the shadow banking workstream (at the FSB level), hence extending the boundaries of the current regulatory framework.	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	Creation of the three supervisory authorities in the EU. These are obliged to monitor new financial products, and create a committee on financial innovation which brings together all relevant competent national supervisory authorities with a view to achieving a coordinated approach to the regulatory and supervisory treatment of new or innovative financial activities. They may also temporarily prohibit or restrict certain financial activities that threaten the orderly functioning and integrity of financial markets or the stability of the whole or part of the financial system in the EU.	
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, ... Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the	End-2009	In April 2009, the Commission adopted a legislative proposal to ensure appropriate oversight and regulation of hedge funds, private equity and other important market players. The proposal requires all managers above a certain threshold to be authorised, to disclose appropriate information to regulators and to comply with a set of ongoing organisational and operational requirements, including on risk management. The proposals are in line with the declaration of the G20, the IOSCO principles of Hedge Fund Oversight and the recommendations of the recent Joint Forum report on the Differentiated Nature and Scope of Financial Regulation. Agreed by the European Parliament and Council in November 2010.	The Directive will require transposition into the national legal systems of the Member States. The Commission intends to adopt implementing measures for AIFMD by mid 2012.

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.			
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	See above	
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties	Ongoing	The CRD reform - will cover the prime brokers.	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.			
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	N/A	
Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.	During 2010		

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	1. no 2. Capital Requirements Directive (CRD 2 and CRD 3), Adopted in 2009 and 2010; CRD 2 entered into force in Jan 2010 3. AIFM Directive requires the Commission to adopt delegated act specifying requirements (i) that need to be met by the originator, in order for an AIFM to be allowed to invest in such instruments issued after 1 January 2011, including requirements that ensure that the originator, the sponsor or the original lender, retains a net economic interest of not less than 5 per cent; and (ii) qualitative requirements that must be met by AIFM which invest in such instruments.	
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing		
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	<u>Hedge fund and UCITS</u> : The Alternative Investment Fund Managers Directive (AIFMD) and the Directive on UCITS contain empowerment for the Commission to adopt implementing measures setting out conditions for AIF and UCITS when investing into securitisation instruments, including the retention requirement by the originator and qualitative requirements to be met by the AIFM and UCITS management company. The content will copy relevant provisions from CRD in order to achieve 'cross-sectoral consistency with CRD'.	Implementing measures to be adopted mid 2012.

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing		
---------	------------	---	---	---------	--	--

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.	By end-2012 at the latest	1) No. 2) Yes. 3) The consultation for the Review of MiFID was closed on February 2nd 2011, http://ec.europa.eu/internal_market/consultations/2010/mifid_en.htm This consultation considers the introduction of a requirement that all clearing eligible and sufficiently liquid derivatives should trade exclusively on regulated markets, Multilateral Trading Facilities (MTFs), or organised trading facilities offering multilateral execution and are fully pre and post trade transparent. Publication of proposal for the Review of MiFID on 20 October 2011 These proposals will need to be adopted by the European Parliament and Council.³ Commission Communication of 3 July on ensuring efficient, safe and sound derivatives⁴ describing the necessary tools to address the risks characterizing these markets. Commission Communication of 20 October on future policy actions in the area of derivatives⁵. These actions include: 1) an harmonized legal framework for CCPs; 2) mandatory requirement to clear standardised contracts; 3) mandatory supply of initial and variation margins; 4) substantial differentiation of bilaterally cleared and CCP cleared transactions; 5) possible revision of the operational risks requirements in the CRD to foster standardisation; 6) legislation on trade repositories (TRs); 7) mandatory registration of transactions in trade repositories; 8) increased transparency requirements, and 9) extension of scope for the market abuse Directive. Commission adoption in September 2010 of a proposal for the Regulation of OTC derivatives, central counterparties and trade repositories (EMIR)⁶. This proposal would require: 1) stringent standards for CCPs and TRs 2) mandatory clearing and reporting of standardised OTC derivatives 3) risk mitigation standards for OTC derivatives not cleared centrally. Commission adoption on 20 July 2011 of a proposal (CRD4) implementing the G20 commitment with regard to counterparty risk arising from derivatives for banks and investment firms⁷).	EMIR is being negotiated with the Council (Member States of the European Union) and the European Parliament. It is expected that the proposal for a Regulation will be adopted by the Parliament and the Council in the Autumn of 2011 and come into force early 2012. This Regulation will be supplemented by more detailed rules. European Securities Market Authority (ESMA) and European Banking Authority (EBA) will provide drafts of these more detailed rules called technical regulatory standards by June 2012. All rules should therefore be in place by the end of 2012. Negotiation of CRD 4 with the Council and Parliament to start in the autumn.

³ <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1219&format=HTML&aged=0&language=en&guiLanguage=en>

⁴ http://ec.europa.eu/internal_market/consultations/docs/2009/derivatives/derivatives_consultation.pdf

⁵ <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0563:FIN:EN:PDF>

⁶ <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0484:FIN:EN:PDF>

⁷ http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/20110720_regulation_proposal_part2_en.pdf

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

	(Lon)		We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.			MiFID review to cover trading on organised trading venues, enhanced trade and price transparency, verify exemptions for commodity firms, introduce the possibility to set position limits (proposal of the Commission scheduled for November). Extension of Market Abuse Directive to OTC derivatives (proposal of the Commission scheduled for Autumn 2011).
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	1. no 2. Following the conclusion of the legislative process in autumn 2010, the European Systemic Risk Board became operational as of 1 January 2011. In April 2009, the Commission adopted a proposal for a comprehensive legislative instrument establishing regulatory and supervisory standards for hedge funds, private equity and other systemically important market players. The identification and mitigation of macroprudential risks arising from this sector is at the core of this proposal. The proposal is in line with the declaration of the G20, the IOSCO principles of Hedge Fund Oversight and the recommendations of the recent Joint Forum report on the Differentiated Nature and Scope of Financial Regulation. (Agreed by European Parliament and Council in November 2010).	Directive now requires transposition into the national legal systems of the Member States before entering into force. Key challenge is alignment of implementation amongst the G20, global implementation is crucial. The Commission intends to adopt implementing measures for AIFMD are mid 2012.
24 (26)	(Lon)	Powers for gathering relevant information by	Ensure that national regulators possess the	Ongoing	The Commission is looking into the consistency of supervisory powers and possible equivalence. The AIFM Directive will provide such a system for AIFM in the EU.	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

		national regulators	powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.			
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level... Authorities should review	End-2009 and ongoing	1. no 2. not yet – under consideration AIFM Directive will empower authorities to limit leverage in situations threatening the stability of financial markets.	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.			
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	European Systemic Risk Board has been tasked with this.	
27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	1. no 2. possible under Capital Requirements Directive and Financial Conglomerates Directive (2002) and Insurance Groups Directive (1998)	
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure	Ongoing	N/A	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			consistent application and enforcement of high-quality accounting standards.			
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011		
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	Completion of new IFRS accounting standards and interpretations: On 31st October 2008, the IASB issued guidance on fair value measurement in illiquid market. On 9 April 2009, US FASB issued final staff Positions (FSPs) intended to provide additional application guidance and enhance disclosure regarding fair value measurement. The IASB assessed the US guidance in its meeting on 22 April 2009 and confirmed that the two sets of guidance are consistent with each other. On 28 May 2009, IASB issued an Exposure Draft on fair value measurement (public comment concluded in September 2009). Further work underway by the IASB and also in collaboration with US FASB.	Final IFRS standard on fair value measurement was published in May 2011.
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors	End-2009	The IASB's project to revise accounting standard for financial instruments (IAS 39) was divided in 3 phases: First phase (classification and measurement): IASB issued the standard relating	Second phase (impairment methodology): Project completion (final

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.		to financial assets in November 2009 and the new rules relating to financial liabilities in October 2010. The standard retains a mixed-measurement model, under which financial instruments will be measured either at fair value or at amortized cost, depending on the business model of the reporting entity and on the characteristics of the financial instruments. Reclassification will be required when the business model changes. The new rules applicable to financial liabilities address the own-credit risk issues. Second phase (impairment methodology): IASB published a proposal – Exposure Draft- in November 2009. The consultation period concluded in June 2010. In parallel, IASB and the US FASB set up an Expert Advisory Panel to work on operational/implementation issues. The IASB issued on 31 January 2011 a supplement to the Exposure Draft for comments until 1 April, in order to address the concerns raised by the initial exposure Draft Third phase (hedge accounting): The third phase is split in two parts. The ED relating to general hedge accounting principles was published on 9 December 2010 for comments until 9 March 2011. The US FASB issued in May 2010 a proposal addressing measurement, classification, and impairment of financial instruments, as well as hedge accounting. The FASB and the IASB hold joint meetings to discuss their proposed models.	standard) envisaged for 2012. Third phase (hedge accounting): Project completion (final ballot standard) envisaged for Q4 2011 for the general principles and Exposure Draft on portfolio hedge accounting expected for Q4 2011 or early 2012.
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB	We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing	1. no 2. EC supports and actively participates in the Standing Committee of Standard Implementation to promote and further develop this policy strand. EC ensures that the EU regulatory financial framework is coherent with international regulatory standards and follows this up by monitoring its implementation. All EU Member States have been subject to an FSAP assessment. September 2009 European Council endorsed common EU language to prepare	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

	(WAP)	periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports. All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.		the G20 summit. Leaders ask that the approach to non-cooperative jurisdictions agreed at the London Summit must be fully implemented. The G-20 should agree on a programme of peer review (as has already been agreed in the field of tax transparency), capacity building and countermeasures for jurisdictions that have not effectively implemented standards.	
Reforming compensation practices to support financial stability						
33 (15)	(Pitts)	Implementation of FSB/FSF compensation principles	We fully endorse the implementation standards of the FSB aimed at aligning	End-2010	1. CRDIII strictly implements the FSB principles and implementing standards and puts in place clear ratios and rules on the structure of remuneration for risk-taking staff regarding, in particular, deferral period and cash to equity ratio. There are also specific and precise rules on disclosure of remuneration policies which were in particular introduced by the CRD IV proposal in July 2011.	In line with the 30th April 2010 Commission Communication, the Commission is also currently working on additional

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

		compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public	2. The Commission did: - strengthen its 2004 Recommendation on remuneration of directors (April 2009)⁸ - bring forward a new Recommendation on remuneration in the financial services sector (April 2009)⁹ - publish a report on the implementation by Member States of the new Recommendation on remuneration in financial services (June 2010)¹⁰ - adopt CRD IV proposal¹¹ which introduces new transparency rule on the number of individuals earning at least 1 million euro per year. 3. The European Parliament and the Council adopted on 24 Nov 2010 CRD III¹² requiring banks and investment firms to have sound remuneration policies that do not encourage or reward excessive risk-taking. The amendment brings remuneration policies within the scope of the supervisory review so that supervisors are able to require the credit institution to take measures to rectify any problems that they might identify, including capital add-on. The new rules entered into force on 1 January 2011. The Commission is in process of reviewing the implementation of CRD III by Member States. AIFM directive adopted in June 2011¹³ requires remuneration policies, which are mirroring the CRD III rules.	legislative measures on remuneration in non-banking financial services (Insurance sector and Undertakings for Collective Investment in Transferable Securities-UCITS) (Expected time of delivery for non banking sectors: in the course of 2011-2012) Key challenge is alignment of implementation amongst the G20, global implementation is crucial.
--	--	---	---	---

⁸ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:120:0028:0031:EN:PDF>

⁹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:120:0022:0027:EN:PDF>

¹⁰ http://ec.europa.eu/internal_market/company/docs/directors-remun/com-2010-286-2_en.pdf

¹¹ http://ec.europa.eu/internal_market/bank/docs/regcapital/CRD4_reform/20110720_regulation_proposal_part3_en.pdf

¹² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:329:0003:0035:EN:PDF>

¹³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0001:0073:EN:PDF>

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

	(Tor)		intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.			
	(Seoul)		We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.			
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to	Ongoing		

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.			
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	1. No 2. EU Regulation on credit rating agencies introducing oversight and supervision of CRAs formally adopted by the Council in July 2009, and by the European Parliament in September 2009. Commission Decision on equivalence of Japan adopted in September 2010.	Assessment of equivalence of the regulatory and supervisory framework of certain third countries (US, Canada and Australia).

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRA's should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	A legislative proposal modifying the CRA regulation in order to entrust the European Securities and Markets Authority (ESMA) with supervisory powers over CRA's was adopted by the Commission on 2 June 2010. The negotiation in the EP and Council has finalized. Formal adoption in April 2011. ESMA was entrusted with these powers in July 2011. In addition, the Commission issued on 2 June 2010 a Communication ("Regulating Financial Services for Sustainable Growth") (COM(2010) 301 final) announcing that it will examine the issues of overreliance, sovereign debt ratings and the lack of competition in the rating industry including the need for a European credit rating agency in order to assess whether further regulatory measures are needed. Between 5 November 2010 and 7 January 2011, the European Commission conducted a public consultation with respect to the overreliance on external credit ratings, sovereign debt ratings, competition in the rating industry, civil liability of credit rating agencies and conflicts of interest due to the "issue-pays" model.	Further measures should be proposed in November 2011.
37 (39)	(FSB 2009)	Globally compatible	Regulators should work together	As early as possible in	N/A	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

		solutions to conflicting compliance obligations for CRAs	towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	2010		
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings	Ongoing	The Commission issued on 2 June 2010 a Communication ("Regulating Financial Services for Sustainable Growth") (COM(2010) 301 final) announcing that it will examine the issues of overreliance. Between 5 November 2010 and 7 January 2011, the European Commission conducted a public consultation with respect to the overreliance on external credit ratings.	Further measures could be proposed in November 2011

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

			as a substitute for that independent evaluation.			
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing		
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing		
41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing		
Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	1. no 2. public consultation has now finished. Conference conducted on 7 March	Key challenge is alignment of implementation amongst the G20, global implementation is crucial.
43 (55)	(Pitts)	Development of cooperative and coordinated exit	We need to develop a transparent and	Ongoing	In the light of the financial markets developments, the Commission is considering the possibility of extending beyond 2011 the current crisis rules for rescue and restructuring aid to banks	

FSB- G20 - MONITORING PROGRESS – European Commission September 2011

		strategies	credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.			
--	--	------------	---	--	--	--

Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)

Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)

Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)

WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)

FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)

FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)

FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)