Implementation of G20/FSB financial reforms in other areas

Summary of key findings based on the 2019 FSB Implementation Monitoring Network (IMN) survey

8 June 2020

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Summary of key findings based on the 2019 FSB Implementation Monitoring Network (IMN) survey

Introduction

This note summarises the status of implementation of G20/FSB recommendations covered by the 2019 FSB Implementation Monitoring Network (IMN) survey[1] on the following areas:

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

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The findings are based on self-reporting by FSB jurisdictions to the tenth IMN survey as of end-September 2019.[2] An overview of the implementation status by recommendation and jurisdiction is shown below. 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 (2, 5-6, and 19-20) was carried out by the International Organization of Securities Commissions (IOSCO).

While efforts have been made to ensure completeness and uniformity in reporting, neither the FSB nor IOSCO have, in line with their mandate, undertaken an evaluation of survey responses to independently verify the status or assess the effectiveness of implementation. In a number of cases, the complexity of the reforms and the summarised nature of the responses do not allow straightforward comparisons across jurisdictions or reform areas. In particular, reforms whose implementation status in a particular area is reported as complete should not necessarily be interpreted to mean that no further steps (e.g. to reflect new international policy developments or follow-up supervisory work) are needed in that area.

[1] The IMN is the FSB's information collection "hub" and portal on member authorities' progress on G20/FSB financial regulatory reforms. It also collects via an annual survey and reviews information on implementation of G20/FSB recommendations in areas not designated as priority under the 2011 FSB *Coordination Framework for Implementation Monitoring* (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/nationalregional-responses-by-jurisdiction/. Jurisdictions that previously reported an implementation of a particular recommendation as complete were not required to update their responses for that recommendation.

Status of implementation of G20/FSB recommendations based on self-reported progress by member jurisdictions in the IMN 2019 survey

G20/FSB recommendations (2019)	Argentina	Australia	Brazil	Canada	China	France	Germany	Hong Kong SAR	India	Indonesia	Italy	Japan	Korea	Mexico	Netherlands	Russia	Saudi Arabia	Singapore	South Africa	Spain	Switzerland	Turkey	United Kingdom	United States	European Union
I. Hedge funds																									
1 Registration, appropriate disclosures and oversight of hedge funds																									
2 Establishment of international information sharing framework	N/A	C	C	C	O	C	C	C	C	N/A	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C
3 Enhancing counterparty risk management																									
II. Securitisation																									
4 Strengthening of regulatory and capital framework for monolines																									
5 Strengthening of supervisory requirements or best practices for investment in structured	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	N/A	C	C	O	C
6 Enhanced disclosure of securitised products	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	O	C	C	C	C	N/A	N/A	C	C	C
III. Enhancing supervision																									
7 Consistent, consolidated supervision and regulation of SIFIs	C	C	C	C	O	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C
8 Establishing supervisory colleges and conducting risk assessments																									
9 Supervisory exchange of information and coordination	C	C	C	C	O	C	C	C	C	C	C	C	C	C	C	O	O	C	C	C	C	C	C	C	C
10 Strengthening resources and effective supervision	C	O	C	C	O	C	C	C	C	C	C	C	C	C	C	O	C	C	C	C	C	C	C	C	C
IV. Building and implementing macroprudential frameworks and tools																									
11 Establishing regulatory framework for macro-prudential oversight	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	O	C	C	C	C	C	C	C	C
12 Enhancing system-wide monitoring and the use of macro-prudential instruments	C	C	C	C	O	C	C	C	C	C	C	C	C	C	C	O	O	C	O	C	C	C	C	C	C
V. Improving oversight of credit rating agencies (CRAs)																									
13 Enhancing regulation and supervision of CRAs																									
14 Reducing the reliance on ratings	C	C	O	C	C	C	C	C	C	C	C	C	O	C	C	C	C	C	C	C	C	O	C	C	C
VI. Enhancing and aligning accounting standards																									
15 Consistent application of high-quality accounting standards	O	C	C	C	C	C	C	C	O	C	C	C	C	O	C	C	C	C	C	C	C	C	C	C	C
VII. Enhancing risk management																									
16 Enhancing guidance to strengthen banks' risk management practices	C	C	C	C	O	C	C	C	O	C	C	C	C	C	C	O	C	C	C	C	C	C	C	C	C
17 Enhanced risk disclosures by financial institutions	C	C	O	C	O	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C
VIII. Strengthening deposit insurance																									
18 Strengthening of national deposit insurance arrangements	C	C	C	C	O	C	C	C	C	C	C	C	C	C	C	C	C	C	O	C	O	O	C	C	C
IX. Safeguarding the integrity and efficiency of financial markets																									
19 Enhancing market integrity and efficiency	C	C	C	C	N/A	C	C	C	C	N/A	C	C	C	C	C	C	C	C	O	C	C	C	C	C	C
20 Regulation and supervision of commodity markets	C	C	C	C	C	C	C	C	C	C	C	C	C	N/A	C	C	N/A	C	O	C	C	O	C	C	C
21 Reform of financial benchmarks																									
X. Enhancing financial consumer protection																									
22 Enhancing financial consumer protection	C	C	C	C	O	C	C	C	C	C	C	C	O	C	C	C	C	C	O	C	O	C	C	C	C

Legend	
Implementation completed	C
Implementation ongoing	O
Not applicable	N/A

The IMN has, in line with its mandate, not done an evaluation or an assessment to determine the status or the effectiveness of implementation. Due to its nature, the table does not allow straightforward comparisons between jurisdictions. The reforms reported as completed does not mean that no further policy steps (or follow-up supervisory work) are anticipated in that area. Status as of end September 2019.

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
Implementation completed	REF

- **Not applicable ("N/A"):** A recommendation may be indicated as N/A only if the relevant markets or institutions to which a recommendation refers (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,[3] and whether it takes place through primary or secondary legislation, regulation and guidelines.
- **Implementation completed as of/Recommendation finished ("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.

[3] Options in the IMN survey include: draft in preparation; draft published; final rule or legislation approved and will come into force; and final rule (for part of the reform) in force. Information at this more granular level can be found on the FSB website (http://www.fsb.org/what-we-do/implementation-monitoring/other-areas/).

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 and Investments Commission (ASIC)
China – China Banking and Insurance Regulatory Commission (CBIRC)
China – China Securities Regulatory Commission (CSRC)
China – People's Bank of China (PBC)
France – Prudential Supervision and Resolution Authority (ACPR)
Germany – Federal Financial Supervisory Authority (BaFin)
Hong Kong – Hong Kong Exchanges and Clearing Limited (HKEX)
Hong Kong – Hong Kong Monetary Authority (HKMA)
India – Securities and Exchange Board of India (SEBI)
Italy – Securities and Exchange Commission (Consob)
Korea – Financial Supervisory Service (FSS)
Saudi Arabia – Saudi Arabian Monetary Authority (SAMA)
Singapore – Monetary Authority of Singapore (MAS)
South Africa – Financial Sector Conduct Authority (FSCA)
United States – Commodity Futures Trading Commission (CFTC)
United States – Financial Accounting Standards Board (FASB)
United States – Federal Housing Finance Agency (FHFA)
United States – Securities and Exchange Commission (SEC)
European Union – European Banking Authority (EBA)
European Union – European Commission (EC)
European Union – European Securities and Markets Authority (ESMA)

Other abbreviations

ABS	Asset-backed security
BCBS	Basel Committee on Banking Supervision
CCyB	Countercyclical capital buffer
CCP	Central counterparty
CFD	Contract for difference
CRA	Credit rating agency
CRR/CRD	Capital Requirements Regulation/Directive (EU)
CSP	Common Securitization Platform (US)
D-SIB	Domestic systemically important bank
D/G-SIFI	Domestic/Global systemically important financial institution
ECL	Expected credit loss
EDTF	Enhanced Disclosure Task Force
EMMoU	Enhanced Multilateral Memorandum of Understanding
FinTech	Technology-enabled innovation in financial services
FSAP	Financial Sector Assessment Program
G-SIB	Global systemically important bank
HFT	High frequency trading
IADI	International Association of Deposit Insurers
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund

IOSCO	International Organization of Securities Commissions
LCR	Liquidity Coverage Ratio (Basel III)
MMoU	Multilateral memorandum of understanding
MoU	Memorandum of understanding
NSFR	Net Stable Funding Ratio (Basel III)
OTC	Over-the-counter (derivatives)
ROSC	Report on the Observance of Standards and Codes
SIFI	Systemically important financial institution
UMBS	Uniform Mortgage-Backed Security (US)

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).[4]

Overall implementation status and application

Information on implementation of this recommendation has not been collected via the IMN surveys from 2017 onwards, since all FSB jurisdictions that permit and have an active hedge funds market reported in the 2016 IMN survey that they have implemented this recommendation (see the 2016 Report).

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).[5]

Overall implementation status and application

The overall implementation status is unchanged from the 2017 or 2018 survey. Argentina and Indonesia report that the recommendation is not applicable for them because hedge funds are either not permitted[6] or are not currently operating locally. China is the only FSB jurisdiction to report that implementation is ongoing. Several jurisdictions reporting the recommendation as fully implemented note that they continue to assess opportunities to enter into memoranda of understanding (MoUs) with foreign authorities.

There are multiple channels that facilitate international information sharing with respect to hedge funds. The key mechanism is the IOSCO *Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (MMoU) for

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[4] 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).

[5] In reporting on implementation of this recommendation, jurisdictions were asked to indicate the progress made in implementing recommendation 6 in IOSCO's *Report on Hedge Fund Oversight* (2009) on sharing information to facilitate the oversight of globally active fund managers. In addition, jurisdictions were asked to state whether they are signatory to the IOSCO MMoU in relation to cooperation in enforcement, and to bilateral agreements for supervisory cooperation that cover hedge funds and are aligned to the 2010 IOSCO *Principles Regarding Cross-border Supervisory Cooperation.* Finally, jurisdictions were asked to refer to Principle 28 of the 2010 IOSCO *Objectives and Principles of Securities* Regulation, and take into account the outcomes of any recent International Monetary Fund (IMF)-World Bank Financial Sector Assessment Program (FSAP)/Report on the Observance of Standards and Codes (ROSC) assessment against those Principles.

[6] See Argentine Law No. 24.083 (1993) of Mutual Investment Funds, which forbids leverage and other mechanisms of risks.

enforcement actions, to which all FSB members are full signatories.[7] In March 2017, IOSCO launched the Enhanced MMoU (EMMoU),[8] which extended the cooperation and information sharing framework in several areas. As of August 2019, 12 IOSCO members from seven FSB jurisdictions (Australia, Canada, Hong Kong, Singapore, UK, US and Republic of Korea) [9] are signatories to the EMMoU, one more than in September 2018 (Korea). Some jurisdictions (Hong Kong, Singapore and US) highlighted the IOSCO hedge fund survey as another example of information sharing.[10]

In addition, the IOSCO *Principles Regarding Cross-border Supervisory Cooperation* (2010) set out principles as well as a sample MoU for bilateral supervisory cooperation. Almost all jurisdictions identify having bilateral supervisory cooperation agreements in place.

Recent developments

Since last year's survey, three jurisdictions (Australia, Hong Kong and Russia) report new bilateral cooperation agreements. China reports that it continues to facilitate the promulgation of the Interim Regulations for Administration of Private Funds, which sets out high-level rules for the supervision of overseas private fund managers and for maintaining effective regulatory cooperation with their home jurisdictions.

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).[11]

Overall implementation status and application

No information on implementation of this recommendation was collected via the IMN survey in 2019, since all FSB jurisdictions that permit hedge funds reported in the 2018 IMN survey that they have implemented this recommendation (see the 2018 report).

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7 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.

8 The Enhanced MMoU extends the cooperation and information-sharing framework to new enforcement powers relating to audit information; compelling testimony; freezing of assets and obtaining and sharing internet and telephone records. The Enhanced MMoU is designed to enable IOSCO members to keep pace with technological, societal and market developments; bolster deterrence and ensure that IOSCO continues to meet its objectives. It will co-exist with the MMoU; however, the objective is for all MMoU signatories to eventually migrate to the Enhanced MMoU. See https://www.iosco.org/about/?subsection=emmou.

9 Alberta, British Columbia, Ontario and Quebec in Canada; CFTC and SEC in the US.

10 See http://www.iosco.org/library/pubdocs/pdf/IOSCOPD587.pdf.

11 In reporting on implementation of this recommendation, jurisdictions were asked to indicate specific policy measures taken for enhancing counterparty risk management and strengthening their existing guidance on the management of exposure to leveraged counterparties, as well as whether they have implemented Recommendation 3 of IOSCO's *Report on Hedge Fund Oversight* (2009). They were also asked to refer to Principle 28 of IOSCO's *Objectives and Principles of Securities Regulation* (2010) and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.

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.[12]

Overall implementation status and application

No information on implementation of this recommendation has been collected via the IMN survey from 2017 onwards, since all FSB jurisdictions where monoline insurers are active and involved in structured credit business reported in the 2016 IMN survey that they have implemented this recommendation (see the 2016 Report).

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.[13]

Overall implementation status and application

Twenty-two FSB jurisdictions report this recommendation as complete, one more than in 2018 (South Africa). Implementation is reported to be ongoing in the US, while Switzerland reports that the recommendation is not applicable.[14]

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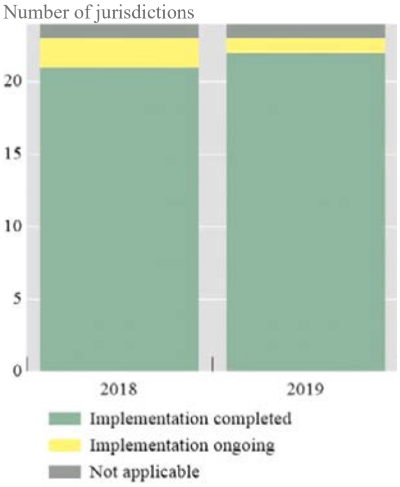
[12] In reporting on implementation of this recommendation, jurisdictions were asked to refer to *ICP 13* (Reinsurance and Other Forms of Risk Transfer), *ICP 15* (Investments); and *ICP 17* (Capital Adequacy); IAIS *Guidance paper on enterprise risk management for capital adequacy and solvency purposes*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

[13] In reporting on implementation of this recommendation, jurisdictions were asked to indicate the due diligence policies, procedures and practices applicable for investment managers when investing in structured finance instruments and other policy measures taken for strengthening best practices for investment in structured finance products. They were also 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).

[14] Switzerland reports there has been nearly no domestic issuance since 1999 and the extent and materiality of direct investments in structured finance instruments (domestic or foreign-issued) is low.

Recent developments

Recommendation 5



Source: IMN survey 2017 and 2018.

South Africa reports the Solvency Assessment and Management (SAM) regime for insurers was enacted in July 2018 and that the SAM risk-based management framework was completed.[15] Some jurisdictions that have already completed implementation of this recommendation reported additional measures. At EU level, the Securitisation Regulation (Regulation EU 2017/2402) entered into application in January 2019[16]. Meanwhile, China's CSRC promulgated Detailed Rules of Asset Management in October 2018, which emphasise active management and due diligence requirements, strictly restrict "channel" businesses, and establish portfolio investment requirements.

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.[17]

Overall implementation status and application

The overall implementation status is unchanged, with 21 FSB jurisdictions reporting that implementation is completed. Both Switzerland and Turkey report that the recommendation is not applicable in their jurisdictions as there is nearly no domestic asset-backed securities (ABS) market in the former and no public issuance of ABS in the latter. Russia reports that implementation is ongoing.

Recent developments

15 The SAM risk-based framework updates the requirements for insurers that originate or invest in structured products, in particular requirements relating to limitations on the type and spreading of assets, limitations on derivatives trading, parameters for the valuation of group undertakings and capital requirements that requires the consideration of market and credit risk.

16 For more details on what the legislation covers, see the 2018 IMN Summary Report.

17 In reporting on implementation of this recommendation, jurisdictions were asked to indicate the policy measures and other initiatives taken in relation to enhancing disclosure of securitised products, including working with industry and other authorities to continue to standardise disclosure templates and considering measures to improve the type of information that investors receive. They were also 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.

In Russia, revised requirements on the disclosure of information about securitised products came into force in March 2019. Credit institutions (banking groups) published their first Pillar 3 report under the revised framework concurrently with their Q1 2018 intermediate financial report. The first disclosure of the information about the exposures to securitisation risk according to Pillar 3 was made by credit institutions with their Q2 2019 semi-annual financial report. Furthermore, the Bank of Russia completed implementation of phase II of the Pillar 3 disclosure requirements in March 2019 and started working on the implementation of the phase III of the Pillar 3 disclosure requirements.

South Africa reports that the new Financial Sector Conduct Authority (FSCA) is in the process of significantly revising its regulations (Conduct Standard) to regulate Advertising, Marketing and Information Disclosure Requirements for Collective Investment Schemes

In the EU, the Securitisation Regulation[18] and CRR Amendment[19] were applied as of 1 January 2019 (see recommendation 5 above).

In the US, the Federal Housing Finance Agency (FHFA) completed work on its initiative for Fannie Mae and Freddie Mac (the Enterprises) to issue a common single security and to align the Enterprises' loan-level and security-level disclosures. As part of FHFA's launch of a new uniform mortgage-backed security on June 3, 2019 for the Enterprises, the Agency aligned the Enterprises' loan-level and security-level disclosures. FHFA issued its final rule for the Uniform Mortgage-Backed Security (UMBS) on February 28, 2019. The UMBS is part of the Common Securitization Platform (CSP) for Fannie Mae's and Freddie Mac's securitisation activities.

[18] Regulation (EU) 2017/2402 of 12 December 2017 amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2402&from=EN.

[19] Regulation (EU) 2017/2401 of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1528876679726&uri=CELEX:32017R2401.

III. Enhancing supervision

7. Consistent, consolidated supervision and regulation of SIFIs

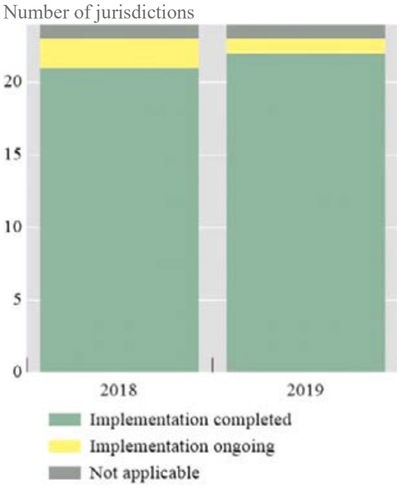
G20 Recommendation

At the Pittsburgh Summit, 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. This 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

Recommendation 7

Number of jurisdictions



Source: IMN survey 2018 and 2019.

Twenty three FSB jurisdictions report that implementation has been completed, compared to 21 in 2018. The additional jurisdictions reporting completion are South Africa and the UK. China continues to report ongoing implementation.

Recent developments

In South Africa, while a SIB framework has been in place for banks since January 2016, the new risk-based framework for insurers, SAM came into effect in July 2018.[21] In the UK, the Prudential Regulation Authority implemented as at January 2019, the Financial Policy Committee's Systemic Risk Buffer (SRB) framework, which sets systemic risk buffer rates for the UK's largest banks and building societies. Since the start of 2019, G-SIBs in the UK have also been subject to higher capital requirements in line with the FSB's TLAC standards.[22]

In China, the PBC, CBIRC and CSRC jointly published in November 2018 a high-level policy framework on the designation, regulation and resolution of D-SIFIs.

In the EU, the CRR II and CRD V were published in May 2019. Together, the directive and regulation contain some amendments to the existing G-SIB and D-SIB EU capital framework, including: changes to the G-SII buffer requirements and scoring methodology; a newly

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[20] In reporting on implementation of this recommendation, jurisdictions were asked to indicate: (1) whether they have identified domestic SIFIs and, if so, in which sectors (banks, insurers, other etc.); (2) whether the names of the identified SIFIs have been publicly disclosed; and (3) the types of policy measures taken for implementing consistent, consolidated supervision and regulation of the identified SIFIs. Jurisdictions were asked not to provide details on policy measures that pertain to higher loss absorbency requirements for G/D-SIBs, since these are monitored separately by the BCBS. The following documents were cited for reference: 1) BCBS *Framework for G-SIBs* (2013) and *Framework for D-SIBs* (2012); 2) IAIS *Global Systemically Important Insurers: Policy Measures* (2013), *revised assessment methodology* (2016) and *Guidance on liquidity management and planning* (2014); and 3) FSB *Framework for addressing SIFIs* (2011).

[21] This framework aims to align domestic insurance legislation with IAIS principles by calibrating capital requirements to match insurers' underlying risks and applying a proportionate, risk-based approach to the supervision of insurers. The framework also encourages insurers to adopt more sophisticated risk monitoring and risk management, and more generally aims to improve the stability of the financial sector.

[22] See FSB's, *Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet*, (November 2015).

calibrated large-exposure limit between G-SIBs; an additional leverage ratio buffer; and a new TLAC requirement.

The Bank of Russia implemented, in March 2019, disclosure requirements for information on SIB indicators and the countercyclical buffer.

In the US, the Federal Reserve Board (FRB) invited comment on its proposals to adjust enhanced prudential standards for US banking organisations and foreign banks to better match their better risk profiles. The FRB also adopted a new rating system for large 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).

Overall implementation status and application

No information on implementation of this recommendation was collected via the IMN survey in 2018 or 2019, since all FSB jurisdictions that are host to SIFIs reported in the 2017 IMN survey that they have implemented this recommendation (see the 2017 Report).

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*).[23]

Overall implementation status and application

As in the previous two reports, all FSB jurisdictions except three (China, Russia, Saudi Arabia) report that the implementation of reforms in this area is complete. No progress was reported by China or Saudi Arabia since the last survey.

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

[23] In reporting on implementation of this recommendation, jurisdictions were asked to include any feedback received from IMF-World Bank FSAP/ROSC assessments on the September 2012 BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships), and any steps taken since then. 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).

information and coordination is facilitated.

Recent developments

In 2019 the Bank of Russia signed several bilateral MoUs with financial and non-financial regulators, as well as with securities regulators in various countries. The MoUs covered topics including sharing supervisory information on banking supervision and AML/CTF. In March 2019, the European Commission recognised Argentina's prudential and supervision framework for analysing risk in the banking system as equivalent to the European Union. Separately, Argentina's insurance regulator, SSN, signed an agreement with the US Treasury to improve the regulatory framework for the Argentine insurance sector. Several other jurisdictions who reported having completed implementation of this recommendation established new bilateral agreements, including Germany, France, Hong Kong, Italy and Mexico.

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*).[24]

Overall implementation status and application

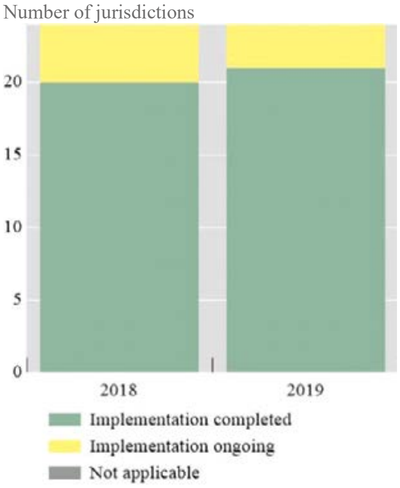
Twenty one FSB jurisdictions report this recommendation as complete, one more than in the last report (Argentina). Australia, China and Russia report ongoing implementation.

Recent developments

In Argentina, the central bank (BCRA) made some amendments to the Supervision Manual to streamline the process to quantify economic capital. BCRA also established a financial innovation group in January 2019, which comprises FinTech companies, banks, and other organisations, and is intended to help foster financial innovation. In Australia, the prudential regulator, APRA, released its final prudential requirements and prudential guidance with respect to information security. There are also efforts by supervisors to engage with banks to improve the quality and consistency of risk and regulatory reporting. China reports that it continues to enhance the effectiveness of banking and insurance supervision.

[24] In reporting on implementation of this recommendation, jurisdictions were asked to indicate any steps taken in response to recommendations 1, 2, 3, 4 and 7 (i.e. supervisory strategy, engagement with banks, improvements in banks' information technology and management information systems, data requests, and talent management strategy respectively) in the FSB *Thematic Review on Supervisory Frameworks and Approaches to SIBs* (2015). Jurisdictions were also asked to indicate any steps taken or envisaged in terms of resources/expertise, supervisory measures and/or regulation to strengthen the oversight of risks associated with financial innovation (FinTech).

Recommendation 10



Source: IMN survey 2018 and 2019.

Russia reported a consolidation of its regional banking supervisory functions into one unit within the central bank.

Several jurisdictions that previously indicated completed implementation continue to take steps to strengthen resources and effective supervision. These include the publication of consultations and reports that address how to respond to new and emerging risks, such as cybersecurity; the publication of new regulation to respond to changes and new innovations in finance; increased monitoring in the FinTech space and periodic or regular updates of supervisory guidance or supervisory priorities. Several jurisdictions report either exploring or having a sandbox for new market entrants to test out new products and innovations.

IV. Building and implementing macroprudential frameworks and tools

11. Establishing regulatory framework for macroprudential oversight

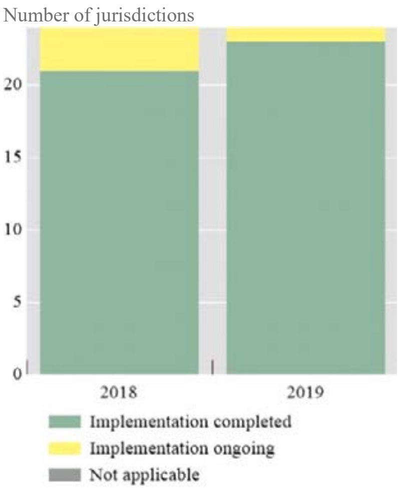
Recommendation

The recommendation has two elements: (1) amend regulatory systems to ensure authorities are able to identify and take account of macroprudential risks across the financial system, including in regulated banks, non-banks and private pools of capital, to limit the build-up of systemic risk; and (2) 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 risk – to be done in close coordination at the international level in order to achieve as much consistency as possible across jurisdictions (London Summit).[25]

Overall implementation status and application

Twenty-three FSB jurisdictions report this recommendation to be completed, two more than in the previous report (China and Spain). Saudi Arabia reports ongoing implementation.

Recommendation 11



Source: IMN survey 2018 and 2019.

The Spanish authorities established in March 2019 the Macroprudential Authority Financial Stability Council (AMCESFI), with a mandate to identify, prevent and mitigate the development of systemic risk within the national financial system. In parallel, new macroprudential tools were granted to supervisory authorities for banking, insurance, and securities. In China, the powers to develop laws and regulations and the prudential regulatory framework has been consolidated to one authority.

Recent developments

In Argentina, both the CNV and the BCRA formalised their financial stability approaches and set up dedicated offices within their structures in late 2018. In Saudi Arabia, SAMA established a financial stability division which will conduct surveillance of the market and use this to develop a macroprudential toolkit. Turkey restructured its financial stability committee to increase its responsibilities and powers.

In the EU, CRDV/CRR2, intended to improve the EU macroprudential toolkit for banking, was adopted in 2019. In Mexico, the Financial System Stability Council (CESF) agreed to review the scope and adequacy of the regulatory perimeter on an annual basis.

25 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.) that have taken place since the global financial crisis; 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.

Australia and the US improved data collection on non-bank entities and the repo market, respectively. This enhanced data collection will improve regulators' ability to identify and monitor risks.

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

Recommendation

The recommendation has three elements: first, the use of quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes (recommendation 3.1 of the 2009 FSF *Report on Addressing Procyclicality in the Financial System*); second, developing macroprudential 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).[26]

Overall implementation status and application

Implementation for this recommendation has remained unchanged for the past two years, with all but four FSB jurisdictions (China, Russia, Saudi Arabia and South Africa) reporting this recommendation as being completed.

Recent developments

In Russia, credit, microcredit and microfinance institutions are now required to comply with requirements regarding the calculation of the debt-service to income ratio. In Saudi Arabia, SAMA has taken steps to collect more data and improve its collection process in order to improve its surveillance capabilities and conduct better financial stability analyses. In South Africa, the macroprudential policy framework is in the process of being finalised. In the meantime, the SARB continues to refine the macroprudential toolkit and develop new measures of systemic risk.

Argentina reported two new macroprudential regulations: implementation of the supervisory framework for measuring and controlling large exposures; and the introduction of a limit on the position of BCRA instruments held by financial institutions. In addition, cash reserve requirements were recalibrated around the start of 2019 to support financial stability. Germany and France set new countercyclical capital buffer (CCyB) rates in 2019, while several other jurisdictions also mentioned improvements in their data reporting framework and risk identification processes. Finally, Mexico, Saudi Arabia and Turkey reviewed their stress testing processes and outcomes in order to improve their stress testing frameworks.

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[26] 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 (and their effectiveness) of macroprudential tools in the past year. Relevant references cited were the FSB-IMF-BIS progress report to the G20 on *Macroprudential policy tools and frameworks* (2011) and paper on *Elements of Effective Macroprudential Policies: Lessons from International Experience* (2016); the CGFS reports on *Operationalising the selection and application of macroprudential instruments* (2012), *Experiences with the ex ante appraisal of macroprudential instruments* (2016) and *Objective-setting and communication of macroprudential policies* (2016); and IMF staff papers on *Macroprudential policy, an organizing framework* (2011), *Key Aspects of Macroprudential policy* (2013) and *Staff Guidance on Macroprudential Policy* (2014).

V. Improving oversight of credit rating agencies

13. Enhancing regulation and supervision of CRAs

Recommendation

The recommendation foresees that: all 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 will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process 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*). The St Petersburg Summit encouraged further steps to enhance transparency and competition among credit rating agencies.

Overall implementation status and application

No information on implementation of this recommendation was collected via the IMN survey in 2019, since all FSB jurisdictions reported in the 2018 IMN survey that they have implemented this recommendation (see the 2018 report).

14. Reducing the reliance on ratings

Recommendation

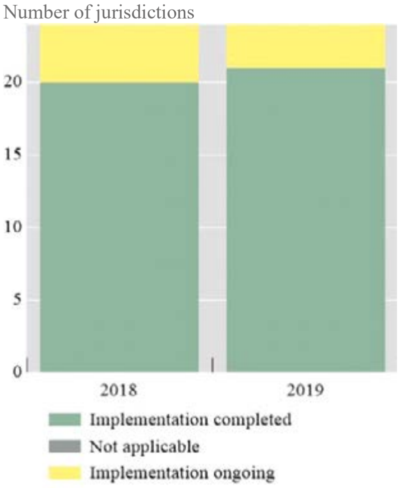
At the Seoul Summit, the G20 Leaders endorsed the 2010 FSB *Principles for Reducing Reliance on CRA Ratings*, calling on standard setters, market participants, supervisors and central banks not to rely mechanistically on external credit ratings. This goal was reaffirmed in the Cannes, Los Cabos and St 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.[27]

[27] 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).

Overall implementation status and application

Recommendation 14



Source: IMN survey 2018 and 2019.

Implementation was reported to be complete in 21 jurisdictions in 2019, one more than in 2018 (China).[28] Brazil, Korea and Turkey report ongoing implementation.

Recent developments

In Hong Kong, the newly revised unit trust (UT) code issued in January 2019 requires management of collective investment schemes to maintain and implement effective internal policies and procedures for assessing the credit risk of securities and instruments in situations where mechanistic reliance on external credit ratings should be avoided. In Korea, the FSS published draft regulation in April 2019 that revised the standardised approach for credit risk for banks. The central bank of Mexico approved in July 2019 a new valuation methodology for daily valuation of collateral received as part of its open market operations that does not rely on ratings. In Singapore, MAS implemented rule changes to modify the information presented in a prospectus to include more information on how a credit rating was obtained (methodology), as well as additional warnings on the use of credit ratings.

[28] China's changed status reflects its assessment of initiatives in place prior to 2019, rather than new developments. In particular, the PBC issued a notice in 2017 requiring agencies to strengthen internal credit ratings and reduce the reliance on external credit ratings.

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).[29]

Overall implementation status and application

As in 2018, 21 FSB jurisdictions report that implementation of high-quality accounting standards is completed, while Argentina, India and Mexico report that implementation is still ongoing.

An analysis of International Financial Reporting Standards (IFRS) implementation prepared by the IFRS Foundation[30] suggests that eighteen FSB jurisdictions, including all EU jurisdictions, require IFRS for domestic public companies. Among the other six, two jurisdictions (Japan and Switzerland) permit, but do not require, IFRS for domestic public companies. Three jurisdictions (China, India and Indonesia) have adopted national standards that are substantially in line with IFRS. In the US, domestic public companies must use US Generally Accepted Accounting Principles, but IFRS is permitted for foreign private issuers.

Recent developments

In Argentina, new IFRS rules and amendments became effective starting 1 January 2019 whereby financial institutions had to provide information explaining the main characteristics of their expected credit loss models in 2019 Q1. Separately, efforts are being made to adopt IFRS in the insurance industry through a phased-in approach, and to communicate this to industry ahead of planned adoption. In Mexico, authorities are aiming to align domestic standards with IFRS 9 for expected credit loss and expected to have a final draft in the last quarter of 2019.

Several other jurisdictions report adopting new domestic accounting standards that converge with different parts of IFRS. In most jurisdictions, IFRS 16 on leases (or equivalent standards) have been applicable since the beginning of 2019, and IFRS 17 on insurance contracts will be mandatory as of January 2021. In China, the Ministry of Finance's newly issued accounting standards for exchange and non-monetary assets and for debt restructuring converge with the respective relevant IFRS requirements.

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[29] 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 (e.g. equivalent to IFRSs as published by the IASB) and facilitate the provision of accurate and relevant information on financial position and performance, 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 recognition, measurement and disclosure requirements, and to set out any steps they are taking or intend to take (if appropriate) to foster transparent and consistent implementation of the accounting requirements regarding expected credit losses on financial assets by the IASB and FASB. BCBS documents cited for reference were the *Supervisory guidance for assessing banks' financial instrument fair value practices* (2009) and *Guidance on credit risk and accounting for expected credit losses* (2015).

[30] See http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis.

In addition, several jurisdictions report reviewing various aspects of recently implemented accounting standards, including through engagement with industry. In Australia, APRA is engaging with smaller deposit-takers on their provisioning methodologies under the standardised approach and monitoring insurers' preparedness to adopt the accounting standard for insurance contracts (AASB17). In Hong Kong, the HKMA conducted follow-up surveys to monitor the impact of HKFRS 9 on banks. In Europe, the EBA issued a post-implementation report on the impact of IFRS 9, while ESMA's enforcement activities for 2019 focused on the consistency and enforcement of IFRS standards that came into force in 2018. Indonesian regulators required banks to report the result of parallel runs between the existing standard and the new standard (PSAK 71 and PSAK 73, converging with IFRS 9 and IFRS 16, respectively) during Q4 2019. In the US, regulators updated the FAQs with respect to current expected credit loss.

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; and 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 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).[31]

Overall implementation status and application

As in the previous survey, three FSB jurisdictions report that implementation of this recommendation is ongoing (China, India, Russia) and 21 report implementation is complete.

Recent developments

Some jurisdictions report progress in implementing Basel III, particularly its two liquidity ratios (LCR and NSFR), whose implementation is monitored separately by the BCBS.[32]

In Argentina, specific procedures linked to prudential standards such as intraday liquidity were incorporated to the Supervision Manual in 2019. The HKMA in Hong Kong has asked

[31] In reporting on implementation of this recommendation, jurisdictions were asked to indicate the policy measures taken in the following areas: guidance to strengthen banks' risk management practices, including BCBS good practice documents (*Corporate governance principles for banks*, *External audit of banks*, *Internal audit function in banks*); measures to monitor and ensure banks' implementation of the BCBS *Principles for Sound Liquidity Risk Management and Supervision* (2008); measures to supervise banks' operations in foreign currency funding markets; and extent to which they undertake stress tests and publish their results. Jurisdictions were asked not to provide any updates on the implementation of Basel III liquidity requirements (and other recent standards, such as capital requirements for CCPs), since these are monitored separately by the BCBS.

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

authorised institutions to conduct a self-assessment on their compliance with the liquidity risk management requirements. Credit institutions in Russia were required to conduct their first Internal Capital Adequacy Assessment Process assessments between 2018 and 2019 H1.

Several jurisdictions reported revising their stress testing methodology. In China, the CBIRC conducted both top-down and bottom-up stress tests on various risk types; in the EU, draft new stress-test methodologies were published for consultation; and in Mexico, the central bank continues to develop a stress test for liquidity.

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 and private sector to enhance financial institutions' disclosures of the risks they face, including the work of the Enhanced Disclosure Task Force (EDTF) (St Petersburg Summit).[33]

Overall implementation status and application

Twenty two FSB jurisdictions report implementation of this recommendation complete, unchanged from last year. Two jurisdictions (Brazil and China) report ongoing implementation.

Recent developments

Certain jurisdictions report updates on adoption of the accounting requirements under IFRS 7, including amendments in response to the publication of IFRS 9, as well as the BCBS disclosure recommendations in the 2015 Guidance on credit risk and accounting for expected credit losses (ECL). Despite the different scope, some jurisdictions also provided detail on the implementation of their Basel III Pillar 3 requirements.[34]

A number of jurisdictions report that they are concluding projects to align with IFRS disclosure requirements related to ECL. In the EU, regulatory disclosure on the application of transitional arrangements with regard to the regulatory treatment of IFRS 9 ECL provisions have been in

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[33] In reporting on implementation of this recommendation, jurisdictions were asked to indicate the status of implementation of the disclosures requirements of IFRS (in particular IFRS 7 and IFRS 13) or equivalent. Jurisdictions could use as reference 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*, and set_out any steps they have taken to foster adoption of the EDTF Principles and Recommendations. In addition, in light of the new IASB and FASB accounting requirements for expected credit loss recognition, jurisdictions were asked to set out any steps they intend to take (if appropriate) to foster disclosures needed to fairly depict a bank's exposure to credit risk, including its expected credit loss estimates, and to provide relevant information on a bank's underwriting practices. Jurisdictions could use as reference the recommendations in the EDTF report on the *Impact of Expected Credit Loss Approaches on Bank Risk Disclosures* (2015), as well as the recommendations in Principle 8 of the BCBS *Guidance on credit risk and accounting for expected credit losses* (2015).

[34] A number of jurisdictions report that they have issued, or are close to issuing, regulation or guidelines to align to the Pillar 3 disclosure requirements under Basel III. 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 the March 2017 update (http://www.bis.org/bcbs/publ/d400.pdf). See the Basel Committee's October 2019 *Seventeenth progress report on adoption of the Basel regulatory framework* for the status of implementation in this area.

place since 2018 . Regulatory disclosure of non-performing and forborne exposures are required by banks in the EU from 31 December 2019.

VII. Strengthening deposit insurance

18. Strengthening of national deposit insurance arrangements

Recommendation

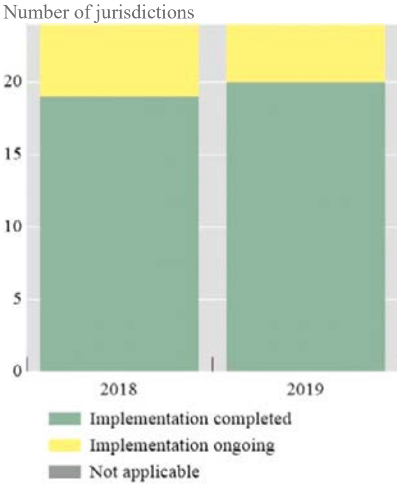
The recommendation is that national deposit insurance arrangements should be reviewed against the agreed international principles, and that authorities should strengthen arrangements where needed (Rec. VI.9 of the 2008 *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*).[35]

Overall implementation status and application

Twenty FSB jurisdictions report that implementation has been completed, one more than in 2018 (Singapore). Four FSB jurisdictions (China, South Africa, Switzerland and Turkey) report ongoing implementation.

Recent developments

Recommendation 18



Source: IMN survey 2018 and 2019.

In Singapore, legislative amendments to enhance its deposit insurance scheme came into effect in April 2019. China established the Deposit Insurance Fund Management Corporation in May 2019 and is in the process of improving risk monitoring and risk mitigation based on deposit insurance regulations.

Several jurisdictions that have deposit protection schemes in place reported making further refinements to the program. In Hong Kong, a project to modernise payouts has reduced the payout time by 76%. Another project to introduce electronic payment also started in 2019, with plans to be completed by 2021. In Mexico, authorities have developed a plan for incorporating some of the recommendations made during the FSAP, such as strengthening governance and reorganising the IPAB to give it more independence and powers. In Russia, recently passed laws extended the deposit insurance framework to cover funds of small enterprises. In Switzerland, the Federal Council initiated a consultation from March-June 2019 to partially revise the Banking Act. Proposed revisions include the strengthening of deposit insurance and other reforms.

[35] In reporting on implementation of this recommendation, those jurisdictions that had not yet adopted an explicit national deposit insurance system were asked to describe their plans to introduce such a system. All other jurisdictions were asked to describe any significant design changes in their national deposit insurance system since the issuance of the revised IADI *Core Principles for Effective Deposit Insurance Systems* (2014) and indicate if they have carried out a self-assessment of compliance with the revised Core Principles. Those jurisdictions that had done so were asked to highlight the main gaps identified and the steps proposed to address them, while the other jurisdictions were asked to indicate any plans to undertake a self-assessment exercise.

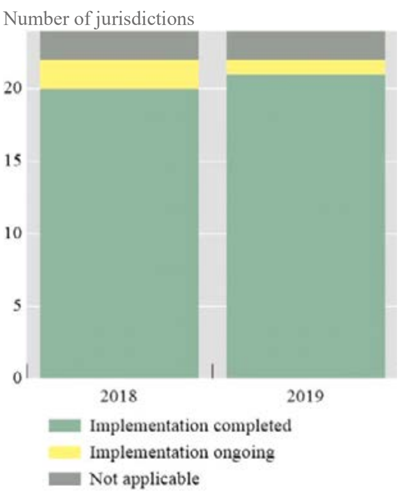
VIII. Safeguarding the integrity and efficiency of financial markets

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.[36]

Overall implementation status and application



Source: IMN survey 2018 and 2019.

Twenty-one FSB jurisdictions report that implementation is completed, one more than in 2018. Implementation is now reported as complete for Switzerland, where the new transactions reporting regime was implemented by securities dealers as of October 2018.

Implementation is still ongoing in South Africa, which recently published for comment a draft Conduct of Financial Institutions Bill that aims to streamline the legal framework for regulating the conduct of financial institutions and to give legislative effect to the market conduct policy approach; it is not yet known when the Bill will come into effect.

Two jurisdictions (China,[37] Indonesia) report that the recommendation is not applicable to them because neither HFT nor dark pools exist or are permitted in their markets.

Recent developments

Brazil has approved a pre-trade control system. Other jurisdictions report enhancing existing frameworks. Authorities in Hong Kong have been engaging with the stock exchange (HKEX) to review its volatility control mechanisms (VCM) to be in line with IOSCO's recommendations. India has reported strengthening clearing corporations' and stock exchanges' risk management framework. Spain has reported that it will increase the monitoring of aspects relating to technological developments in the markets. Italy has reported that it is undertaking supervisory initiatives to improve the quality of information reported to trade repositories. In the US, the SEC adopted amendments to Regulation ATS that enhance the operational transparency and regulatory oversight of alternative trading systems that trade stocks listed on a national securities exchange.

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[36] 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, as set out in the IOSCO *Report on Principles for Dark Liquidity* (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* (2011); and on market structure in the IOSCO *Report on Regulatory issues raised by changes in market structure* (2013).

[37] China acknowledges that some relatively active high frequency traders may be trading in the futures markets; however, it reports that stock trading in alternative trading venues, including dark pools, is illegal.

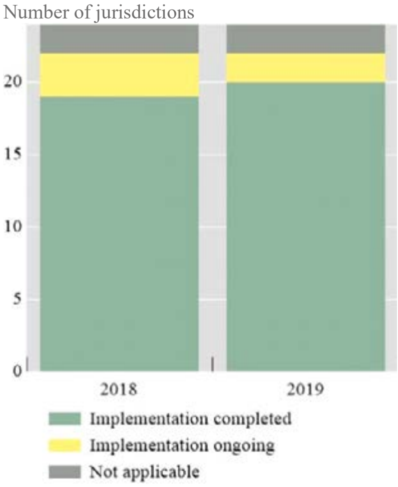
20. *Regulation and supervision of commodity markets*

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).[38]

Overall implementation status and application

Recommendation 20



Source: IMN survey 2018 and 2019.

Twenty FSB jurisdictions report implementation of this recommendation as completed, one more than last year (Singapore). Two jurisdictions report implementation as ongoing (South Africa and Turkey), and two jurisdictions report that this recommendation is not applicable because they do not have a commodity derivatives market (Saudi Arabia) or the volume is negligible (Mexico[39]). Turkey reports that it has a very nascent commodity market but that a new commodity exchange started operating in Q3 2019.

IOSCO published in November 2018 a third and final implementation review of its 2011 Commodity Market Principles. The review showed that IOSCO members have made substantial progress towards achieving full compliance and, in many cases, have strengthened their implementation of the Principles.[40]

Recent developments

In Australia, a determination was made in November 2018 requiring transactions in contracts for difference (CFDs), margin FX and equity derivatives to be reported to derivative trade

38 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.

39 The volume of the local commodity derivatives market is negligible and, considering that local spot commodity markets are practically non-existent, current regulation requires commodity derivatives to be cleared and settled only in cash. There is only one "Commodity" contract traded in the Mexican Derivatives Exchange and its underlying assets, is a derivative contract traded in another market. This contract is scarcely traded.

40 See IOSCO's *Update to Survey on the Principles for the Regulation and Supervision of Commodity Derivatives Markets* (2018).

repositories on a 'lifecycle' method. The effective date of the Excluded Derivative determination was 1 July 2019. In Germany, BaFin set up a reporting system in cooperation with trading venues to be able to spot positions of position holders that are engaged in German commodity derivatives. In India, the integration of Commodity Derivatives Market with other segments of securities markets at the exchange-level has become effective since October 2018, meaning a single exchange can now offer all segments. Also in October 2018, SEBI took its first steps to open up the commodity derivatives markets by permitting Eligible Foreign Entities with exposure to Indian commodity markets to also participate the commodity derivative markets. Furthermore, SEBI granted recognition to two clearing corporations, which have been transferred the clearing and settlement functions for all commodity derivatives exchanges.[41]

21. Reform of financial benchmarks

Recommendation

At the St Petersburg Summit, 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.[42]

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[41] SEBI has issued several other regulatory norms for supervision of commodity markets including Guidelines for Liquidity Enhancement Scheme in Commodity Derivatives Contracts, Framework for Position Limits, and risk management norms for commodity derivatives.

[42] See the FSB's December 2019 progress report on reforming major interest rate benchmarks and IOSCO's *Second Review of the Implementation of IOSCO's Principles for Financial Benchmarks in respect of the WM/Reuters 4 p.m. Closing Spot Rate* (February 2017) and *Second Review of the Implementation of IOSCO's Principles for Financial Benchmarks by Administrators of EURIBOR, LIBOR and TIBOR* (May 2016).

IX. Enhancing financial consumer protection

22. Enhancing financial consumer protection

Recommendation

This recommendation calls for the 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).[43]

Overall implementation status and application

20 FSB jurisdictions (all but China, Korea, South Africa, and Switzerland)[44] reported that their existing framework for financial consumer protection is aligned with the High-Level Principles, unchanged from 2018. In these remaining jurisdictions, work is ongoing to strengthen financial consumer protection or improve its institutional framework.

Recent developments

In South Africa, the draft Conduct of Financial Institutions bill was published for comment in December 2018. Furthermore, consumer financial education has been integrated into the recently created FSCA's regulatory functions.

Switzerland has passed the Financial Services Act, which sets out cross-sector rules for offering financial services and distributing financial instruments (in force as of January 2020).

Jurisdictions that have already implemented the recommendation continue to report refinements to their consumer protection regime. Some of these include the passing of new regulations and new product intervention powers.

In Australia, in April 2019 ASIC was granted new product intervention powers and a design and distribution obligation regime for financial services firms was introduced. The latter, which takes effect from October 2021, brings accountability to those issuing and distributing financial and credit products. In Italy, Consob has introduced product intervention measures for binary options and CFDs sold to consumers. Consob has also used their new powers to require companies (telecommunications providers) to remove websites that offer unauthorised products, for example. The Bank of Italy made regulatory modifications to enhance consumer protections on a number of topics (e.g. retail banking product governance; incentives for sales staff) and also launched ad hoc thematic reviews on lending via salary deductions. Authorities in the Netherlands transposed the insurance distribution directive to domestic regulation in March 2019.

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[43] In reporting on implementation of this recommendation, jurisdictions were asked to describe progress toward implementation of the OECD's G20 high-level principles on financial consumer protection (2011). Jurisdictions were also 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.

[44] Switzerland reports that implementation of this recommendation is now complete following the Financial Services Act coming into force in January 2020.

In Hong Kong, regulators have been working together to continue to strengthen consumer protection through the issuance of guidance (circulars) on various topics pertaining to the sale of insurance products by banks; through new supervisory measures, including reviews and self-assessments to improve bank culture; and through awareness seminars. In Russia, several regulations were passed pertaining to financial consumer protection: the President signed a bill to create a Financial Consumer Ombudsman for overseeing disputes between Russian citizens and financial institutions; the central bank approved basic standards for customer protection for insurance companies, insurance brokers, trust managers, FX dealers and brokers; and the central bank issued a series of recommendations to all financial institutions pertaining to the development of scripts when selling financial products.

Saudi Arabia passed new agent banking rules that sets forth the regulatory framework for the provision of banking services and products by banking agents. The rules aim to set minimum standards and requirements for banking agents and include standards on customer protection.