Progress in implementation of G20 financial regulatory reforms

Summary progress report to the G20 as of June 2019

25 June 2019

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Summary progress report to the G20 as of June 2019

This report summarises the progress made by FSB member jurisdictions in implementing regulatory reforms to fix the fault lines that led to the global financial crisis and build a safer, more resilient financial system. It is accompanied by an updated colour-coded table showing the status of implementation across FSB jurisdictions for core reform areas, including changes since the November 2018 G20 Summit.[1] The next full progress report on implementation and effects of reforms will be delivered to the G20 and published in October 2019.

The new financial regulatory framework called for by the G20 is now largely in place. Implementation is well underway, including further progress since the 2018 Summit. These reforms make the financial system more resilient, and thereby reduce the likelihood and severity – and associated public cost – of future financial crises.

Despite continued progress, implementation is not complete and remains uneven across reform areas. The challenges in meeting the agreed dates relate to domestic legislative or rule-making processes; concerns over the pace of implementation in other jurisdictions; and difficulties faced by regulated entities in adjusting to the new requirements. It is critical to maintain momentum and avoid complacency, in order to achieve the goal of greater resilience.

G20 Leaders' continued support in implementing the agreed reforms is needed. Regulatory and supervisory authorities in FSB members should lead by example in promoting the timely, full and consistent implementation of remaining reforms, which will support a level playing field and avoid regulatory arbitrage. Frameworks for cross-border cooperation between authorities should also be enhanced in order to build trust, allow for the sharing of information, and preserve an open and integrated global financial system.

Implementation progress across the four core reform areas is as follows:

Building resilient financial institutions – Regulatory adoption of core Basel III elements has generally been timely, though implementation of some standards is behind schedule.

- All 24 FSB jurisdictions have risk-based capital rules and Liquidity Coverage Ratio regulations in force, while almost all of them have adopted requirements for global and domestic systemically important banks (G-SIBs and D-SIBs respectively).
- The leverage ratio is in force in 16 jurisdictions (one more since 2018)[2] and the Net Stable Funding Ratio in 11 jurisdictions (unchanged since 2018), meaning that a number of jurisdictions have yet to adopt these rules even though their implementation deadline (January 2018) has passed. Nine jurisdictions have implemented the large exposures framework (five more since 2018) whose deadline was January 2019.
- Implementation of the finalised reforms to the capital framework, which were agreed in December 2017 and will take effect from January 2022, has started in some jurisdictions but is still at a very early stage.

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[1] The FSB's *4th Annual Report on Implementation and Effects of the G20 Financial Regulatory Reforms*, delivered to the November 2018 G20 Summit, is available at http://www.fsb.org/wp-content/uploads/P281118-1.pdf.

[2] References to changes since 2018 are to changes since the November 2018 Summit.

Ending too-big-to-fail – Implementation of the policy framework has advanced the most for G-SIBs. However, substantial work remains in achieving effective resolution regimes and operationalising plans for systemically important banks and non-bank financial institutions.

- Almost all G-SIB home and key host jurisdictions have in place comprehensive bank resolution regimes that align with the FSB *Key Attributes of Effective Resolution Regimes for Financial Institutions*. However, implementation of resolution powers and of resolution planning requirements is still incomplete in several jurisdictions.
- External total loss-absorbing capacity (TLAC) requirements have now been finalised in all advanced economy G-SIB home jurisdictions (six more since 2018).[3] However, implementation of internal TLAC is less advanced and few jurisdictions have introduced the Basel Committee requirements on TLAC cross-holdings or disclosures.
- Most jurisdictions do not yet have in place a comprehensive resolution regime for insurers and central counterparties.

Making derivatives markets safer – Overall good progress has been made to date across over-the-counter (OTC) derivatives market reforms, though only one jurisdiction has reported further implementation progress since 2018.

- Implementation is most advanced for trade reporting, with comprehensive reporting requirements implemented in 23 jurisdictions (one more since 2018). Work continues internationally to make trade reporting truly effective, an area where challenges remain.
- Implementation of frameworks for central clearing (18 jurisdictions), platform trading (14 jurisdictions) and margin requirements for non-centrally cleared derivatives (16 jurisdictions) is still underway.

Enhancing resilience of non-bank financial intermediation (NBFI) – Implementation of reforms to strengthen oversight and regulation of NBFI remains at an earlier stage than in other areas, in part reflecting later implementation deadlines.

- The IOSCO recommendations for money market funds have been adopted in 14 FSB jurisdictions (two more since 2018), including the two largest markets (China and US).
- Fifteen jurisdictions (five more since 2018) have implemented the IOSCO recommendations on incentive alignment approaches for securitisation.
- Implementation of other NBFI reforms – such as the FSB policy recommendations to address structural vulnerabilities from asset management activities and related IOSCO recommendations on fund liquidity risk management, as well as the FSB policy recommendations for securities financing transactions – is still at an early stage.

The FSB continues to evaluate the effects of reforms and will identify and deliver adjustments where appropriate, without compromising on financial resilience. Since 2018, the FSB has finalised a consultation report on the effects of reforms on the financing of small and medium-sized enterprises, and has launched an evaluation of too-big-to-fail reforms for systemically important banks. The FSB is also examining instances of, and possible areas of further work to address, market fragmentation stemming from financial regulations.

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3 Banks that are currently headquartered in an emerging market economy and designated as G-SIBs will comply with the minimum TLAC requirements starting from 2025.

Implementation of reforms in priority areas by FSB jurisdictions (as of June 2019)

The table provides a snapshot of the status of implementation progress by FSB jurisdiction across priority reform areas, based on information collected by FSB and standard-setting bodies' (SSBs) monitoring mechanisms. The colours and symbols in the table indicate the timeliness of implementation. For Basel III, the letters indicate the extent to which implementation is consistent with the international standard. For trade reporting, the letters indicate to what extent effectiveness is hampered by identified obstacles.

	Basel III^						Compen-sation	Over-the-counter (OTC) derivatives				Resolution				Non-bank financial intermediation	
Reform Area	Risk-based capital	Liquidity Coverage Ratio (LCR)	Require-ments for SIBs	Large exposures framework	Leverage ratio	Net Stable Funding Ratio (NSFR)		Trade reporting	Central clearing	Platform trading	Margin	Minimum external TLAC requirement for G-SIBs	Transfer / bail-in / temporary stay powers for banks	Recovery and resolution planning for systemic banks	Transfer / bridge / run-off powers for insurers	Money market funds (MMFs)	Securitisation
Agreed phase-in (completed) date	*2013 (2019)*	*2015 (2019)*	*2016 (2019)*	*2019*	*2018*	*2018*		*end-2012*	*end-2012*	*end-2012*	*2016 (2020)*	*2019/2025 (2022/2028)*					
Argentina	C	C					△										**
Australia	C	C			&											*	
Brazil	C	C		C		C	△										**
Canada	C	C														**	
China	C, △	C	C, &				△	R, F									
France	MNC	LC	C														*
Germany	MNC	LC	C														
Hong Kong	C	C														**	
India	C	LC															
Indonesia	LC	C														**	
Italy	MNC	LC	C														*
Japan	C	C	C														
Korea	LC	C														**	
Mexico	C	C						R								**	*
Netherlands	MNC	LC	C														*
Russia	C	C					△									**	
Saudi Arabia	C	LC		C		C		R								**	
Singapore	C	C														**	
South Africa	C	C					△									**	
Spain	MNC	LC	C														*
Switzerland	C	C	C													**	
Turkey	C	C														**	
United Kingdom	MNC	LC	C														*
United States	LC	C	C, &				△										

Legend

- **Basel III:** Final rule published and implemented. Risk-based capital and leverage ratio are based on the initial reform package agreed in 2010 prior to Basel III finalisation in December 2017. Requirements for SIBs – covering both D-SIBs and higher loss-absorbency for G-SIBs (for G-SIB home jurisdictions) – published and in force.
- **OTC derivatives:** Legislative framework in force and standards/criteria/requirements (as applicable) in force for over 90% of relevant transactions.
- **Resolution:** Final rule for external Total Loss Absorbing Capacity (TLAC) requirement for G-SIBs published and implemented. For the powers columns, all three of the resolution powers for banks (transfer, bail-in of unsecured and uninsured credit claims, and temporary stay) and insurers (transfer, bridge and run-off) are available. Both recovery and resolution planning processes are in place for systemic banks.
- **Compensation:** All FSB Principles and their Implementation Standards for Sound Compensation Practices (Principles and Standards) implemented for significant banks.
- **Non-bank financial intermediation (NBFI):** MMFs – Final implementation measures in force for valuation, liquidity management and (where applicable) stable net asset value (NAV). Securitisation – Final adoption measures taken (and where relevant in force) for an incentive alignment regime and disclosing requirements.

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- **Basel III:** Final risk-based capital rule implemented, with the exception of countercyclical capital buffer rule.
- **Compensation:** All except a few (three or less) FSB Principles and Standards implemented.

- **Basel III:** Final rule published but not implemented, or draft regulation published.
- **OTC derivatives:** Regulatory framework being implemented.
- **Resolution:** Final rule for external TLAC requirement for G-SIBs published but not yet implemented, or draft rule published. For the powers columns, one or two of the resolution powers for banks (transfer, bail-in of unsecured and uninsured credit claims, and temporary stay) and insurers (transfer, bridge and run-off) are available. Recovery planning is in place for systemic banks, but resolution planning processes are not.
- **Compensation:** FSB Principles and Standards partly implemented (more than three Principles and/or Standards have not yet been implemented) for significant banks.
- **NBFI:** MMFs – Draft/final implementation measures published or partly in force for valuation, liquidity management and (where applicable) stable NAV. Securitisation – Draft/final adoption measures published or partly in force for implementing an incentive alignment regime and disclosing requirements.

- **Basel III**: Draft regulation not published.
- **Resolution**: Draft rule for external TLAC requirement for G-SIBs not published. For the powers columns, none of the three resolution powers for banks (transfer, bail-in of unsecured and uninsured credit claims, and temporary stay) and insurers (transfer, bridge and run-off) are available. Neither recovery nor resolution planning processes are in place for systemic banks.
- **NBFI**: MMFs – Draft implementation measures not published for valuation, liquidity management and (where applicable) stable NAV. Securitisation – Draft adoption measures not published for implementing an incentive alignment regime and disclosing requirements.

- **Resolution**: Minimum TLAC requirements not applicable for jurisdictions that are not home to G-SIBs or to a subsidiary of a G-SIB that is a resolution entity under a multiple point of entry resolution strategy.

C / LC / MNC / NC

- **Basel III**: Regulatory Consistency Assessment Program (RCAP) – assessed "compliant" (C), "largely compliant" (LC), "materially non-compliant" (MNC) and "non-compliant" (NC) with Basel III rules. See the RCAP scale. The grade for SIB requirements relates only to the G-SIB requirements.

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- **Basel III**: Does not include reforms finalised in December 2017, which take effect from 2022. Risk-based capital column excludes certain technical standards that came into force in 2017. Leverage ratio column based on the 2014 exposure definition.

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- **Basel III**: Australia's implementation status on the leverage ratio is based on the revised (2017) exposure definition. China's G-SIB requirements are in force, while its D-SIB policy framework is under development. The US does not identify any additional D-SIBs beyond those designated as G-SIBs; its framework was found to be broadly aligned with the D-SIB principles. See the RCAP assessment (June 2016).

R / F

- **OTC derivatives**: Further action required to remove barriers to full trade reporting (R) or to access trade repository data by foreign authority (F). See the FSB report on Trade reporting legal barriers: Follow-up of 2015 peer review recommendations (November 2018).

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- **NBFI**: Implementation is more advanced than the overall rating in one or more / all elements of at least one reform area (MMFs), or in one or more / all sectors of the market (securitisation). The 2019 update was undertaken by IOSCO using the assessment methodology in its 2015 peer reviews in these areas.

Changes in implementation status since the 2018 G20 Summit

The table shows the changes in implementation status by FSB jurisdiction across priority areas since November 2018. The colour on the left-hand cell reflects the status as of November 2018, while the colour on the right-hand cell indicates the status as of June 2019.

Reform area / Jurisdiction	Basel III	OTC derivatives	Resolution	Non-bank financial intermediation+
Argentina	Large exposures	Trade reporting		
Australia	Leverage ratio			
Canada	Large exposures NSFR			
China			Recovery and resolution planning for systemic banks	
France			Minimum TLAC requirement for G-SIBs	Securitisation
Germany			Minimum TLAC requirement for G-SIBs	
Hong Kong			Minimum TLAC requirement for G-SIBs	MMFs
India	Large exposures			
Indonesia	Large exposures			
Italy			Minimum TLAC requirement for G-SIBs	Securitisation
Japan	Leverage ratio		Minimum TLAC requirement for G-SIBs	
Korea	Large exposures			MMFs
Netherlands			Minimum TLAC requirement for G-SIBs, Transfer/bridge/run-off for insurers	Securitisation
Singapore				MMFs
Spain			Minimum TLAC requirement for G-SIBs	Securitisation
United Kingdom				Securitisation
United States	Large exposures			

\+ The 2019 update on MMFs and securitisation was undertaken by IOSCO using the assessment methodology in its 2015 peer review reports in these areas.