FSB FINANCIAL STABILITY BOARD

28 October 2016

Implementation of G20/FSB financial reforms in other (non-priority) areas

Summary of key findings based on the 2016 FSB Implementation Monitoring Network (IMN) survey

Introduction

This note summarises the status of implementation of G20/FSB reforms in areas not designated as priority under the FSB *Coordination Framework for Implementation Monitoring*.[1] These are:

I. Hedge funds (recommendations 1-3)

II. Securitisation (recommendations 4-6)

III. Enhancing supervision (recommendations 7-10)

IV. Building and implementing macroprudential frameworks and tools (recommendations 11-12)

V. Improving oversight of credit rating agencies (recommendations 13-14)

VI. Enhancing and aligning accounting standards (recommendation 15)

VII. Enhancing risk management (recommendations 16-17)

VIII. Strengthening deposit insurance (recommendation 18)

IX. Safeguarding the integrity and efficiency of financial markets (recommendations 19-21)

X. Enhancing financial consumer protection (recommendation 22)

The findings are based on self-reporting by FSB jurisdictions to the seventh annual IMN survey as of end-July 2016.[2] The write-up for each area explains the recommendation; describes its application and overall status; and provides jurisdiction-specific information on recent developments. The analysis for recommendations that pertain to securities markets (#1-3, 5-6, 13, and 19-20) was carried out by the International Organization of Securities Commission (IOSCO), and additional information on progress in those areas can be found in a separate report by IOSCO.

While an effort has been made to ensure completeness and uniformity in reporting, as per previous practice with this report, neither the IMN nor IOSCO have undertaken an evaluation of responses to independently verify the status or assess the effectiveness of implementation. A number of these areas are complex and summaries of their implementation status should be treated with caution. Given this, the survey responses do not allow straightforward comparisons between jurisdictions. The status of implementation depicted and the conclusions drawn reflect these limitations.

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[1] See http://www.fsb.org/wp-content/uploads/r_111017.pdf.

[2] To view the complete responses to the survey, see http://www.fsb.org/what-we-do/implementation-monitoring/other-areas/nationalregional-responses-by-jurisdiction/.

Explanatory Notes

Legend	
Not applicable	N/A
Applicable but no action envisaged at the moment	ABN
Implementation ongoing (for legislation and regulation/guidelines only)	IOG
Draft in preparation	DIP
Draft published	DPD
Final rule or legislation approved and will come into force at a future date	DAF
Final rule (for part of the reform) in force	FIF
Implementation completed	REF

- **Not applicable (N/A):** A recommendation may be indicated as N/A only if the relevant markets or institutions which a recommendation refers to (e.g. hedge funds, monolines, securitisation markets, commodities markets) do not exist in that jurisdiction.
- **Applicable but no action envisaged at the moment (ABN):** A recommendation may be indicated as ABN when it is applicable to that jurisdiction but no implementation action is being taken or is contemplated.
- **Implementation ongoing (IOG):** A recommendation may be indicated as IOG if implementation is ongoing for at least part of the reform area. Jurisdictions can indicate implementation progress in more detail, if it takes place through primary or secondary legislation, regulation and guidelines, by checking one or more of the following options:

  1) Draft in preparation, expected publication by: (DIP)
  2) Draft published as of: (DPD)
  3) Final rule or legislation approved and will come into force on: (DAF)
  4) Final rule (for part of the reform) in force since: (FIF)

- **Implementation completed as of (REF):** A recommendation may be indicated as REF only if all aspects of the reform have been completed and are in force on the date of reporting. If a rule or legislation implementing a reform has already been approved but will only go into force at a future date (i.e. after the reporting date), it should be indicated as DAF instead of REF.

Abbreviations of financial authorities in FSB jurisdictions mentioned in the text

Argentina – Central Bank of Argentina (BCRA)
Argentina – National Securities Commission (CNV)
Australia – Australian Prudential Regulation Authority (APRA)
Australia – Australian Securities & Investments Commission (ASIC)
Brazil – Securities and Exchange Commission (CVM)
Canada - Canada Deposit Insurance Corporation (CDIC)
Canada – Canadian Securities Administrators (CSA)
Canada – Investment Industry Regulatory Organization of Canada (IIROC)
Canada – Office of the Superintendent of Financial Institutions (OSFI)
China – China Banking Regulatory Commission (CBRC)
China – China Securities Regulatory Commission (CSRC)
China – People's Bank of China (PBC)
France – Prudential Supervision and Resolution Authority (ACPR)
Hong Kong – Hong Kong Monetary Authority (HKMA)
Hong Kong – Securities and Futures Commission (SFC)
India – Insurance Regulatory and Development Authority (IRDA)
India – Reserve Bank of India (RBI)
India – Securities and Exchange Board of India (SEBI)
Indonesia – Indonesia Financial Services Authority (OJK)
Indonesia – Institute of Indonesia Chartered Accountants (IAI)
Italy – Insurance Supervisory Authority (IVASS)
Korea – Financial Services Commission (FSC)
Korea – Financial Supervisory Service (FSS)
Mexico – National Banking and Securities Commission (CNBV)
Saudi Arabia – Saudi Arabian Monetary Authority (SAMA)
Singapore – Monetary Authority of Singapore (MAS)
Switzerland – Swiss Federal Department of Finance (FDF)
Switzerland – Swiss Financial Market Supervisory Authority (FINMA)
Switzerland – Swiss National Bank (SNB)
Turkey – Capital Markets Board (CMB)
Turkey – Banking Regulation and Supervision Agency (BRSA)
United Kingdom – Financial Conduct Authority (FCA)
United States – Commodity Futures Trading Commission (CFTC)
United States – Federal Deposit Insurance Corporation (FDIC)
United States – Federal Housing Finance Agency (FHFA)
United States – Financial Stability Oversight Council (FSOC)
United States – National Association of Insurance Commissioners (NAIC)
United States – Office of the Comptroller of the Currency (OCC)
United States – Securities and Exchange Commission (SEC)
European Union – European Banking Authority (EBA)
European Union – European Commission (EC)
European Union – European Central Bank (ECB)
European Union – European Insurance and Occupational Pensions Authority (EIOPA)
European Union – European Securities and Markets Authority (ESMA)
European Union – European Systemic Risk Board (ESRB)

European Union – Single Supervisory Mechanism (SSM)

Abbreviations of European Union (EU) Directives/Regulations mentioned in the text

Alternative Investment Fund Managers Directive (AIFMD)
Capital Requirements Regulation/Directive IV (CRR/CRD IV)
Credit Rating Agencies III (CRA III) Regulation
Criminal Sanctions for Market Abuse Directive (CSMAD)
Market Abuse Regulation (MAR)
Markets in Financial Instruments Directive II (MiFID II)
Markets in Financial Instruments Regulation (MiFIR)
Packaged Retail and Insurance-based Investment Products (PRIIPS)

Other abbreviations

ABS	Asset-backed security
BCBS	Basel Committee on Banking Supervision
CCAR	Comprehensive Capital Analysis and Review
CCyB	Countercyclical capital buffer
CRA	Credit rating agency
DIS	Deposit insurance system
D-SIFI	Domestic systemically important financial institution
EDTF	Enhanced Disclosure Task Force
EEA	European Economic Area
FCS	Financial Claims Scheme
G-SIB	Global systemically important bank
G-SII	Global systemically important insurer
HLA	Higher loss absorbency
HFT	High frequency trading
IADI	International Association of Deposit Insurers
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commission
LCR	Liquidity Coverage Ratio (Basel III)
LISCC	Large Institution Supervision Coordinating Committee (US)
MoU	Memorandum of Understanding
NSFR	Net Stable Funding Ratio (Basel III)
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter (derivatives)
SIFI	Systemically important financial institution
VAR	Value at risk

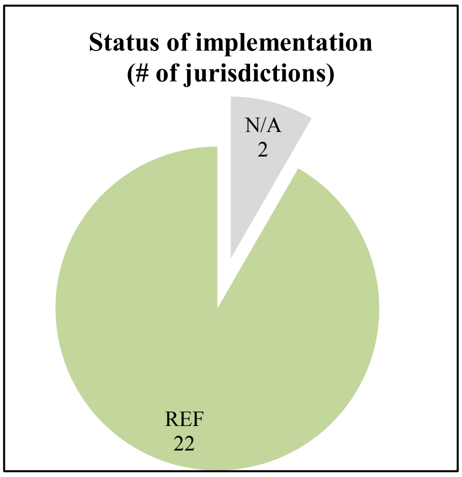
I. Hedge funds

1. Registration, appropriate disclosures and oversight of hedge funds

Recommendation

This recommendation calls for hedge funds or their managers to be registered and to be subject to appropriate ongoing requirements, such as disclosure on their leverage and oversight of their risk management practices (London and Seoul Summits).[3]

Overall implementation status and application[4]



All FSB jurisdictions that permit and have an active hedge funds market have reported that they have implemented this recommendation. All of these jurisdictions report having in place an oversight framework that includes registration of hedge funds or their managers and enhanced disclosure of information to investors and regulators on an ongoing basis.

Implementation has taken place through primary or secondary legislation (44%), regulation and supervisory guidelines (38%), and other measures such as supervisory action (18%).[5]

Hedge funds are not permitted in Argentina and there are currently no hedge funds managed/operated locally in Indonesia. In Mexico and Saudi Arabia, the general regulatory framework is applicable to hedge funds but both report that they do not have any hedge funds registered or established in their jurisdictions.[6]

Recent developments

In Brazil, in addition to reforms introduced in October 2015, the Securities and Exchange Commission (CVM) reports having embedded rules and assessment routines in its risk-based supervision framework. Following the creation of a task force in 2015, the Board of the CVM has included analysing the effectiveness of current regulation on funds' leverage in its regulatory agenda for 2016.

The Canadian Securities Administrators (CSA) expects to publish for comment in September 2016 proposed rule amendments (Alternative Funds Proposal), which aim to develop a more

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3 In reporting on implementation of this recommendation, jurisdictions were asked to take note of Principle 28 of IOSCO's *Objectives and Principles of Securities Regulation* (2010) and Recommendations 1 and 2 of IOSCO's *Report on Hedge Fund Oversight* (2009).

4 For more details, see the responses of FSB jurisdictions on registration, appropriate disclosures and oversight of hedge funds in the 2015 IMN survey.

5 These figures (here and below) are computed by summing up all implementation methods used by jurisdictions across each of the three regulatory categories and calculating the percentage share for each category (which takes into account the possibility that jurisdictions have ticked no categories or multiple categories to reflect the fact that different elements may have been implemented through different means).

6 Note: In 2015, Saudi Arabia was rated as N/A on the basis of not having any hedge fund activity.

comprehensive framework for publicly offered investment funds that wish to invest in assets or use investment strategies that are not permitted for conventional mutual funds.

In China, the State Council Legislative Affairs Office is currently reviewing a draft China Securities Regulatory Commission (CSRC) regulation that refines rules for private funds covering registration, fund raising, investment operation, self-regulation, supervision and legal liability, as well as special rules on venture capital. China also reports publication of industry standards for private funds regarding disclosure and on fund raising by the Asset Management Association of China.

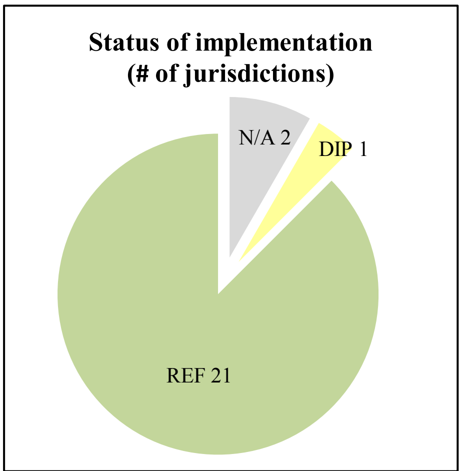
In Korea, the Financial Services Commission (FSC) is reviewing the regulatory framework regarding disclosure by hedge funds to enhance consistency with global standards, including audit requirements.

In South Africa, which introduced a new regulatory framework in 2015, hedge funds are gradually being registered and initial supervisory onsite visits are being planned.

2. Establishment of international information sharing framework

Recommendation

This recommendation calls for mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight when a hedge fund is located in a different jurisdiction from the manager (London Summit).[7]



Overall implementation status and application

Like Recommendation 1, this recommendation is not applicable for Argentina and Indonesia because hedge funds are either not permitted or are not currently operating locally.[8] China is the only jurisdiction to report that implementation is ongoing, while several other jurisdictions (e.g. Australia, Hong Kong, Singapore, UK), which have classified the recommendation as fully implemented, recognise the ongoing nature of cooperation work. Other jurisdictions that marked implementation as completed nonetheless report that they continue to assess potential opportunities to enter into memoranda of understanding (MoUs) with foreign authorities.

Implementation has taken place through other measures such as supervisory action (43%), primary or secondary legislation (31%) and regulation and supervisory guidelines (26%).

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[7] In reporting on implementation of this recommendation, jurisdictions were asked to take note of Principle 28 of IOSCO's *Objectives and Principles of Securities Regulation* (2010) and Recommendation 6 of IOSCO's *Report on Hedge Fund Oversight* (2009). Bilateral supervisory cooperation should also be guided by IOSCO *Principles Regarding Cross-border Supervisory Cooperation* (2010).

[8] Note: In 2015, Saudi Arabia was rated as N/A on the basis of not having any hedge fund activity.

There are multiple channels that facilitate international information sharing. Two of these channels, which can be used as evidence in support of the implementation of this recommendation, is when two jurisdictions are signatories to a bilateral agreement for supervisory cooperation that is aligned with the IOSCO *Principles Regarding Cross-border Supervisory Cooperation* (2010), and are also signatories to the IOSCO *Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (MMoU) for enforcement actions.[9]

With the Central Bank of Russia having signed the IOSCO MMoU in February 2015, all FSB members have now become full signatories. In addition, supervisory cooperation through bilateral agreements is an ongoing process in many jurisdictions. A few jurisdictions (Canada, Germany, Russia, Turkey) report an increase in the number of bilateral supervisory cooperation agreements with their foreign counterparts, although comprehensive information on such agreements and their coverage is not available. Other jurisdictions (Hong Kong, Singapore, UK) point to the IOSCO hedge fund survey as an example of information sharing activities.[10]

While not all relevant jurisdictions – i.e. those where the hedge fund manager and/or the funds are located – have formal supervisory cooperation arrangements in place with respect to hedge funds, there are other more informal arrangements in place to share information (e.g. reliance on general MoUs). In order to determine the effectiveness of existing mechanisms for cooperation and information sharing, one would need to examine both the content of the specific MoUs (where they exist) and the importance of hedge funds between pairs of jurisdictions (where MoUs do not exist).

Recent developments

In China, the State Council Legislative Affairs Office is currently reviewing draft CSRC regulation that refines rules for private funds. Amongst others, the draft regulation sets out in-principle rules for the supervision of overseas private fund managers and effective regulatory cooperation with their home jurisdictions.

The European Securities and Markets Authority (ESMA) continues negotiation efforts following its *Guidelines on the model MoU concerning consultation, cooperation and the exchange of information related to the supervision of* Alternative Investment Fund Managers Directive *(AIFMD) entities* (2013).[11] As at September 2015, ESMA had approved 44 cooperation arrangements between European Union (EU) securities regulators and a number of non-EU authorities[12] in relation to the supervision of alternative investment funds, including hedge funds, private equity and real estate funds. These agreements have been negotiated by

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[9] The IOSCO MMoU, established in 2002, provides a global framework for enforcement cooperation between securities regulators, thereby helping to ensure effective regulation and to preserve the strength of securities markets. Signatories represent approximately 95% of global securities markets, and the IOSCO MMoU is the leading instrument for multilateral cooperation in the enforcement of securities regulation.

[10] See https://www.iosco.org/library/pubdocs/pdf/IOSCOPD515.pdf. IOSCO's third biennial survey was published on 11 December 2015. The cut-off date of the survey was 30 September 2014, and the participating jurisdictions were Australia, France, Germany, Hong Kong, Italy, Japan, Singapore, the UK, and the US. India also provided input on regulatory developments affecting hedge funds.

[11] See https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-998_guidelines_on_the_model_mous_concerning_aifmd.pdf.

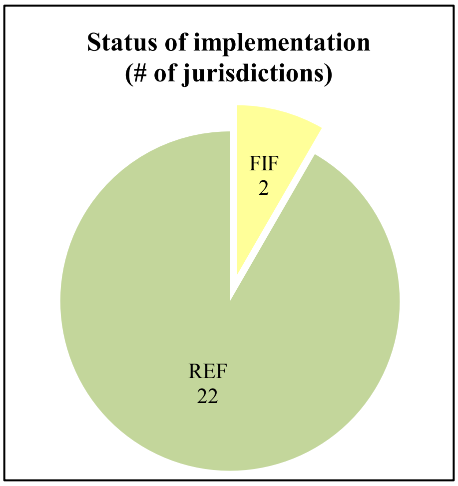
[12] See https://www.esma.europa.eu/document/aifmd-mous-signed-eu-authorities-updated.

ESMA on behalf of 31 EU/European Economic Area (EEA) national competent authorities for securities markets supervision. Once negotiated and approved by ESMA, these agreements need to be signed individually by each EU national competent authority. These cooperation arrangements include the exchange of information, cross-border onsite visits and mutual assistance in the enforcement of the respective supervisory laws. The agreements cover third-country alternative investment fund managers (AIFMs) that market alternative investment funds (AIFs) in the EU, and EU AIFMs that manage or market AIFs outside the EU.

3. Enhancing counterparty risk management

Recommendation

The recommendation calls upon supervisors to require institutions that have hedge funds as their counterparties to have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures (London Summit).[13]



Overall implementation status and application

All but two jurisdictions (Brazil, China) report this recommendation as fully implemented.[14] Germany, Hong Kong and Turkey report that the implementation has been completed since 2015.

Implementation has taken place through regulation and supervisory guidelines (43%), primary or secondary legislation (33%) and other measures such as supervisory action (25%).

Recent developments

While the questionnaire did not specifically ask about Basel III implementation, a number of jurisdictions (Australia, Canada, Indonesia, Japan, Korea, Mexico, Switzerland) have reported adoption of the Basel III rules and other measures for enhancing counterparty risk management. In the EU member states, the Basel III rules on counterparty risk came into effect at the beginning of 2014. In Turkey, the Banking Regulation and Supervision Agency (BRSA) has updated and published on 31 March 2016 secondary regulation on counterparty credit risk management in line with Basel III. Singapore has put in place legislation subjecting prime brokers who provide funding to hedge funds to mandatory regulation either as banks or capital markets intermediaries. They are required to meet business conduct and capital requirements, which cover (inter-alia) risk management.

Most jurisdictions have frameworks in place to obtain information from firms on exposure to leveraged counterparties and carry out periodic reviews. For instance, the French Prudential

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[13] In reporting on implementation of this recommendation, jurisdictions were asked to take note of Principle 28 of IOSCO's *Objectives and Principles of Securities Regulation* (2010) and Recommendation 3 of IOSCO's *Report on Hedge Fund Oversight* (2009).

[14] Note: In 2015, Netherlands reported its status as implementation ongoing due to a re-interpretation of the question. Reporting has now been changed to be consistent with the EC response and does not reflect new developments.

Supervision and Resolution Authority (ACPR) conducts a semi-annual review of French banks' exposures to leveraged counterparties based on data provided by banks. In the UK, the Bank of England has an ongoing continuous assessment cycle for major firms. This includes frequent meetings that involve discussion of key exposures with management, and a bi-annual survey of banks' exposures to hedge funds and informing firm supervisors of the results.

China reports a final rule (for part of the reform) in force since August 2015 to develop and install a private fund information system. In addition, the CSRC is currently amending *The Measures on Securities Companies' Risk Control Indicators*, which will incorporate market risk and credit risk, including from leveraged trading, into the supervisory oversight and require a securities firm to ensure its trading business with one single client (hedge funds included) does not exceed 5% of its net capital. The revised Measures will be released after consultation.

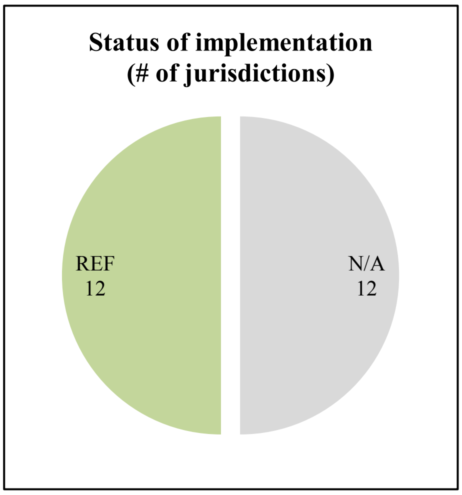
A few jurisdictions report taking steps to strengthen counterparty risk management. Work is ongoing in Italy, with the Insurance Supervisory Authority (IVASS) recently publishing for consultation draft regulation on investment and assets covering technical provisions to strengthen the existing provisions on governance and investment risk management. In July 2015, the Bank of England finalised its Statement of Policy, which provided qualitative standards that firms must meet in order to use the advanced model for counterparty credit risk and should be the basis for assessing counterparty credit risk management by all firms. Firms may be required to hold additional capital under Pillar 2 to address material deficiencies.

II. Securitisation

4. Strengthening of regulatory and capital framework for monolines

Recommendation

This recommendation, which originates from the 2008 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience* (Rec II.8, FSF 2008), foresees that insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.[15]



Overall implementation status and application

The recommendation is only relevant for a limited number of FSB jurisdictions where monoline insurers are active and involved in structured credit business. Eight jurisdictions (Australia, France, Hong Kong, India, Mexico, Russia, UK, US) indicate that there is such activity,[16] although its purpose and size differs significantly across jurisdictions, and all those jurisdictions report completion of the implementation.

[15] In reporting on implementation of this recommendation, jurisdictions were asked to refer to *ICP 13* (Reinsurance and Other Forms of Risk Transfer), *ICP 15* (Investments); and *ICP 17* (Capital Adequacy); IAIS *Guidance paper on enterprise risk management for capital adequacy and solvency purposes* (2008) and a Joint Forum document on *Mortgage insurance: market structure, underwriting cycle and policy implications* (2013).

[16] And the rules are also reported being in place by the Netherlands and the EU.

Four EU jurisdictions report that they do not have active monoline firms (Germany, Italy, Netherlands, Spain), but have implemented the EU rules on monolines since 2015, as did the other two European FSB members with monolines (France, United Kingdom), and the United States. In the remaining twelve jurisdictions, the recommendation is reported as not applicable either because monolines do not exist or because none of the monoline insurers active in that jurisdiction provide structured credit insurance.

All jurisdictions to which this recommendation applies report implementation to be completed. Three of those jurisdictions (France, UK, US) report that final rules were put in place since 2015, which also applies to the EU more generally (see below). Jurisdictions do not envisage any significant implementation work going forward.

Implementation has taken place through primary or secondary legislation (56%), regulation and supervisory guidelines (31%) and other measures such as supervisory action (13%).

Recent developments

Over the past year, the US and the EU report that they have finalised the implementation of rules for monoline insurers.

In the United States, the pertinent legislation was established in 2013 and revised subsequently, with legislation reported to be fully in place since end-2015. In addition, all seven approved mortgage insurers have submitted compliance reports to the government-sponsored enterprises (Fannie Mae, Freddie Mac) by March 2016, which are being reviewed. Going forward, there are no significant additional legislative or regulatory changes anticipated at this time at the state level, given the current scrutiny, inactivity in the insurance of structured products, and the significant market contraction in traditional bond insurance. However, the National Association of Insurance Commissioners (NAIC) continues to work towards a new set of capital standards for the mortgage insurance industry, which will include a risk-based capital formula for such insurers, but which is not expected in the near term.

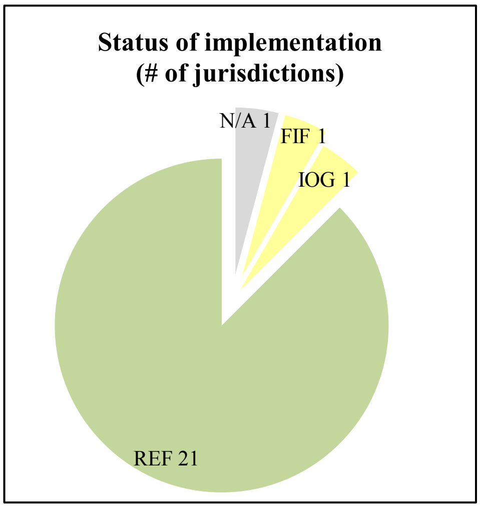
In the EU, implementing rules for Solvency II apply fully since 1 January 2016, including detailed calculation of capital requirements and risk management and governance rules. The Solvency II Directive has introduced a risk-based supervisory regime for all (re)insurance undertakings providing credit insurance, including monoline insurers. As such, credit and surety insurance is one of the segments in the standard formula, for which specific risk factors are calibrated as a 99.5% value at risk (VAR) of own funds over a 1 year time horizon. (Re)insurance undertakings, including monoline insurers, are also subject to governance requirements, such as effective risk-management systems and reporting requirements.

5. Strengthening of supervisory requirements or best practices for investment in structured products

Recommendation

The recommendation, which originates from the 2008 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience* (Rec II.18), calls upon regulators of institutional investors to strengthen the requirements or best practices for firms' processes for investment in structured products. It focuses on the requirements on investors, particularly investment managers, rather than on issuers to reduce risks of structured products.[17]

Overall implementation status and application



Twenty-one FSB jurisdictions report this recommendation to be completed (including Hong Kong and Turkey, who finalised their implementation work since 2015), while two jurisdictions (South Africa, US) report continued implementation efforts. Most jurisdictions that report implementation as completed have put in place requirements for due diligence policies, procedures for restricting investments and disclosure practices applicable for investment managers for investments in structured finance instruments.

Switzerland reports that the recommendation is not applicable given that the extent and materiality of investments in structured finance instruments in its jurisdiction is low. Investors are reported to benefit from regulation in the jurisdictions in which the instruments are issued. Argentina also reports that structured products and credit derivatives are seldom negotiated in the local market and that there are no specific requirements in relation to these investments.

Implementation has taken place through regulation and supervisory guidelines (44%), primary or secondary legislation (39%) and other measures such as supervisory action (17%).

Recent developments

Turkey amended its status and reports that investment in structured products is regulated under the *Communiqué on Principles of Investment Funds* and *Guideline on Investment Funds* that came into force on 1 July 2014. All issuers of structured products in which funds invest are required to be investment-grade rated. Funds investing in structured products have to make daily VAR calculations, which are reported daily to supervisors of risk management units and weekly to the Board of Directors of the management firm.

A few jurisdictions (EU member states, Hong Kong, India, South Africa) report further progress and measures for strengthening best practices for investment in structured finance products.

In the EU member states, the Solvency II Directive – the legislation relating to the (re)insurance sector that came into force on 1 January 2016 – introduces requirements in relation to investment in structured products that are consistent with those introduced in the banking sector. Insurance and reinsurance undertakings are only allowed to invest in securitisation after conducting comprehensive due diligence.

In relation to securitisation, as part of the Capital Markets Union project, the European Commission (EC) adopted on 30 September 2015 a package of legislative proposals to

[17] In reporting on implementation of this recommendation, jurisdictions were asked to refer to IOSCO's report on *Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments* (2009) and the Joint Forum report on *Credit Risk Transfer – Developments from 2005-2007* (2008).

introduce a new integrated approach to securitisation. The proposals include a securitisation regulation that will apply to all securitisations and includes due diligence, risk retention and transparency rules together with the criteria for Simple, Transparent and Standardised Securitisations. The latter are in line with the criteria to identify simple, transparent and comparable securitisations that were developed by the Basel Committee on Banking Supervision (BCBS)-IOSCO Task Force for Securitisation Markets in July 2015. This legislative proposal is currently under interinstitutional negotiations (EC, Council and Parliament).

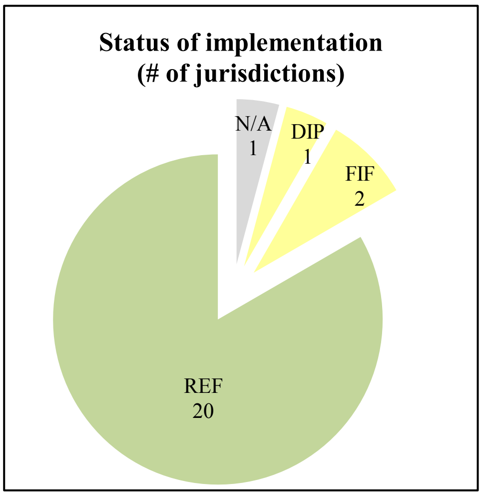
In Hong Kong, the Hong Kong Monetary Authority (HKMA) issued the *Supervisory Policy Manual on Credit Risk Transfer Activities* on 30 June 2016. This guidance supplements existing guidance on credit risk management with sound practices in due diligence when participating in activities associated with securitization and credit derivatives and brings supervisory policy into line with the latest international standards, including the recommendations made in the *Joint Forum report on Credit Risk Transfer – Developments from 2005-2007* (2008).

Since the last survey, India has amended its mutual fund regulation. The investment restriction has been revised and reduced from 15% to 10% of net asset value in mortgage-backed securitised debt issued by a single issuer that is rated not below investment grade by a credit rating agency registered with the Securities and Exchange Board of India (SEBI). Similarly the extension of this limit with the approval of trustees has been reduced from 20% to 12%.

In South Africa, the existing requirements for insurers that originate or invest in structured products will be reconsidered in developing the new Solvency Assessment and Management regime, which will be implemented in January 2017 through the enactment of the Insurance Bill (2016), which was tabled in Parliament in January 2016. The Bill is subject to Parliamentary processes and procedures.

6. Enhanced disclosure of securitised products

Recommendation



The recommendation, which originates from the 2008 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience* (Rec III.10-III.13), calls on securities market regulators to work with market participants to expand information on securitised products and their underlying assets.[18]

Overall implementation status and application

All but three jurisdictions (Russia, South Africa, Turkey) report that implementation is completed for this recommendation. Switzerland reports that the

[18] In reporting on implementation of this recommendation, jurisdictions were asked to refer to IOSCO's *Report on Principles for Ongoing Disclosure for Asset-Backed Securities* (2012), *Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities* (2010), and the *Report on Global Developments in Securitisation Regulations* (2012), in particular recommendations 4 and 5.

recommendation is not applicable in its jurisdiction as there is no domestic asset backed securities (ABS) market.

Implementation has taken place through regulation and supervisory guidelines (41%), primary or secondary legislation (38%) and other measures such as supervisory action (22%).

Recent developments

In 2016, Brazil's CVM expects to issue regulation regarding the monthly disclosure of new information by receivable funds, focusing on provisioning according to portfolio composition and the collaterals involved. The CVM will also launch a public consultation regarding new rules for the securitization of agricultural receivables, in order to align the requirements for structuring and disclosure of securitization products. The new rules are expected to be issued in 2017. In 2017, CVM also intends to consult market participants on rules related to mortgage-backed securities, aiming at a better structuring of this product and taking into consideration the 2012 CVM rules on disclosure.

Since the last survey, Russia reports the introduction of ordinances aimed at enhancing data disclosure standards for credit institutions. In February 2016, the Bank of Russia also issued regulation on securities listing, in force since mid-May 2016, which stipulates additional requirements on disclosure of data concerning securitisations (i.e. mortgage participation certificates) included into quotation lists.

The Turkish Capital Markets Board (CMB) plans to issue ABS prospectus standards compatible with international standards/guidelines by the end of 2016. This will include detailed information about the parties involved in the ABS issuance or ABS itself for public offerings.

A number of other jurisdictions mention their active involvement in international work to promote more sound and transparent securitisation transactions. In July 2015, the BCBS-IOSCO task force on securitisation markets published non-exhaustive, non-binding criteria (high level principles) to identify simple, transparent and comparable securitisations.[19] The EC's proposed Securitisation Regulation aims, amongst other things, to streamline and improve the consistency of due diligence, risk retention and disclosure requirements of different EU legislative frameworks (Prospectus, CRR/CRD IV, AIFMD, CRA III and Solvency II) that are applicable to securitisation. The securitisation regulation will introduce criteria for Simple, Transparent and Standardised Securitisations that are in line with the BCBS-IOSCO criteria.

More generally on disclosure, the Packaged Retail and Insurance-based Investment Products (PRIIPS) Regulation will impose more detailed disclosure requirements on firms manufacturing and distributing structured products to retail customers – this might include in few exceptional cases securitisation products (which are normally sold only to institutional investors). The Markets in Financial Instruments Directive II (MiFID II) will impact the distribution of structured products to investors, including securitisation products.

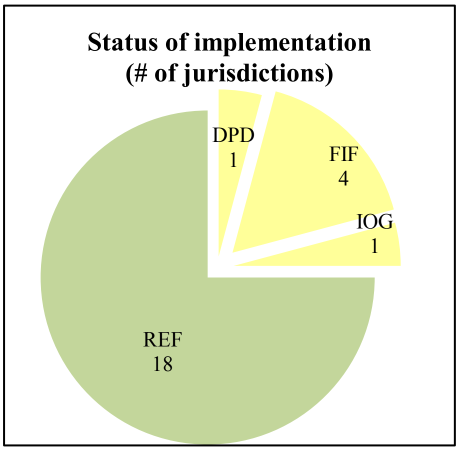
[19] See http://www.bis.org/bcbs/publ/d332.htm.

III. Enhancing supervision

7. Consistent, consolidated supervision and regulation of SIFIs

G20 Recommendation

In the Pittsburgh Summit, the G20 Leaders declared that all firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. Specifically, the recommendation foresees the identification of domestic systemically important financial institutions (D-SIFIs); their public disclosure; and specification of the types of policy measures taken for implementing consistent, consolidated supervision and regulation of the identified SIFIs.[20]



Overall implementation status and application

Eighteen FSB jurisdictions report that implementation has been completed, compared to only ten in 2015. The eight additional jurisdictions reporting completion are Argentina, Australia, Brazil, France, Indonesia, Mexico, Korea and the Netherlands. This progress mainly reflects implementation of the BCBS requirements on G-SIBs and D-SIBs, due from 1 January 2016.[21] The remaining six jurisdictions report that they are still in the process of implementation (China, Russia, Saudi Arabia, South Africa, Turkey, UK).

The recommendation has been implemented through regulation and supervisory guidelines (40%), primary or secondary legislation (31%), and other measures such as supervisory action (29%).

Recent developments

Argentina published the list of designated domestic D-SIBs in January 2015, which are subject to higher loss absorbency (HLA) requirements subject to a phase-in period between January 2016 and January 2019. In Australia, the four designated D-SIBs are required to hold an additional capital buffer of 1% since 1 January 2016. In Brazil, the D-SIB framework and capital charges are applicable since January 2016. In March 2016, the Central Bank strengthened the supervision of D-SIBs through an increase in relevant staff as well as changes in work processes. In France, the D-SIBs have been formally identified and an additional capital buffer is applicable to them since 1 January 2016. In Indonesia, the D-SIB surcharge requirements as stipulated in 2013 were replaced with a more specific D-SIB framework issued in December 2015 and that has been in force since January 2016. In addition, to support the

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[20] In reporting on implementation of this recommendation, jurisdictions were asked to refer to the following documents: 1) BCBS *Framework for G-SIBs* (July 2013) and *Framework for D-SIBs* (October 2012); 2) IAIS *Global Systemically Important Insurers: Policy Measures* (July 2013), *Initial G-SII assessment methodology* (July 2013) and *IAIS SRMP Guidance* (December 2013); *Guidance on Liquidity management and planning* (October 2014); and 3) FSB *Framework for addressing SIFIs* (November 2011).

[21] For details, see the BCBS *Tenth progress report on adoption of the Basel regulatory framework* (April 2016) and the reports assessing the implementation of the BCBS frameworks for G-SIBs and D-SIBs (June 2016).

functioning of the Indonesian Financial Services Authority's (OJK) mandate on integrated supervision, a regulation concerning integrated minimum capital requirements for financial conglomerates was also issued at the end of 2015. In Mexico, the National Banking and Securities Commission (CNBV) published the list of identified D-SIBs in May 2016, and HLA requirements will be phased in over a four-year period starting in 2016. In Korea, the FSC/FSS amended the relevant regulations to implement the D-SIB framework in December 2015, which took effect on 1 January 2016, subjecting four Korean bank holding companies and one other bank to an HLA requirement. In the Netherlands, since 1 January 2016, the phasing-in of the HLA capital buffers has commenced, both for G-SIFIs and D-SIFIs. In Hong Kong, the HKMA announced on 31 December 2015 an updated list of D-SIBs together with their corresponding levels of HLA requirements for 2017.

In the United States, in December 2015, the Federal Reserve has strengthened bank holding companies' capital planning practices by consolidating existing supervisory expectations and clarifying the extent to which the requirements are tailored based on a firm's size and risk profile. At the same time, the Federal Reserve continues to build supervisory programmes for non-bank financial companies, including for those companies with significant insurance activities that the Financial Stability Oversight Council (FSOC) has designated for supervision by the Federal Reserve. In this regard, a proposal on reporting requirements for insurance SIFIs was launched on 25 April 2016 and a proposal on enhanced risk management and liquidity risk management standards for insurance SIFIs was launched in June 2016.

Several jurisdictions (including Canada, China, some EU member states and the US), report having initiated efforts on the identification of domestic systemically important insurers and/or other non-bank financial institutions.

8. Establishing supervisory colleges and conducting risk assessments

Recommendation

The recommendation has two elements: first, to establish the remaining supervisory colleges for significant cross-border firms by June 2009 (London Summit); and second, to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges (Seoul Summit).[22]

Overall implementation status and application[23]

The reporting in this area was restricted to home jurisdictions of G-SIBs and G-SIIs;[24] hence, it was applicable only to 10 FSB jurisdictions, all of which report that they have completed

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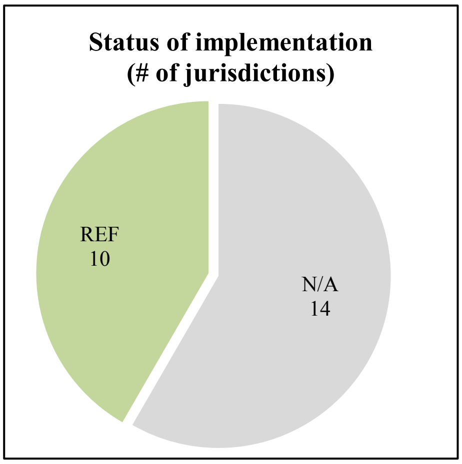
[22] In reporting on implementation of this recommendation, jurisdictions were asked to refer to the following documents: 1) BCBS: Principles for effective supervisory colleges (2014); Progress report on the implementation of principles for effective supervisory colleges (2015); 2) IAIS: ICPs 24 and 25, especially guidance 25.1.1–25.1.6, 25.6, 25.7 and 25.8; Application paper on supervisory colleges (2014).

[23] For more details, see the responses of FSB jurisdictions on establishing supervisory colleges and conducting risk assessments in the 2015 IMN survey.

[24] For the 2015 update of the list of G-SIBs and G-SIIs, see http://www.fsb.org/2015/11/2015-update-of-list-of-global-systemically-important-banks-g-sibs/ and http://www.fsb.org/2015/11/2015-update-of-list-of-global-systemically-important-insurers-g-siis/ respectively.

implementation.[25] This recommendation has been implemented through primary or secondary legislation (36%), regulation and supervisory guidelines (23%) and other measures such as supervisory action (41%).

Recent developments



The US authorities report that supervisory colleges for significant US cross-border banking and insurance firms (including but not limited to Morgan Stanley, Goldman Sachs, JPMorgan, Bank of America, State Street Bank, Citibank, AIG, Prudential, MetLife, and GECC) were held regularly in-person or via conference calls.

In January 2016, the EC added two technical amendments to its rules governing the functioning of colleges of supervisors in the EU. With the establishment of the Single Supervisory Mechanism (SSM) on 4 November 2014, banks that are considered "significant" are supervised directly by the European Central Bank (ECB); smaller banks continue to be directly supervised by their national authorities, though the ECB has the authority to take over direct supervision of any bank.

9. Supervisory exchange of information and coordination

Recommendation

The recommendation has two elements: first, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels to quicken supervisory responsiveness to developments that have a common effect across a number of institutions (recommendation V.7 of the 2008 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*); and second, that the effectiveness of core supervisory colleges should be enhanced (recommendation of the 2012 FSB *Report to the G20 on Increasing the Intensity and Effectiveness of SIFI Supervision*).[26]

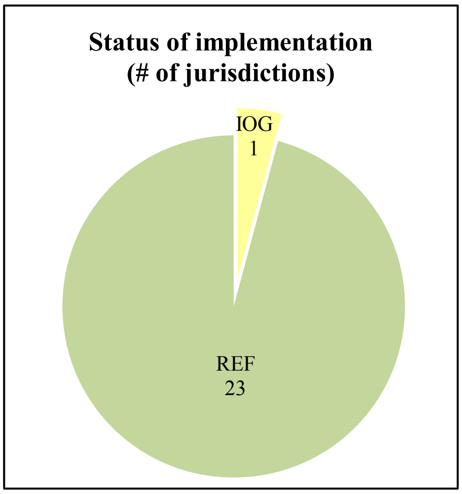
Overall implementation status and application

All FSB jurisdictions except Saudi Arabia report that the implementation of reforms in this area is complete. In Saudi Arabia, although the Saudi Arabian Monetary Authority (SAMA) does not see any impediments that hinder the appropriate exchange of supervisory information under the relevant laws, it is working on bilateral MoUs with supervisory authorities in a number of

[25] The BCBS *Progress report on the implementation of principles for effective supervisory colleges* (2015) noted that 2 G-SIBs had not established supervisory colleges by 2015, but that they had limited international activity and their home supervisor would consider establishing colleges if their international reach were to increase.

[26] In reporting on implementation of this recommendation, jurisdictions were asked to include any feedback received from, and steps taken in response to, International Monetary Fund (IMF)-World Bank Financial Sector Assessment Program (FSAP) assessments on the *September 2012* BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). They were also asked to describe any recent or planned regulatory, supervisory or legislative changes that contribute to the sharing of supervisory information (e.g. within supervisory colleges or via bilateral or multilateral MoUs).

jurisdictions, participates in the relevant supervisory colleges, and has carried out a number of supervisory review visits.



Most jurisdictions have highlighted various formal (e.g. supervisory colleges, engagement through international bodies) and informal channels through which supervisory exchange of information and coordination is facilitated.

The recommendation has been implemented through other measures such as supervisory action (53%), primary or secondary legislation (28%), and regulation and supervisory guidelines (21%).

Recent developments

The Australian Prudential Regulation Authority (APRA) has established supervisory colleges for complex conglomerates with material cross-border activities where it is the group-wide supervisor, and participates in several other colleges as a host supervisor.

In 2015, Hong Kong signed two additional AIFMD MoUs, with the total number of such MoUs rising to 30. The conclusions on the consultation document "Providing Assistance to Overseas Regulators in Certain Situations" were issued by the Securities and Futures Commission (SFC) in June 2015. The legislative changes to provide supervisory assistance to regulators outside of HK came into effect in November 2015.

India reports that it is has signed MoUs with a number of regulators/supervisors (Seychelles, Maldives, Nepal, Botswana, UAE, Bangladesh, United Kingdom and Israel), in addition to an MoU between the Insurance Regulatory and Development Authority (IRDA) and the Insurance Authority of UAE. Indonesia also reports signing several bilateral MoUs during early 2016, including with the Central Bank of Timor-Leste and the Bank of Thailand.

There were no major developments in the EU since the 2015 survey, other than a number of concluded agreements between the newly established European institutions – e.g. guidelines on exchange of information on a systematic basis within colleges for insurers by the European Insurance and Occupational Pensions Authority (EIOPA); an agreement on the exchange of information and cooperation between ESMA and the ECB.

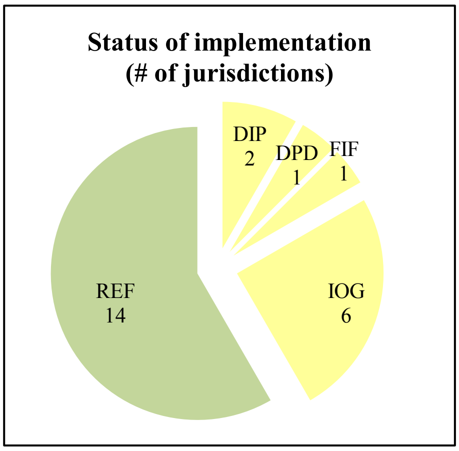
The Bank of England has continued to enter into negotiations with non-EEA jurisdictions, in order to revise and update those MoUs that were established by the former Financial Services Authority. New/revised MoUs are in place with the China Banking Regulatory Commission (CBRC), the Canada Deposit Insurance Corporation (CDIC) and the Reserve Bank of India (RBI). Discussions with other non-EEA jurisdictions and competent authorities are continuing. The Financial Conduct Authority (FCA) has also continued negotiations on a number of new bilateral MoUs with non-EEA regulatory authorities.

10. Strengthening resources and effective supervision

Recommendation

The recommendation has two elements: (1) 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. (Seoul Summit); and (2) 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 (2008 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*), and that they continually re-assess their resource needs (recommendation 3 of the 2012 FSB *Report to the G20 on Increasing the Intensity and Effectiveness of SIFI Supervision*).[27]

Overall implementation status and application



Fourteen FSB jurisdictions report this recommendation to be completed, while the ten remaining ones (Argentina, Australia, China, Germany, Japan, Mexico, Korea, Russia, Singapore, Switzerland) report ongoing implementation.

The recommendation has been implemented through primary or secondary legislation (26%), regulation and supervisory guidelines (32%), and other measures such as supervisory action (41%).

Recent developments

In 2015, the Australian Government established the Regulator Performance Framework to assess regulators' performance when interacting with business, the community and individuals while carrying out their functions. APRA reports annually on its performance under this framework. In addition, APRA's Corporate Plan articulates its strategy and priorities, its engagements and supervisory objectives, data collections, and resourcing. APRA also reports on actions and progress on its strategy in its Annual Report.

The EU has put in place a comprehensive set of rules concerning effective supervision.[28] During 2016, the existing legislation has been complemented by the European Banking Authority (EBA) guidelines on the supervisory review and evaluation process.

South Africa is moving to a "twin peaks" model of financial regulation. The Financial Sector Regulation Bill was tabled in Parliament in 2015. Once enacted, this Bill will formally establish a prudential regulator and financial sector conduct regulator, with increased scope of jurisdiction and powers. The legal framework within which the new conduct regulator will operate is being strengthened and a single, integrated law for market conduct in the financial sector in South Africa will be introduced (Conduct of Financial Institutions Bill). This will provide for: (i) A fair treatment of customers by financial institutions; and (ii) Promoting and

[27] In reporting on implementation of this recommendation, jurisdictions were asked indicate any steps taken in response to recommendations 1, 2, 3, 4 and 7 (i.e. supervisory strategy, engagement with banks, improvements in banks' IT and MIS, data requests, and talent management strategy respectively) in the FSB thematic peer review report on supervisory frameworks and approaches to SIBs (May 2015).

[28] Directive 2013/36/EU provides for the general powers and measures that supervisors shall have (art. 102-104), the power to impose penalties (art. 18 and 64) and the procedures to carry out bank supervision (art. 97-98). Among the powers entrusted to supervisors, there is the obligation to carry out stress testing at least annually (art. 100).

enhancing the integrity of the financial system. The first draft of this legislation is expected to be published for comment by the end of 2016.

The Swiss Financial Market Supervisory Authority (FINMA) is currently revising its risk management on the technological infrastructure to include information technology and cyber risks. In addition, the principle on business continuity will be expanded to include requirements for maintaining critical services when resolving systemically important banks.

The Federal Reserve continues to enhance its supervisory programme for the largest, most interconnected US firms. In April 2015, the Federal Reserve publicly released additional information on the operating structure of the Large Institution Supervision Coordinating Committee (LISCC) supervisory programme.[29] The LISCC conducts three annual horizontal exercises for firms under its supervision: the Comprehensive Capital Analysis and Review (CCAR) for LISCC firms, the Comprehensive Liquidity Analysis and Review (CLAR), and the Supervisory Assessment of Recovery and Resolution Preparedness (SRP). CCAR is the Federal Reserve's annual process for evaluating capital adequacy of LISCC firms (and other firms subject to the Federal Reserve's capital plan rule) under normal and stressed conditions. The Federal Reserve has also developed a supervisory programme for nonbank financial companies supervised by the Board. AIG and Prudential are supervised by dedicated multi-disciplinary teams consisting of individuals with industry expertise as well as supervision experience. Additionally, resources are drawn from other parts of the Federal Reserve System as needed.

On 10 May 2016, the Office of the Comptroller of the Currency (OCC) issued formal enforceable guidelines – "Heightened Standards" – establishing minimum standards for the design and implementation of a risk governance framework and providing minimum standards for oversight of that framework by the board of directors.

The Federal Housing Finance Agency (FHFA) has established the Housing Finance Examiner Commissioning program and continues to provide training to its supervisory staff. FHFA also provides examination guidance to its staff to facilitate consistency in its supervisory approach to the regulated entities.

IV. Building and implementing macro-prudential frameworks and tools

11. Establishing regulatory framework for macro-prudential oversight

Recommendation

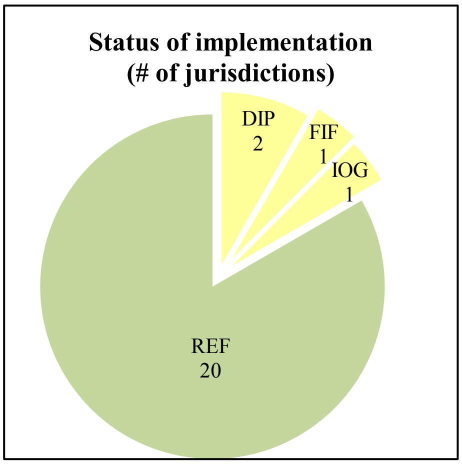
The recommendation has two elements: first, amend regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk (London Summit); and second, ensure that national regulators possess the 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

[29] The LISCC coordinates the Federal Reserve's supervision of domestic bank holding companies and foreign banking organisations that pose elevated risk to US financial stability and other nonbank financial institutions designated as systemically important by the FSOC.

risk – to be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions (London Summit).[30]

Overall implementation status and application

Since the financial crisis, far-reaching changes have taken place in the institutional arrangements for macroprudential policy (structures, mandates, powers, reporting etc.) in many FSB jurisdictions.[31] However, as indicated by the findings of FSAPs and FSB country peer reviews, significant additional work may be needed to ensure that macroprudential frameworks are effective.



In terms of implementation status, twenty jurisdictions report this recommendation to be completed, while China, Saudi Arabia, South Africa and Spain report ongoing efforts.

The recommendation has been implemented through primary or secondary legislation (42%), regulation and supervisory guidelines (24%) and other measures such as supervisory action (34%).

Recent developments

The EU macroprudential framework was established over recent years, including with the entry into force of the CRD IV/CRR in January 2014; responsibility for system-wide macroprudential oversight has been entrusted to the European Systemic Risk Board (ESRB) since 2010. The institutional framework has been completed with the establishment of national macroprudential authorities in almost all EU member states, and creation of macroprudential competences for the ECB in the euro area, applicable from November 2014 via the SSM Regulation. In May 2016, the ESRB published a review of macroprudential policy in the EU.[32]

In Switzerland, new provisions of the National Bank Act and the Financial Market Supervision Act entered into force on 1 January 2016. As a result, the Swiss National Bank (SNB) can directly access information on financial market participants, and the SNB and FINMA can share information with the Federal Department of Finance (FDF).

Other recent developments include: a formal proposal for the establishment of an inter-agency national financial stability board (Saudi Arabia); a legislative act mandating the government to establish an inter-agency macroprudential body (Italy) or designation of the central bank to carry out macroprudential responsibilities (South Africa); and powers conferred to the Dutch central bank to collect additional info for macroprudential purposes (Netherlands).

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30 In reporting on implementation of this recommendation, jurisdictions were asked to describe major changes in the institutional arrangements for macroprudential policy (structures, mandates, powers, reporting etc.); and to indicate whether an assessment has been conducted (as well as any gaps identified and follow-up actions taken) on the adequacy of powers to collect and share relevant information among authorities on financial institutions, markets and instruments to assess the potential for systemic risk.

31 For more details, see the responses of FSB jurisdictions on establishing a regulatory framework for macroprudential oversight in the 2015 IMN survey.

32 See https://www.esrb.europa.eu/pub/pdf/other/20160513_esrb_review_of_macroprudential_policy.en.pdf.

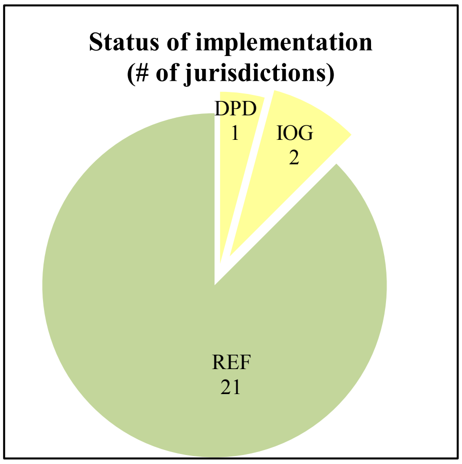
12. Enhancing system-wide monitoring and the use of macro-prudential instruments

Recommendation

The recommendation has three elements: first, the use of quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes (recommendation 3.1 of the 2009 FSF *Report on Addressing Procyclicality in the Financial System*); second, developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector (Cannes Summit); and third, that authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington Summit).[33]

Overall implementation status and application[34]

All but three jurisdictions (Russia, Saudi Arabia and South Africa) report this recommendation as being completed. Compared to last year, two jurisdictions (Mexico and the US) report a change in status from implementation ongoing to completed. The recommendation has been implemented through primary or secondary legislation (40%), regulation and supervisory guidelines (29%), and other measures such as supervisory action (31%).



Recent developments

A number of jurisdictions report changes to the use of macroprudential tools and ongoing improvements to their risk assessment methodologies and approaches. Most jurisdictions report that they have put in place the Basel III counter-cyclical capital buffer (CCyB),[35] which has been generally set at 0% (with the exception of Hong Kong).[36]

In December 2015, the Office of the Superintendent of Financial Institutions (OSFI) in Canada announced updates to the capital requirements for exposures secured by residential real estates covered by the internal ratings based approach (IRB), expected to be effective as of November 1, 2016. Likewise, the Government has increased the minimum down payment for new insured

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33 In reporting on implementation of this recommendation, jurisdictions were asked to describe at a high level the types of methodologies, indicators and tools used to assess systemic risks; and to indicate the use of macroprudential tools in the past year. Relevant references cited were the CGFS report on *Operationalising the selection and application of macroprudential instruments* (2012); FSB-IMF-BIS progress report to the G20 on *Macroprudential policy tools and frameworks* (2011); IMF staff papers on *Macroprudential policy, an organizing framework* (2011); *Key Aspects of Macroprudential policy* (2013); and *Staff Guidance on Macroprudential Policy* (2014).

34 For more details, see the responses of FSB jurisdictions on enhancing system-wide monitoring and the use of macroprudential instruments in the 2015 IMN survey.

35 See http://www.bis.org/bcbs/publ/d366.pdf and http://www.bis.org/bcbs/ccyb/index.htm.

36 In Hong Kong, the HKMA issued a supervisory policy manual in September 2015 on providing guidance to banks for the determination of the geographic allocation of private sector credit exposures in calculating bank-specific CCyB rates. As announced in January 2016, the CCyB will be increased from 0.625% to 1.25% with effect from 1 January 2017.

mortgages increased from 5% to 10% for the portion of the house price above CAD 500,000, effective since February 2016.

In China, the People's Bank of China (PBC) reports upgrading the dynamic adjustment of differentiated reserve requirement mechanism, including the foreign exchange liquidity and cross-border capital flows into the macroprudential management, imposing risk reserves to foreign exchange forward sales, and expanding the macroprudential management for cross-border financing in both Renmibi and foreign currencies.

More than 200 macroprudential measures had been reported to the ESRB by EU member states by end-2015. A number of EU member states (e.g. France, Germany, Italy) report taking their first macroprudential measures over the past couple of years.

In Mexico, the macroprudential measures implemented during the last years include: limits on lending to related parties, which were increased as a response to the increasing amount of exposures observed during the crisis; rules for sale and transfer of operations between related parties (e.g. transfer or sale of credit portfolios), which were included to limit the potential for contagion; and a D-SIB capital buffer based on the Basel framework, which has been implemented since April 2016.

In Saudi Arabia, several macroprudential instruments and requirements have been implemented, including a loan-to-value ratio limit set at 70% for banks (deposit takers) and 85% for finance companies (non-deposit takers). Moreover, a debt service ratio that considers a cap on total household debt (which includes mortgage loans, personal loans, and credit card loans) is under study.

The Bank of England published its latest approach for the stress tests of the UK banking system in October 2015. This introduced an annual cyclical scenario, the severity of which would vary systematically to reflect policymakers' assessment of the state of the financial cycle. In March 2016, the Financial Policy Committee set the CCyB rate at 0.5%, which was reduced to 0% in July 2016. Absent any material change in the outlook, and given the need to give banks the clarity necessary to facilitate their capital planning, the Committee expects to maintain a 0% UK countercyclical capital buffer rate until at least June 2017.

In the US, the Commodity Futures Trading Commission (CFTC) issued final rules for the cross-border application of its margin requirements, which were approved in December 2015 (*Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants*). The rule specifies requirements for the margin calculation, documentation, acceptable collateral and its safe keeping. Related to that, in December 2015, the OCC, Treasury, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), Farm Credit Administration, and FHFA adopted rules to establish minimum margin and capital requirements for registered swap dealers, major swap participants, security-based swap dealers, and major security-based swap participants for which one of the agencies is the prudential regulator, effective as of 1 September 2016. In December 2015, the Congress approved prudential regulators' and financial stability authorities access to over-the-counter (OTC) derivatives data to monitor safety and soundness of the financial system and financial stability of the US markets.

V. Improving oversight of credit rating agencies

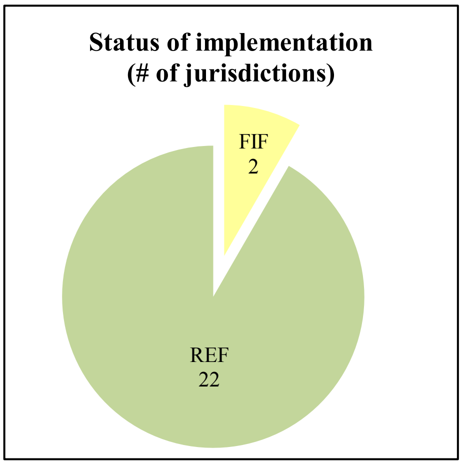
13. Enhancing regulation and supervision of CRAs

Recommendation

The recommendation foresees that: all credit rating agencies (CRAs) whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime by end-2009 that includes registration and is consistent with the IOSCO Code of Conduct Fundamentals (London Summit); national authorities would 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 and make sure that CRAs differentiate ratings for structured products; the oversight framework should be consistent across jurisdictions and allow for information sharing between national authorities, including IOSCO (London Summit); and regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010 (2009 FSB *Report to G20 Leaders on Improving Financial Regulation*).[37] The St Petersburg Summit encouraged further steps to enhance transparency and competition among credit rating agencies.

Overall implementation status and application

All jurisdictions report that the implementation of reforms has been completed and that requirements for the registration of CRAs have been put in place, including Saudi Arabia, which completed its implementation efforts since 2015. While China and Turkey report having completed implementation of their regulatory frameworks in the 2015 survey, they have changed their status in 2016 to implementation ongoing (final rule in force) to reflect additional efforts to revise existing standards. Other jurisdictions also note ongoing work, but have not reflected this in their reported status. Most jurisdictions report that their framework for CRAs and/or regulatory oversight is consistent with the IOSCO *Statement of Principles Regarding the Activities of Credit Rating Agencies* and/or the IOSCO *Code of Conduct Fundamentals for Credit Rating Agencies* (CRA Code).[38]



[37] In reporting on implementation of this recommendation, jurisdictions were asked to indicate the policy measures they have taken in this area and their consistency with the IOSCO *Code of Conduct Fundamentals for Credit Rating Agencies* (2015), including governance, training and risk management. Other IOSCO references include Principle 22 of *Principles and Objectives of Securities Regulation* (2010), which calls for registration and oversight programs for CRAs; *Statement of Principles Regarding the Activities of Credit Rating Agencies* (2003); *Final Report on Supervisory Colleges for Credit Rating Agencies* (2013).

[38] IOSCO published a revised *Code of Conduct Fundamentals for Credit Rating Agencies* in March 2015 that made significant revisions and updates to the earlier CRA code revised in May 2008. Many jurisdictions reported compliance with the CRA Code; Australia and Switzerland specified that compliance was with reference to the 2015 CRA Code.

Implementation has taken place through primary or secondary legislation (42%), regulation and supervisory guidelines (40%), and other measures such as supervisory action (19%).

Recent developments

Since the last survey, Saudi Arabia's new CRA regulations (approved in November 2014) came into force on 1 September 2015. These regulations were drafted in accordance with international best practices and to comply with IOSCO Principles including the CRA Code, and are reported to have adequate regulatory provisions for supervision of the prospective CRAs.

In order to encourage competition in the rating industry in the EU, the EC adopted three regulatory technical standards on 30 September 2014 that provide for: 1) disclosure of information on structured finance instruments, which could facilitate unsolicited credit ratings; 2) the creation of a European Rating Platform which publish all available credit ratings on a central platform operated by ESMA; and 3) the disclosure of fees charged by CRAs. In September 2016, the EC will publish a report on the state of the ratings market and the impact of the CRA3 Regulation as well as analysing potential measures that could improve competition.

A few jurisdictions (Australia, Turkey) report having taken steps since last year's survey to bring their regulatory framework in line with international standards. Australia updated its CRA Licences to reflect 2015 IOSCO CRA Code changes, updated guidance to CRAs on the 2015 IOSCO CRA Code provisions and enhanced guidance on what information is expected by the Australian Securities & Investments Commission (ASIC) in relation to CRAs' Annual Compliance Reports. In Turkey, the BRSA's *Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies* (which entered into force on 17 April 2012) has been recently updated on 20 January 2016 to mainly incorporate international best practices.

Other jurisdictions report changes to strengthen regulation and oversight of CRAs. In China, the CSRC will revise *The Interim Measures for the Administration of the Credit Rating Business in the Securities Market* that were enacted in 2007. In India, SEBI recently issued *SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015*, which will strengthen the regulatory framework for CRAs in India by requiring CRAs to periodically review ratings with respect to non-convertible debt securities; require cooperation of listed entities with CRAs; and require listed entities to intimate Debenture Trustees promptly. Following the introduction of the regulatory oversight regime in 2015, the Bank of Russia has issued a number of Ordinances relating to the regulation and supervision of CRAs covering procedures, methodology, personnel and registration. All CRA activities should adhere to outlined standards as of January 14, 2017 for Russian legal entities and July 12, 2017 for foreign legal entities.

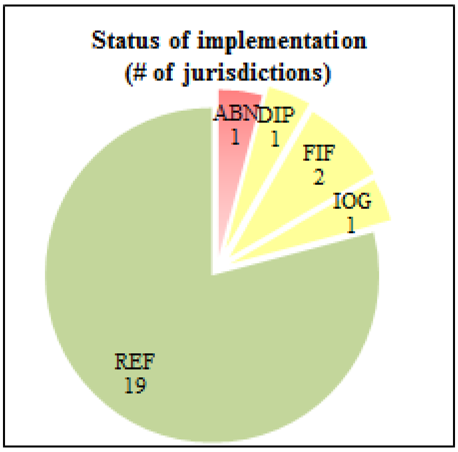
14. Reducing the reliance on ratings

Recommendation

At the Seoul Summit, the G20 Leaders endorsed the 2010 FSB *Principles for Reducing Reliance on CRA Ratings*, calling on standard setters, market participants, supervisors and central banks not to rely mechanistically on external credit ratings. This goal was reaffirmed in the Cannes, Los Cabos and St Petersburg Summits. At the St Petersburg Summit, the G20 called on national authorities to accelerate progress in this area in accordance with the 2012 FSB *Roadmap for Reducing Reliance on CRA Ratings*.

To accelerate progress on this recommendation, the FSB undertook a thematic review to assist national authorities in fulfilling their commitments. The review was structured in two stages: the first stage, published in August 2013, comprised a structured stock-taking of references to CRA ratings in national laws and regulations; the second stage – published in May 2014, focused on the action plans developed by national authorities to implement the Roadmap.[39]

Overall implementation status and application



In 2016, implementation continues to be reported as not completed in four jurisdictions (Australia, Korea, Mexico,[40] Turkey), while one jurisdiction (Brazil) report that they do not envisage any action at this stage. All other jurisdictions report that they have implemented this recommendation, including Canada and Hong Kong, which updated their implementation status since 2015.

The recommendation has been implemented through primary or secondary legislation (39%), regulation and supervisory guidelines (42%), and other measures such as supervisory action (18%).

Recent developments

Korea reports that it has strengthened its supervisory oversight to assess the adequacy of market participants' own credit assessment process and disclosures through close monitoring of the appropriateness of each financial institution's risk management process.

In Singapore, supervisors carry out on-site inspections and off-site supervisory reviews of banks' credit risk assessment processes to ensure they are robust and do not place undue reliance on credit ratings. In 2015, MAS also completed thematic inspections of credit underwriting standards and lending practices of selected banks and issued an information paper *Thematic Review of Credit Underwriting Standards and Practices of Corporate Lending Business* in February 2016 to provide guidance on MAS' supervisory expectations. The paper outlined the key findings of the inspections, including areas where financial institutions should pay attention to as well as the sound practices observed.

In Switzerland, FINMA has removed references to CRA ratings from its *Collective Investment Schemes Ordinance*. The revised ordinance entered into force on 1 January 2015. Moreover, disclosure requirements within banking regulation have been updated, facilitating credit assessment for market participants, based on revised Disclosure Rules for banks that came into force on 1 January 2016.

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[39] In reporting on implementation of this recommendation, jurisdictions were asked to indicate the steps they are taking to address the recommendations of the peer review, including by implementing their agreed action plans. Other references were the BCBS Consultative Document *Revisions to the Standardised Approach for credit risk* (2015); IAIS ICP guidance 16.9 and 17.8.25; IOSCO *Good Practices on Reducing Reliance on CRAs in Asset Management* (2015); and IOSCO Sound Practices at Large Intermediaries Relating to the Assessment of Creditworthiness and the Use of External Credit Ratings (2015).

[40] Mexico has staggered the implementation of the provisions for investment funds managers, fund distributors and investment advisors, which is expected to be completed by end-2016.

The US reported completing implementation of this recommendation in 2011. In September 2015, the SEC issued final rules to remove credit ratings references from the rule governing the operation of money market funds. With respect to Fannie Mae and Freddie Mac, FHFA has rescinded standards regarding non-mortgage liquidity investments that relied on nationally recognized statistical rating organization ratings and replaced them with new standards that do not rely on those ratings. In June 2016, the FDIC proposed revisions to its international banking regulations (12 CFR Part 347) to replace credit ratings with alternative standards of creditworthiness to comply with section 939(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

VI. Enhancing and aligning accounting standards

15. Consistent application of high-quality accounting standards

Recommendation

The recommendation calls on regulators, supervisors, and accounting standard setters, as appropriate, to work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards (Washington Summit).[41]

Overall implementation status and application

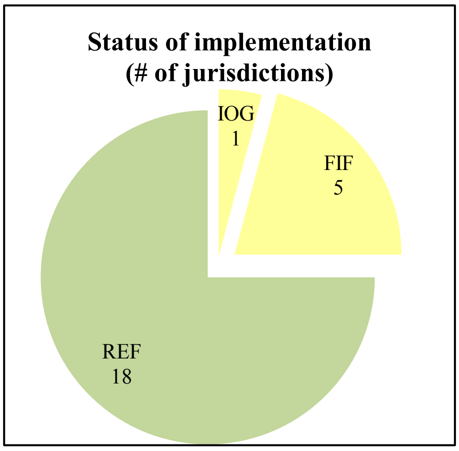
Eighteen jurisdictions report that implementation of high-quality accounting standards is completed, while six others (Argentina, India, Mexico, Russia, Saudi Arabia and Singapore) report that implementation is still ongoing.[42]

The recommendation has been implemented through primary or secondary legislation (27%), regulation and supervisory guidelines (49%), and other measures such as supervisory action (24%).

[41] In reporting on implementation of this recommendation, jurisdictions were asked to indicate the accounting standards that they follow, whether (and on what basis) they are of a high and internationally acceptable quality, and what system they have for enforcement of consistent application of those standards. Jurisdictions were also asked to indicate the policy measures taken for appropriate application of fair value accounting, and to set out any steps they intend to take to foster transparent and consistent implementation of the new accounting requirements for expected loan loss provisioning for impaired loans.

[42] One general issue in relation to recommendation is that there is a continuing stream of new standards coming through which affects how some jurisdictions are responding. So even if a jurisdiction has already adopted high-quality accounting standards, as new standards are coming though, they might refine their answers away from 'REF' if those new standards have yet to come into force.

An analysis of International Financial Reporting Standards (IFRS) implementation for G20 members prepared by the IFRS Foundation suggests that fourteen FSB jurisdictions have adopted IFRSs for all or most companies in their public capital markets.[43] Of the remaining six, two permit IFRSs on a voluntary basis for foreign issuers (India and US) and one on a voluntary basis for domestic and foreign issuers (Japan); one (Saudi Arabia) requires IFRSs on a limited basis (banks and insurance companies only); one (China) has substantially converged its national standards to IFRSs; and one (Indonesia) has adopted some IASs/IFRSs. The other four jurisdictions (Hong Kong, Netherlands, Singapore, Spain) require IFRS for all or most companies in their public capital markets while one (Switzerland) has permitted IFRSs.



Recent developments

A number of jurisdictions report preparations for the implementation of IFRS 9 (Australia, Canada, EU, Mexico).

India has made a commitment to converge to IFRS. From 1 April 2016, corporates (other than banks, insurance and non-banking finance companies) are required to migrate to IFRS. For banks and non-banking finance companies, the convergence will be from fiscal year 2018-19 onwards. The RBI had set up a Working Group in this area, whose report inter alia includes recommendations on implementation of the expected credit loss provisioning model by banks.

Two jurisdictions (China, Indonesia) have announced plans to converge further to IFRS. On 18 November 2015, the IFRS Foundation and the Chinese Ministry of Finance announced the formation of a joint working group to explore ways and steps to advance the use of IFRS Standards within China, especially for internationally-oriented Chinese companies. On 25 May 2016, the Trustees, the OJK and the Institute of Indonesia Chartered Accountants announced their intention to deepen cooperation as Indonesia develops its plans to achieve full convergence with IFRS Standards. The plans were set out in a Joint Statement agreed by all the three parties.

VII. Enhancing risk management

16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

Recommendation

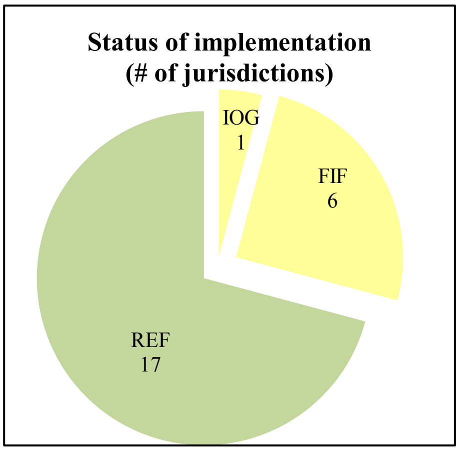
The recommendation calls upon regulators to develop enhanced guidance to strengthen banks' risk management practices in line with international best practices, encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management (Washington Summit). It also calls on supervisors to closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision and to address any inadequacies (Rec. II.10 of the 2008 *Report of*

[43] See http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-profiles.aspx.

the Financial Stability Forum on Enhancing Market and Institutional Resilience); on regulators and supervisors in emerging markets to enhance their supervision of banks' operation in foreign currency funding markets (2009 FSB *Report to G20 Leaders on Improving Financial Regulation*); and to conduct robust and transparent stress tests as needed (Pittsburgh Summit).[44]

Overall implementation status and application

Seven jurisdictions report that implementation of this recommendation is ongoing (Brazil, China, Germany, India, Russia, Saudi Arabia, Turkey), although some of its provisions are finalised. All other jurisdictions report that implementation has been completed, including Hong Kong and Indonesia, which finalised its implementation efforts since 2015.



In their responses, most jurisdictions focus on progress towards implementation of Basel III, particularly its two liquidity ratios – the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). As the implementation of these standards is being monitored separately by the BCBS,[45] additional details provided by jurisdictions have not been included here.

The recommendation has been implemented through primary or secondary legislation (26%), regulation and supervisory guidelines (55%), and other measures such as supervisory action (19%).

Recent developments

Brazil reports that the recommendation is largely implemented, given its work on capital planning and stress testing during 2014/2015 and the implementation of the BCBS *Principles for Sound Liquidity Risk Management and Supervision* (2008) (in force since January 2013) and the LCR, effective from October 2015. It now focuses its efforts on implementing the NSFR.

Hong Kong issued the *Supervisory Policy Manual on "Credit Risk Transfer Activities"* on 30 June 2016. Separately, the Supervisor-driven Stress Test exercise continues to be conducted on a regular basis, with a view to assessing participating banks' stress testing capabilities.

In Mexico, the CNBV has undertaken a project to strengthen risk-based bank supervision together with the World Bank, which was concluded in September 2015. In November 2015, the CNBV introduced an updated and improved risk assessment and supervisory response tool that is the centrepiece of its risk-based approach and allows evaluating risk through quantitative and qualitative key risk indicators covering, for example, the corporate governance, internal control and auditing and financial strength of financial institutions.

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[44] In reporting on implementation of this recommendation, jurisdictions were asked to indicate then policy measures taken to enhance guidance to strengthen banks' risk management practices. References included the FSB thematic peer review report on risk governance (2013); Joint Forum Developments in credit risk management across sectors: current practices and recommendations (2015); and BCBS Peer review of supervisory authorities' implementation of stress testing principles (2012) and Principles for sound stress testing practices and supervision (2009).

[45] See www.bis.org/bcbs/implementation.htm for details.

In Russia, an ordinance on the *Assessment of Quality of Risk and Capital Management Framework and Capital Adequacy of credit institutions and Banking Groups* was put in place in December 2015.

In Singapore, the MAS conducted a thematic inspection of several banks in Singapore in 2015 to assess the credit underwriting standards and practices of their corporate lending business. In this context, MAS followed up with the banks on a number of areas where these banks could further strengthen their credit underwriting practices. MAS also released an information paper on its website highlighting best practices and areas of potential weakness to guide financial institutions in strengthening their underwriting practices.

In Spain, new legislation on the supervision and solvency of credit institutions were put in place with a focus on the adequacy of corporate governance (the internal organisation of banking groups) and supervisory and sanctioning tools to be used by the supervisor (as a transposition of EU Directives). In relation to remuneration, the law aligns to CRD IV.

Switzerland reports that it has consulted on a revised circular on corporate governance (including a chapter on risk management) and on a revised circular for operational risk.

In the EU, the SSM has, together with its members, developed and implemented an assessment process of banks' liquidity positions as part of the SREP (Supervisory Review and Evaluation Process). This process is based on three pillars. The first pillar is the risk assessment where, based on qualitative information and quantitative supervisory data, several liquidity metrics are determined and judged by the supervisor. This is complemented in the second pillar with the assessment of the Internal Liquidity Adequacy Assessment Procedure – the bank's own assessment of its liquidity risk – and in the third pillar by the execution of a strong liquidity stress test. If the assessment of the three pillars identifies weaknesses, mitigating measures are imposed on the banks. The EBA published the results of the 2016 EU-wide stress test at end-July 2016.[46]

In Turkey, the BRSA has published additional guidelines on fair value calculations, reputation risk and compensation practices.

In the UK, the Bank of England has gone through another round of bank stress tests that was published in December 2015, and preparations for its 2016 test are underway.

In the US, regulators have issued an inter-agency guidance on Funds Transfer Pricing Related to Funding and Contingent Liquidity Risks, and guidance related to supervisory assessment of capital planning and positions for LISCC, large and complex, and large and noncomplex firms.

17. Enhanced risk disclosures by financial institutions

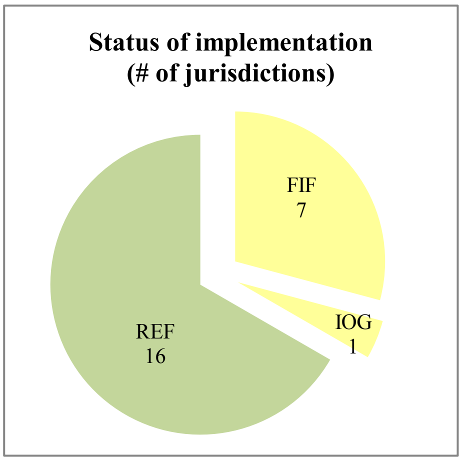
Recommendation

The recommendation calls upon financial institutions to provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate (Washington Summit). It also encourages further efforts by the public

[46] See www.eba.europa.eu/-/eba-publishes-2016-eu-wide-stress-test-results.

and private sector to enhance financial institutions' disclosures of the risks they face, including the ongoing work of the Enhanced Disclosure Task Force (EDTF) (St Petersburg Summit).[47]

Overall implementation status and application



Eighteen jurisdictions report implementation of this recommendation to be completed, while six members report ongoing implementation efforts (Brazil, China, Korea, Saudi Arabia, Singapore, Turkey).

In their responses, most jurisdiction focus on implementation efforts with respect to Basel III Pillar 3 requirements and the accounting requirements under IFRS 7 and 13. Reporting is limited with respect to the application of the EDTF recommendations.

The recommendation has been implemented through primary or secondary legislation (23%), regulation and supervisory guidelines (49%), and other measures such as supervisory action (28%).

Recent developments

A number of jurisdictions report that they have issued or are close to issuing regulation or guidelines to align to the disclosure requirements under Basel III Pillar 3 (Argentina, Brazil, Canada, Hong Kong, Indonesia, Mexico, Singapore, Switzerland, Turkey), expected to be implemented by end-2016, and the LCR disclosure requirements (e.g. Brazil, China, Hong Kong, Mexico, Russia).[48]

In the EU, disclosure rules were established under Pillar 3 of Solvency II, which foresee that insurers publicly disclose the risks they face, included in the narrative report. The revised Basel III Pillar 3 disclosure rules are envisaged to be included in the CRR by 2017. In the meantime, the EBA may publish recommendations to allow international active banks to comply with ("enhanced") codified disclosure requirements.

The Bank of Russia reports issuing a number of rules on capital disclosure requirements for banks and banking groups, on the LCR disclosure requirements (on a consolidated basis) for systemically important banks, and with respect to IAS1 (*Presentation of Financial Statements*).

SAMA reports ongoing efforts to prepare for the implementation of IFRS 9 by 1 January 2018. It also foresees the implementation of Basel III Pillar 3 disclosure rules by 1 January 2017.

The Bank of England reports that it continues to work with UK banks to enhance disclosures in their financial reports on an ongoing basis. Part of this work is aimed at reaching a shared

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47 In reporting on implementation of this recommendation, jurisdictions were asked to indicate the status of implementation of the disclosures requirements of IFRSs (in particular IFRS 7 and 13) or equivalent. References included the recommendations of the October 2012 report by the Enhanced Disclosure Task Force on *Enhancing the Risk Disclosures of Banks* and the 2015 *Implementation Progress Report by the EDTF*.

48 These efforts relate to the revised Pillar 3 standards published by the Basel Committee in January 2015 (www.bis.org/bcbs/publ/d309.pdf), and do not yet take into account the March 2016 update that was published for consultation (www.bis.org/bcbs/publ/d356.pdf). See the Basel Committee's April 2016 *Tenth progress report on adoption of the Basel regulatory framework* for the latest status of implementation in this area.

understanding of the changes to disclosure required to comply fully with the EDTF recommendations.

The US reports that it plans to implement the revised Pillar 3 standard no earlier than the end of 2017. At the same time, the NAIC has adopted an Own Risk and Solvency Assessment (ORSA) model law that requires, among other things, the annual filing of a group ORSA Summary Report that state insurance regulators will use to help assess the risk management of insurance groups doing business in the US. The NAIC ORSA model law has been adopted by 35 states, most of which required the ORSA Summary Report to be filed for the first time in 2015, and will become an accreditation requirement on January 1, 2018.

VIII. Strengthening deposit insurance

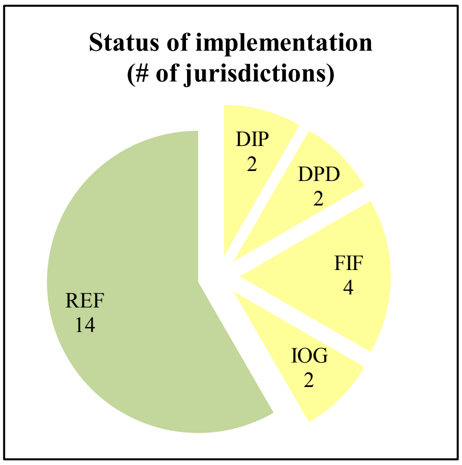
18. Strengthening of national deposit insurance arrangements

Recommendation

The recommendation foresees that the national deposit insurance arrangements should be reviewed against the agreed international principles, and that authorities should strengthen arrangements where needed (Rec. VI.9 of the 2008 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*).[49]

Overall implementation status and application

Ten jurisdictions (Australia, Brazil, Canada, China, India, Indonesia, Saudi Arabia, Singapore, South Africa, Turkey) report ongoing implementation, while one jurisdiction (Italy) reports implementation to be completed since 2015. Many jurisdictions did not directly respond to the request to provide information since the 2012 FSB peer review report in this area. All but one jurisdictions now have an explicit deposit insurance system (DIS) in place: China introduced such a scheme in 2015 and Saudi Arabia in 2016, while South Africa intends to introduce one in the near future.



The recommendation has been implemented through primary or secondary legislation (53%), regulation and supervisory guidelines (35%) and other measures such as supervisory action (12%).

Recent developments

A few jurisdictions (e.g. Canada, Mexico, Singapore) report undertaking self-assessments of compliance with the updated IADI Core Principles. Ongoing and planned work reported by some jurisdictions includes: the adoption of ex-ante funding for some DISs; more explicit and

[49] In reporting on implementation of this recommendation, jurisdictions were asked to describe any revisions made to their national deposit insurance system, including steps taken (in response to the recommendations of the FSB's February 2012 *thematic peer review report on deposit insurance systems*) to adopt an explicit deposit insurance system (for those jurisdictions that do not have one) and to address the weaknesses and gaps to full implementation of the November 2014 International Association of Deposit Insurers (IADI) *Core Principles for Effective Deposit Insurance Systems*.

stronger linkages between DIS and resolution regimes, such as in terms of funding arrangements; and the design of risk-based premiums.

In Australia, proposed statutory enhancements aim to enhance APRA's ability to effectively and efficiently administer the Financial Claims Scheme (FCS), including by using the FCS to facilitate a transfer of business and amending the trigger for FCS activation. APRA has continued to develop and participate in safety net agency workshops and walkthroughs that are designed to improve the coordination and planning steps to ensure operational efficiency in a failure scenario. APRA reports developing a dedicated FCS microsite that will serve to: (i) educate the public during non-crisis periods through the provision of FCS coverage and administration information; and (ii) to provide urgent and failure specific communications during a crisis event. APRA is also developing a FCS assurance framework that seeks to build on ADIs' ability to meet APRA's requirements regarding FCS data, systems and processes.

In Brazil, the draft bill for a new resolution framework will improve the deposit insurance system's (FGC) statute and restrict the insurance coverage for institutional investors. New regulation is also being proposed for the FGC fund to act as a 'paybox plus', being able to offer liquidity assistance to its associates.

All FSB jurisdictions that are EU member states report that they have implemented the Deposit Guarantee Scheme Directive. Spain and the UK also report ongoing work on risk-based deposit insurance levies based on this Directive and EBA guideline requirements.

In Hong Kong, the enhanced DIS, which features a "gross payout" approach with an aim to speed up reimbursement to depositors of a failed bank, has come into operation after legislative amendments passed in March 2016. The adjustments to its various operational functions to enable payout on a gross basis have also been completed. All DIS member banks had to finish implementing the new requirements of the revised Information System Guideline by July 2016.

In Saudi Arabia SAMA reports that banks will start paying premiums to the Deposit Protection Fund, which has become operational as of Q1 2016 from April 2016.

In Singapore, MAS has issued a consultation paper in April 2016 proposing legislative amendments to expand the deposit insurance framework to cover the provision of funding for resolution actions relating to deposit insurance member institutions.

South Africa reports that it is currently working on a Resolution Bill, which will include the deposit guarantee scheme.

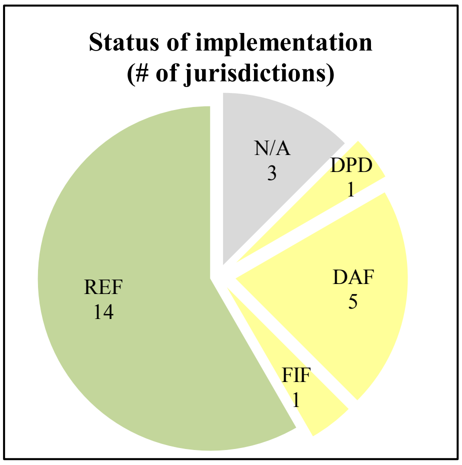
In the US, the FDIC adopted a rule to implement section 334 of the Dodd-Frank Act, which increases the minimum reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35%; requires that the reserve ratio reach that level by September 30, 2020; and mandates that the FDIC offset the effect on insured banks with total consolidated assets of less than US$10 billion. In March 2016, the FDIC approved a final rule to impose surcharges on the quarterly assessments of banks with total consolidated assets of US$10 billion or more; these surcharges will begin in the third quarter of 2016. In April 2016, the FDIC also approved a final rule revising the deposit insurance assessment system for established small banks (generally, those with less than US$10 billion in total assets that have been federally insured for at least five years). The revised assessment system incorporates data from the financial crisis and bases assessment rates for all these banks on a statistical model that estimates a bank's probability of failure within three years. The revisions will go into effect the third quarter of 2016.

IX. Safeguarding the integrity and efficiency of financial markets

19. Enhancing market integrity and efficiency

Recommendation

At the Cannes Summit in 2011, the G20 Leaders committed to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the risks posed by high frequency trading (HFT) and dark liquidity.[50]



Overall implementation status and application

Fourteen jurisdictions report that implementation is completed. Of them, the responses of two jurisdictions (Mexico, Russia) note some caveats. In Mexico, dark pools cannot exist due to the regulatory regime, and there is no specific regulation on HFT or algorithmic trading (apart from general requirements for internal controls and trading limits). In Russia, while the legislation doesn't set any restrictions on dark liquidity, there is currently no 'dark pool' trading system. There is also no regulation of HFT in Russia.

Seven jurisdictions (France, Germany, Hong Kong, the Netherlands, South Africa, Spain, Switzerland) report that implementation is still ongoing, but those jurisdictions report that the remaining pieces of legislation are due to be in force in the near future. Korea reports that it has comprehensive regulation and guidelines in place for algorithmic trading and notes the existence of 'gray pools' in the securities (stock) market, with hardly any trading, which are monitored by the Korea Exchange.

Three jurisdictions (China, Indonesia, Turkey) report that the recommendation is not applicable to them because either HFT and dark pools do not exist or are not permitted in their markets.

Implementation has taken place through regulation and supervisory guidelines (35%), primary or secondary legislation (32%), and other measures such as supervisory action (32%).

Recent developments

In the EU, further progress is contingent on the EU legislative initiatives (CSMAD /MAR/MiFID II/MiFIR) taking effect in 2018. Work on the secondary legislation necessary for the implementation of Market Abuse Regulation (MAR) and MiFID II is almost finalised. MAR and Criminal Sanctions for Market Abuse Directive (CSMAD) entered into application on 3 July 2016. On 2 May 2016, a political agreement was reached that the act amending MiFID II and MIFIR will include inter alia an extension of their date of application by one year (to 3 January 2018) and an extension of the transposition date by one year (to 3 July 2017). In

[50] In reporting on implementation of this recommendation, jurisdictions were asked to indicate whether high frequency trading and dark pools exist in their markets. They were also asked to indicate the progress made in implementing the recommendations: in relation to dark liquidity the IOSCO *Report on Principles for Dark Liquidity (May 2011)*; on the impact of technological change in the IOSCO *Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (October 2011)*; and on market structure in the IOSCO *Report on Regulatory issues raised by changes in market structure (December 2013)*.

addition to the EU regulation, Germany reports national legislation on HFT that has been in force since May 2013.

In Hong Kong, the Hong Kong Exchanges and Clearing Limited introduced a Pre-trade Risk Management system to its derivatives market in April 2016. The exchange will introduce a volatility control mechanism to its cash market in August 2016 and plans to implement such a mechanism in the derivatives market by the end of 2016.

Five jurisdictions' responses (Argentina, Australia Brazil, India, Switzerland) directly address international standards. Argentina reports legislation in place that provides the National Securities Commission (CNV) with supervisory and sanction powers that aligns it with international standards. Australia, Brazil and India report compliance with IOSCO's recommendations in the *Regulatory issues raised by the impact on technological changes in market integrity and efficiency* (2011). Switzerland reports that as of 1 January 2016, the Financial Market Infrastructure Act and Financial Market Infrastructure Ordinance came into force, which fully implement the G20 commitments on OTC derivatives and bring financial market infrastructure in line with international standards. The package also contains elements on market integrity. A transitional period until 1 January 2018 is granted for parts of the provision and FINMA is currently revising its Guidelines based on the amendments of the Act.

In South Africa, a discussion document setting out considerations for a new market conduct policy framework was published at the end of 2014 and consulted on during 2015. This prefaces the introduction of the new Conduct of Financial Institutions Bill.

A few jurisdictions (Brazil, Canada, India, US) report making further enhancements to their framework since last year, even though they consider having already completed the reforms. Brazil also reports that it is currently testing a new version of the market surveillance system before entering the production phase.

In Canada, the CSA published on 7 April 2016 the final version of the amendments to the Order Protection Rule framework. All of these amendments came into force on 6 July 2016 except for the amendments relating to the market share threshold, which will come into force on 1 October 2016. On 10 March 2016, the Investment Industry Regulatory Organization of Canada (IIROC) published a study that finds that although dark mid-point trade reference price latencies occur regularly in Canadian markets, the overall economic costs are low.

Since last year's survey, India reports including a trade annulment framework empowering stock exchanges to annul trades; reviewing and revising the minimum contract size in equity derivatives segment; implementing a cyber security and cyber resilience framework for stock exchanges, clearing corporation and depositories; and adopting a framework for stock exchanges and clearing corporations in planning capacities of their trading, clearing and settlement and risk management related infrastructure.

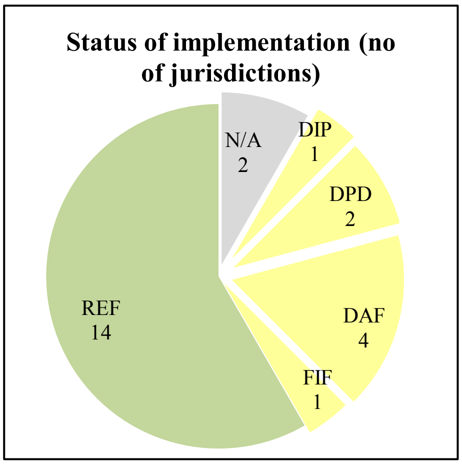
In the US, on 25 November 2015 the CFTC proposed rules on automated trading Regulation AT. The proposed rules include risk controls, transparency measures, and other safeguards to enhance the regulatory regime for automated trading on US designated contract markets. In addition, on 18 November 2015 the SEC proposed amendments to its Regulation ATS that, if adopted, would provide greater transparency around the operations of automated trading systems so market participants can better evaluate these venues and make more informed routing decisions. In 2016, SEC staff expects to recommend several market structure initiatives.

20. Regulation and supervision of commodity markets

Recommendation

The recommendation calls for enhanced market transparency, both on cash and financial commodity markets, including OTC, and appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management powers, including the power to set ex-ante position limits, particularly in the delivery month where appropriate, among other powers of intervention (Cannes Summit). Likewise, the IOSCO *Principles for the Regulation and Supervision of Commodity Derivatives Markets* (2011) should be properly implemented and broader publishing and unrestricted access to aggregated open interest data encouraged (St Petersburg Summit).[51]

Overall implementation status and application



This recommendation is not equally relevant for all FSB jurisdictions because commodity markets are either not present or important enough. In their responses, two FSB jurisdictions report that this recommendation is not applicable because either they do not have a commodity derivatives market (Saudi Arabia) or the volume is negligible (Mexico). Turkey also reports that it has a very nascent commodity market. Eight jurisdictions report that implementation of this recommendation is ongoing (Canada, France, Netherlands, Singapore, South Africa, Spain, Turkey, UK), while the remaining fourteen jurisdictions report that implementation is completed (including Switzerland, which finalised its implementation efforts since 2015).

Implementation has taken place through primary or secondary legislation (42%), regulation and supervisory guidelines (42%) and other measures such as supervisory action (17%).

Available data on the size and location of commodity markets remains limited. One of the most reliable sources is the BIS semiannual derivatives survey.[52] Of the FSB members that contribute to this survey, six report that they have completed their reforms (Australia, Germany, Italy, Japan, Switzerland, US), while the remaining five (four EU member states, Canada) report that they are still in the process of implementing them. Further progress in this area in the EU

[51] In reporting on implementation of this recommendation, jurisdictions were asked to indicate whether commodity markets of any type exist in their national markets, and also the policy measures taken to implement the principles found in IOSCO's report on *Principles for the Regulation and Supervision of Commodity Derivatives Markets* (2011). Jurisdictions were asked to make use of their responses in the update to the survey, published by IOSCO in September 2014, on these principles.

[52] See http://www.bis.org/statistics/derstats.htm.

member states is linked to the finalisation of secondary legislation necessary for implementing MiFID II/MAR and its application by member states.

Recent developments

Since the last survey, Switzerland reports completing implementation because of the Financial Market Infrastructure Act and Financial Market Infrastructure Ordinance that came into force on 1 January 2016. This reform package implements OTC derivatives markets reforms and gives the Federal Council, amongst others, the power to introduce position limits. With this new regulatory framework, Switzerland indicates it complies with the large majority of the IOSCO Principles. Some aspects of the Principles are not applicable to Switzerland because there is no relevant commodities exchange and no regulated market for physically settled contracts.

In the EU, MiFID II entered into force on 12 June 2014 and should have entered into application on 3 January 2017. A political agreement was reached on 2 May 2016 to extend the date of application of MiFID II and MiFIR by one year (to 3 January 2018) and of the transposition date by one year (to 3 July 2017). MAR entered into application on 3 July 2016. Work on the secondary legislation for the implementation of MiFID II is largely completed. After rejecting the two technical standards submitted by ESMA, the EC is currently finalising the regulatory technical standard on position limits (in order to make them more sensitive to the different types of underlying markets) and the technical standard that defines when a non-financial firm trading in commodity derivatives becomes regulated introducing a capital based test.

A number of jurisdictions (e.g. India and Singapore) highlight progress since last year's survey in strengthening the regulation and supervision of commodity markets. On 28 September 2015, the Government of India merged the Forwards Market Commission (FMC) (erstwhile regulator of commodities market in India) with SEBI, thereby making SEBI the regulator for securities as well as commodities markets. Pursuant to the merger, SEBI has taken over registration, oversight and enforcement duties. The merger is expected to strengthen the regulation of the commodities derivatives market. Singapore issued a consultation paper in February 2015 on proposed legislative amendments to expand the scope of the Securities and Futures Act. The proposed amendments, when passed in Parliament, will provide MAS with the powers to implement market reforms for OTC commodity derivatives markets.

Canada and Russia report efforts to align regulation within their jurisdiction and across sectors as well as internationally. In January 2016, the securities regulators in Alberta, British Columbia, Saskatchewan, New Brunswick and Nova Scotia announced the implementation of new trade reporting regime that is substantively harmonized with regimes in effect in Manitoba, Ontario, Québec and internationally; this is effective from 1 May 2016. OSFI also published its final version of Guideline E-22 Margin requirements for non-centrally cleared derivatives (effective September 2016), which requires the exchange of margin to secure performance on non-centrally cleared derivatives transactions between covered entities. The provisions are consistent with international requirements and apply to all federally regulated financial institutions. Russia reports that a memorandum of cooperation on commodity markets development was signed by three Russian regulators in the fall of 2015 (Bank of Russia, Federal Antimonopoly Service and Federal Tax Service). The main goal is to achieve comprehensive and reliable indicators (indices) of internal commodity markets. More generally, Canada and Russia are also developing and implementing a number of rules for OTC derivatives and commodities markets.

21. Reform of financial benchmarks

Recommendation

In the St Petersburg Summit, the G20 Leaders expressed support for the establishment of the FSB's Official Sector Steering Group to coordinate work on the necessary reforms of financial benchmarks. They also endorsed IOSCO's *Principles of Financial Benchmarks* (July 2013) and looked forward to reform as necessary of the benchmarks used international in the banking industry and financial markets, consistent with the IOSCO Principles.

Overall implementation status and application

No information on implementation of this recommendation was collected via the IMN survey, given other monitoring work by the FSB and IOSCO in this area.[53]

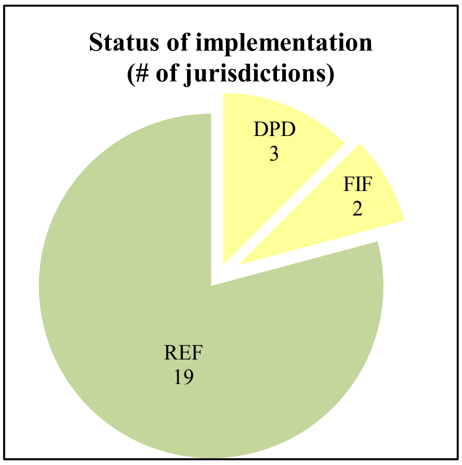
X. Enhancing financial consumer protection

22. Enhancing financial consumer protection

Recommendation

This recommendation calls for integration of financial consumer protection policies into regulatory and supervisory frameworks as a means to strengthen financial stability, and for the full application of the high level principles on financial consumer protection prepared by the OECD together with the FSB (Cannes Summit).[54]

Overall implementation status and application



All but five FSB jurisdictions (China, Korea, South Africa, Switzerland, and Turkey) report that their existing framework for financial consumer protection is now consistent and aligned with the High-Level Principles (including Russia, which reports progress since 2015). In those five jurisdictions, work is ongoing to strengthen financial consumer protection or improve its institutional framework.

While other jurisdictions report implementation as being completed, they still introduce further new rules and/or Consumer Protection Codes to strengthen financial consumer protection.

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[53] See the July 2016 FSB progress report on implementation of its recommendations to reform major interest rate benchmarks and IOSCO's *Second Review of the Implementation of IOSCO's Principles for Financial Benchmarks by Administrators of EURIBOR, LIBOR and TIBOR* (May 2016).

[54] In reporting on implementation of this recommendation, jurisdictions were asked to describe progress toward implementation of the OECD's G-20 high-level principles on financial consumer protection (2011). Jurisdictions were asked to refer to the September 2013 and September 2014 OECD reports on effective approaches to support the implementation of the High-level Principles and to, where necessary, indicate any changes or additions that have been introduced as a way to support the implementation of the High-level Principles, to address particular national terminology, situations or determinations.

The recommendation has been implemented through primary or secondary legislation (37%), regulation and supervisory guidelines (35%) and other measures such as supervisory action (28%).

Recent developments

In Argentina, a reform was enacted that explicitly includes consumer protection among the central bank (BCRA) duties and powers (Charter, section 4h), in coordination with other competent authorities. Several elements were already in place earlier on, such as financial literacy programmes established by the BCRA and guidance on the fees and charges imposed by banks on customers (charges are admissible only if they compensate banks for an actual and direct cost, which has to be demonstrable and reasonable from an economic point of view). The new guidance also covers the sale of products and services outside banking offices, the consumer's right to revoke contracts involving banking products or services, the definition of abusive contract terms and the prohibition of such terms in banking contracts.

In Australia, the Government has committed to accelerate implementation of a number of measures aimed at improving consumer outcomes. These are: a product intervention power to enable ASIC to respond to market problems in a flexible, timely, effective, and targeted way; product design and distribution obligations for industry to foster a more customer-focused culture; a review of ASIC's enforcement regime, including penalties, to ensure that ASIC can effectively deter misconduct; and the mandating of the ePayments Code, which regulates electronic payments and includes a number of consumer protections (particularly in relation to mistaken payments and unauthorised transactions).

In Brazil, the National Consumer Secretariat (Senacon) has recently approved measures to assist and ensure the effectiveness of extrajudicial proceedings in regard to the resolution of consumer-related issues, including the implementation of a web platform that connects consumers and service providers in order to settle consumer conflicts and also provides the government with aggregate data to aid the development of consumer-oriented policies.

In Canada, the federal government announced that two bodies were approved as external complaints bodies for the purposes of the Complaints Regulations of the Bank Act. In June 2015, the federal government released a national strategy for financial literacy as a call to action to strengthen the financial literacy of all Canadians.

In Russia, the federal law *On the Financial Ombudsman for the Rights of Consumers of Financial Services Provided by Financial Organizations* was adopted by the State Duma. The law regulates the procedure for the review of the financial services consumers' property claims, establishes legal status of a financial ombudsman and regulates other legal relations connected to the protection of the rights and interests of the financial services consumers. Moreover, a federal law is being prepared to improve the effectiveness of cooperation between financial markets, self-regulated organisations and the regulator. The law obliges self-regulated organisations to develop and control implementation of basic standards designed, inter alia, to protect the rights of the financial services consumers. Enhancement of the self-regulatory framework is aimed at the creation of a comprehensive regulatory system that provides appropriate level of control over market participants, as well as at the increased competitive position of the financial market and level of protection of financial services consumers.

In the EU, the Payment Services Directive (EU) 2015/2366 of 25 November 2015 entered into force in January 2016, which enhances consumer protection, promotes innovation and improves the security of payment services. It includes the following provisions in this regard: (i) enhancement of consumers' rights in numerous areas, (including reducing the liability for non-authorised payments, introducing an unconditional refund right for direct debits in euro and including further protection in card-based payment transactions where the exact transaction amount is not known at the moment of giving consent to execute them, and right to bring action to court by customers as well as to access alternative dispute resolution (ADR) procedures); (ii) prohibition of surcharging (additional charges for the right to pay, e.g. with a card); (iii) introduction of strict security requirements for the initiation and processing of electronic payments and the protection of consumers' financial data; and (iv) extension of the consumer protection to innovative payment services offered by fintech companies – payment initiation services and account information services.

In the UK, the FCA has a statutory competition objective. From 1 April 2015, the FCA has 'concurrent' competition powers with the UK Competition and Markets Authority, which means that both authorities can enforce against and fine for breaches of domestic and EU competition law as it relates to financial services.

Key areas of planned and future activities include complaints handling and redress (Principle 9) in Argentina, Brazil, India, Italy, Korea, Mexico, Russia and Spain; and Financial Education (Principle 5) in France, Hong Kong, India, Italy and Spain. One key gap concerns competition and how regulators who may or may not have a competition mandate can promote competition across financial markets as a way to deliver better outcome for consumers.