FSB FINANCIAL STABILITY BOARD

As of 19 June 2012

Progress in implementing the G20 Recommendations on Financial Regulatory Reform

Status report by the FSB Secretariat

The tables that follow have been developed in response to a request from the G20 Sherpas for a simple visual summary of the progress made in global policy development and implementation of financial reforms at the G20 level. The FSB Secretariat, in consultation with the FSB members, has developed these summary tables based on qualitative information from FSB members, including information collected through the FSB monitoring framework and tools.

The first status report was submitted to the G20 Leaders at their Cannes Summit meeting in November 2011. The following tables are an updated report, including the progress since the Cannes Summit.

The table contains the following information for each area of G20 recommendations:

(i) **Responsible institutions** – Institutions responsible for global policy development and/or policy implementation (national and international);

(ii) **Deadline** – Deadline, if any, for global policy development and/or policy implementation as set by the G20; and

(iii) **Status of progress made** – Status of progress achieved in global policy development and/or implementation expressed in four grades (or “traffic lights” for presentation purposes). The grades reflect both (i) the extent to which progress made on each recommendation conforms to the deadline set by the G20 and (ii) the extent to which the policy development or implementation is in a manner consistent with the objective. An exercise of judgement in assigning grades is inevitable. Please see the following page for more details.

The 4 grades for assessing the status of progress

	Global policy development	National/International policy implementation
(1) Completed	• Global policy is fully developed as planned.	• Agreed policy has been fully implemented across the G20 jurisdictions as planned.
(2) Green	• Global policy is on track to be developed in a manner consistent with the plan. • In some cases, project may be somewhat behind schedule but catch-up is possible without facing difficulties.	• Agreed policy is on track to be implemented across the G20 jurisdictions in a manner consistent with the plan. • In some cases, implementation may be somewhat behind schedule but catch-up is possible without facing difficulties.
(3) Amber	• Global policy development is currently in progress. • However, it is facing some difficulties in meeting its objective and/or timelines. • Corrective action is being taken or under consideration.	• Implementation of agreed policy is currently under progress. • However, it is facing some difficulties in meeting its objective and timelines in a significant segment of member jurisdictions.
(4) Red	• Global policy development is not making adequate progress. • Serious problems exist either in meeting its objective or timelines. • Remedial action is warranted.	• Implementation of agreed policy is not making adequate progress across G20 jurisdictions. • Serious problems exist either in meeting its objective or timelines in a significant segment of member jurisdictions. • Remedial action is warranted.

Status Report on the Progress in implementing the G20 Recommendations on Financial Regulatory Reform
(As of 19 June 2012)

#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
A. Improving bank capital and liquidity standards							
1	Development of the Basel III capital and liquidity framework (including leverage ratio regime and counter-cyclical measures) and its full implementation within the agreed timeframe (3, Cannes Para.23)	BCBS	End-2010	Completed	National authorities, BCBS	Starting on 1 Jan. 2013 and fully phased in by 1 Jan. 2019	Amber
		BCBS	End-2012 (for LCR)	Green	National authorities	1 Jan. 2015 (for LCR)	Not yet applicable
	Some jurisdictions have not made enough progress to date to meet the agreed 1 Jan. 2013 Basel III implementation date. There is a possibility that national implementation will be weaker than the globally-agreed standards in some key areas. Close monitoring of consistent implementation will continue. Adjustments to the Liquidity Coverage Ratio to be completed by end-2012.						
2	Adoption of Basel II and II.5 (enhancements to securitisation and trading book exposures) frameworks (4)	-	-	-	All major G20 financial centres	End-2011	Amber
	20 of 27 BCBS member countries have implemented Basel II.5. Some major G20 financial centres have not implemented the Basel II framework and among the 29 global systemically important banks (G-SIBs) identified in November 2011, nine are headquartered in jurisdictions that have not yet fully implemented Basel II or Basel II.5. Continuing close monitoring of consistent implementation is needed.						
3	Develop guidelines and strengthen supervision on banks' risk management practices, including for securitisation, risk concentration, internal controls, stress testing and counterparty risk. (5)	BCBS	Ongoing	Green	BCBS, National authorities	Ongoing	Amber
	Guidelines on bank risk management are in place but implementation varies across jurisdictions. Continuing assessment is needed.						
B. Ending "Too-Big-To-Fail"							
4	FSB to develop measures for global SIFIs (G-SIFIs), including a resolution framework, higher loss absorbency capacity, more intensive supervisory oversight, robust core financial market infrastructure and other supplementary prudential requirements. (7)	FSB, BCBS, IAIS, CPSS, IOSCO	Ongoing (End-2012 for methodologies to identify non-bank G-SIFIs)	Green	FSB, National authorities	End-2012 for G-SIB resolution plans, 2016-2019 for higher G-SIB loss absorbency	Amber
	National authorities are in the process of developing and implementing measures for G-SIFIs.						

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#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
5	FSB, in consultation with the BCBS, to work on the modalities to extend expeditiously the G-SIFI framework to domestic systemically important banks. (New, Cannes Para.29)	FSB, BCBS	November 2012	Green	National authorities	Not yet applicable	Not yet applicable
6	FSB in consultation with IOSCO to prepare methodologies to identify systemically important non-bank financial entities. (New, Cannes Para.28)	FSB, IOSCO	End-2012	Green	-	-	-
7	FSB to develop key attributes of effective resolution regimes, including an international framework for cross-border resolution arrangements. Countries to establish a legal framework for crisis intervention, recovery and resolution plans, and crisis management groups for major cross-border firms. (8, 9)	FSB	November 2011	Completed	National authorities, FSB	Ongoing	Red
	Progress is being made in national legislative reforms to establish more effective resolution regimes. Although crisis management groups have been established and progress is being made, much further work on resolution plans and on cross-border co-operation is needed to improve resolvability.						
8	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. (10)	FSB	Ongoing	Green	National authorities	Ongoing	Red
	The FSB's progress report on Supervisory Intensity and Effectiveness as well as the BCBS-SIG survey noted that weaknesses in these areas remain in many jurisdictions.						
9	Establishment of supervisory colleges for significant cross-border firms. (11)	-	-	-	National authorities	June 2009	Amber
	While supervisory colleges have been established, work is needed to improve their effectiveness in sharing information and collectively addressing risks.						
10	Regular peer reviews will be conducted by FSB on the effectiveness and consistency of national policy measures for G-SIFIs. (12)	FSB	End-2011	Amber	FSB, National authorities	Ongoing	Amber
	The first FSB thematic peer review of resolution regimes will take place in the second half of 2012. A peer-based G-SIFI resolvability assessment process will be established by end-2012.						
C. Expanding and refining the regulatory perimeter							
11	Develop recommendations to strengthen the oversight of the shadow banking system. (13)	FSB, SSBs	November 2011	Completed	FSB, SSBs, National authorities	Ongoing	Amber

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#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
	National authorities are still facing challenges in collecting appropriate data to assess the trends and risks especially with regard to non-bank financial entities. The annual monitoring exercise for the first time covering all FSB member jurisdictions is currently underway.						
12	Develop recommendations to strengthen the regulation of the shadow banking system. (13)	FSB, SSBs	End-2012	Green	National authorities, FSB, SSBs	Not yet applicable	Not yet applicable
13	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis. (14)	IOSCO	2009	Completed	National authorities	Ongoing	Green
14	FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained for hedge funds. (15)	FSB, IOSCO	End-2009	Amber	National authorities	Ongoing	Amber
	IOSCO is embarking on its 2nd Hedge Fund Survey with wider coverage in fall 2012. Data collection has also been enhanced in some jurisdictions. Nevertheless, mechanisms for global information sharing to ensure effective oversight are yet to be developed (bilateral sharing of information is generally possible through national MOUs).						
15	Securitisation sponsors or originators should retain a part of the risk of the underlying assets. (16)	IOSCO, BCBS, Joint Forum	2010	Completed	National authorities	Ongoing	Amber
	IOSCO has reviewed the current status of national policies as part of the FSB shadow banking work and has issued its findings for public consultation.						
D. Creating continuous core markets - OTC derivatives reforms							
16	All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through CCPs. All derivatives should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. (17)	CPSS, IOSCO, BCBS	End-2012	Green	Relevant authorities	End-2012	Amber
	Encouraging progress has been made by a number of jurisdictions and by international standard setting bodies. Four safeguards for a global framework of CCPs have been established to help create a resilient and efficient environment for global clearing. However, considerable further work is needed in many jurisdictions to fully meet the G20 objectives. Close cooperation across major markets will be needed to address overlapping regulations.						
17	Development of standards on margining for non-centrally cleared derivatives (New, Cannes Para.24)	BCBS, IOSCO, Relevant authorities	June 2012 (for consultation)	Green	Not yet applicable	Not yet applicable	Not yet applicable

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#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
18	IOSCO to assess the functioning of credit default swaps (CDS) markets and the role of those markets in price formation of underlying assets. (New, Cannes Para.31)	IOSCO	June 2012	Green	-	-	-
19	Improvement of regulation, functioning and transparency of commodity derivative markets. (18, Cannes Para.32)	IOSCO, FSB, Relevant authorities	Ongoing	Green	IOSCO, Relevant authorities	Ongoing (Nov.-2012 for report)	Amber
	Few jurisdictions have the legal and regulatory framework in place to operationalise G20 commitments.						
E. Creating continuous core markets - Strengthening and converging accounting standards							
20	Accounting standard setters to achieve a single set of high quality, global accounting standards, and complete their convergence project. (22, 23)	IASB, FASB	Mid-2013	Amber	-	-	-
	Improvements have been made in some areas (e.g. fair value measurement, disclosure of off-balance sheet exposures, and disclosure of offsetting/ netting) but work is continuing in other areas (e.g. financial instruments classification and measurement, impairment and hedge accounting).						
21	Regulators and accounting standard setters to enhance risk disclosure for complex financial products. (24)	Relevant authorities, IASB, FASB	End-2009	Completed	National authorities, FSB	Ongoing	Green
22	IASB to further enhance the involvement of various stakeholders. (25)	IASB	Ongoing	Green	IASB	Ongoing	Green
F. Creating continuous core markets – Other market reforms							
23	FSB to help coordinate work among the regulatory community to prepare recommendations for the appropriate governance framework for global legal entity identifier (LEI). (New, Cannes Para.31)	FSB	June 2012	Completed	Not yet applicable	Not yet applicable	Not yet applicable
24	Ensure market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity. (New, Cannes Para.31)	IOSCO	Mid-2012 (for further work)	Green	National authorities	Ongoing	Green
25	All credit rating agencies (CRAs) to be subject to a regulatory oversight regime consistent with the IOSCO Code of Conduct and across jurisdictions with appropriate sharing of information. (33)	-	-	-	National authorities, IOSCO	Ongoing	Green
26	Reduce reliance on external ratings in rules and regulation. BCBS and FSB to report to G20. (34)	FSB, SSBs	Ongoing	Amber	National authorities	Ongoing	Amber
	Some SSBs and a few national authorities have taken steps to reduce reliance on CRA ratings. However, overall progress has been modest. Efforts to develop alternative risk assessment capabilities and processes need to be reinforced.						

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#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
G. Developing macro-prudential frameworks and tools							
27	Amend regulatory systems to enable national authorities to identify and take account of macro-prudential risks across the financial system. (19)	-	-	-	National authorities	Ongoing	Amber
	Progress is being made, but national policy frameworks and data have yet to be developed in many jurisdictions.						
28	FSB, IMF and BIS to do further work on macro-prudential policy frameworks and report progress to G20. (20)	FSB, IMF, BIS	Ongoing	Green	-	-	-
H. Strengthening adherence to international supervisory and regulatory standards							
29	Initiative to promote adherence to international prudential standards and address non-cooperative jurisdictions (NCJs). (26)	FSB	February 2010	Completed	National authorities, FSB, SSBs	Ongoing	Green
30	International assessment and peer review processes to be substantially enhanced to ensure consistency in implementation and identify areas for further improvement. All G20 members to undergo a Financial Sector Assessment Program (FSAP) and the FSB peer review. (28)	FSB, IMF, World Bank	Ongoing	Green	FSB, IMF, World Bank	Ongoing	Green
31	All jurisdictions to implement the FSB principles and standards on sounder compensation practices. FSB to undertake ongoing monitoring and propose additional measures as required. (29)	FSB	Ongoing	Green	National authorities	Ongoing	Amber
	Almost all FSB member jurisdictions have now completed the implementation of the FSB Principles and Standards in their national regulation or supervisory guidance. The Bilateral Complaint Handling Process and an ongoing monitoring framework have been established to promote full and consistent implementation. Further progress is needed in areas such as implementation of clawbacks and the identification of material risk takers.						
I. Strengthening of FSB's Capacity, Resources and Governance							
32	FSB to expand upon and formalise its outreach activities beyond the G20 membership. (1)	FSB	Ongoing	Completed	-	-	-
33	Establishment of FSB on enduring organisational footing with legal personality and greater financial autonomy. (2, G20 FM+CBG April 2012 Para.7, Cannes Para.37/38/39)	FSB	Recommen-dations by June 2012	Green	-	-	-

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#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
J. Other issues							
34	FSB, in coordination with IMF and World Bank, to conduct a study to identify the extent to which the agreed regulatory reforms may have unintended consequences for emerging market and developing economies. (New, G20 FM+CBG February Para.7)	FSB, IMF, World Bank	June 2012	Completed	-	-	-
35	Advanced economies, IMF and other international organisations (IOs) should provide capacity building programs for emerging market economies and developing countries on new regulations. (31)	-	-	-	Advanced economies, IMF and other IOs	Ongoing	Amber
	Although progress has been made, whether expectations of the emerging market economies and developing countries are being met might need to be assessed.						
36	FSB, in collaboration with OECD and other IOs, to explore and report to the G20 on options to advance consumer finance protection. (32)	FSB, OECD and other IOs	November 2011	Completed	FSB, OECD, Relevant bodies, National authorities	Ongoing	Green

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Changes to the status from the 2011 status report

#	Recommendations	Status (2011)		Status (June 2012)	Main reasons for change
(1) Global policy development					
11	Develop recommendations to strengthen the oversight of the shadow banking system. (13)	Green	→	Completed	Recommendations published on 27 October 2011 and were endorsed by the G20 Leaders at the Cannes Summit.
20	Accounting standard setters to achieve a single set of high quality, global accounting standards, and complete their convergence project. (22, 23)	Red	→	Amber	The G20 FM + CBG in April 2012 endorsed the deadline to be extended to mid-2013.
32	FSB to expand upon and formalise its outreach activities beyond the G20 membership. (1)	Green	→	Completed	Regional Consultative Groups (RCGs) for the Americas, Asia, the Commonwealth of Independent States, Europe, Middle East & North Africa, and Sub-Saharan Africa were established with 65 non-FSB member jurisdictions participating, and have met.
33	Establishment of FSB on enduring organisational footing with legal personality and greater financial autonomy. (2, G20 FM+CBG April 2012 Para.7, Cannes Para.37/38/39)	Amber	→	Green	The High-Level Working Group on FSB Capacity, Resources and Governance competed its report and the FSB submitted recommendations along with a revised FSB Charter to the Los Cabos Summit for G20 Leaders' endorsement.
36	FSB, in collaboration with OECD and other IOs, to explore and report to the G20 on options to advance consumer finance protection. (32)	Green	→	Completed	The OECD High-level Principles on Financial Consumer Protection were endorsed at the G20 Cannes Summit, and the OECD, in collaboration with the FSB and SSBs, have developed an action plan to identify a set of relevant approaches to support the effective implementation of the high-level principles.
(2) National/International policy implementation					
16	All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through CCPs. All derivatives should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. (17)	Red	→	Amber	Encouraging progress has been made by a number of jurisdictions and by international SSBs since 2011. Four safeguards for a global framework of CCPs have been established to help create a resilient and efficient environment for global clearing.
30	International assessment and peer review processes to be substantially enhanced to ensure consistency in implementation and identify areas for further improvement. All G20 members to undergo a Financial Sector Assessment Program (FSAP) and the FSB peer review. (28)	Amber	→	Green	The FSB, in collaboration with the SSBs, established a framework in October 2011 the Coordination Framework for Implementation Monitoring (CFIM). It is submitting the first progress reports under the CFIM to the G20 Los Cabos Summit. All G20 members are on track with undergoing FSAPs and the FSB peer review.

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