

Jurisdiction : **Japan**

# 2013 IMN Survey of National Progress in the Implementation of G20/FSB Recommendations

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No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>I. Refining the regulatory perimeter</b>					
1 (2)	Review of the boundaries of the regulatory framework including strengthening of oversight of shadow banking	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level. (London)	Jurisdictions should indicate the steps taken to expand the domestic regulatory framework to previously unregulated entities, for example, non-bank financial institutions (e.g. finance companies, mortgage insurance companies, credit hedge funds) and conduits/SIVs etc.	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i> <b>Issue is being addressed through :</b> <input checked="" type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify:	<b>Planned actions (if any):</b> The FSA has already taken various measures on this issue, and continues to actively participate in the international discussion, including discussion on shadow banking in the FSB and IOSCO. The FSA will consider taking appropriate measures while watching the regulatory situation in other countries and reviewing the economic environment in Japan. The BOJ strives to identify and analyse the overall financial system and enhance the good practices through on-site examinations, off-site monitoring and the semi-annual Financial System Report. Japan will participate proactively in international discussion on shadow banking in the FSB and IOSCO. The FSA will monitor concentration of risk and spillover paths in the entire financial system.
(1)		We agree to strengthen the regulation and oversight of the shadow banking system. <sup>1</sup> (Cannes)	Jurisdictions should indicate policy measures to strengthen the regulation and oversight of the shadow banking system. See, for reference, the recommendations discussed in section 2 of the October 2011 FSB report: <a href="#">Shadow Banking: Strengthening Oversight and Regulation</a> .	<b>Status of progress :</b> Draft approved and in force / to be in force from / by : April 2011 <b>Short description of the content of the legislation/ regulation/guideline:</b> Based on the international discussion, the FSA has been conducting necessary reviews of regulations. On January 21, 2010, the FSA published the “Development of Institutional Frameworks Pertaining to Financial and Capital Markets” which includes policy approaches on OTC derivatives, hedge funds and securities companies on a consolidated basis, based on international discussions such as the G20, etc. The FSA submitted the relevant draft bill to the Diet on March 9, 2010, which was	<b>Expected commencement date:</b>  <b>Web-links to relevant documents:</b>

<sup>1</sup> This recommendation will be retained until the monitoring framework for shadow banking, which is one of the designated priority areas under the CFIM, is established.

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				<p>established in May 12 and promulgated in May 19, 2010. As for the obligatory use of ETP (Electronic Trading Platforms), the FSA submitted the relevant draft bill to the Diet on March 9, 2012, which was established on Sept. 6 and promulgated on Sept. 12, 2012. The Act, Cabinet Order and Cabinet Office Ordinance relating to regulations on hedge funds and securities companies on a consolidated basis were enforced on April 1 2011. The regulation on OTC derivatives stipulated by the above Act of 2010 was enforced on Nov. 1 2012 except the reporting obligation, which was enforced on April 1 2013. The regulation on OTC derivatives stipulated by the above Act of 2012 is scheduled to be enforced by Sept. 2015. Japan participates proactively in international discussion on shadow banking in the FSB and IOSCO.</p> <p><b>Web-links to relevant documents:</b></p>	

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<b>II. Hedge funds</b>					
2 (3)	Registration, appropriate disclosures and oversight of hedge funds	<p>We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds ...(Seoul)</p> <p>Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management. (London)</p>	<p>Jurisdictions should indicate the progress made in implementing the high level principles contained in IOSCO's <a href="#">Report on Hedge Fund Oversight (Jun 2009)</a> that inter-alia included mandatory registration and on-going regulatory requirements such as disclosure to investors.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Primary / Secondary legislation</li> <li><input checked="" type="checkbox"/> Regulation /Guidelines</li> <li><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : April 2011</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>In relation to managers who use the same style of investment management as hedge funds, they are now subject to registration as discretionary investment managers and investment trust managers under the Financial Instruments and Exchange Act. On January 21, 2010, the FSA published the “Development of Institutional Frameworks Pertaining to Financial and Capital Markets”, which includes measures to expand coverage of registration to some types of foreign investment entrustments, including foreign hedge funds, which were out of</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA has already taken various measures on this issue, and continues to participate in the international discussion actively and consider taking appropriate measures watching the regulatory situation in other countries and reviewing the economic environment in Japan.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>the scope of the Financial Instruments and Exchange Act. The Cabinet Order and Cabinet Office Ordinance which specify the details were enforced on April 1 2011. On March 4, 2010, the FSA revised, enforced and applied the Guidelines for Supervision which included measures to expand operators and items for the fund monitoring survey, leading to strengthening collection of fundamental information on various funds. The FSA has conducted the survey once a year since September, 2010.</p> <p><b>Web-links to relevant documents:</b>            Institutional Frameworks Pertaining to Financial and Capital Markets"  <a href="http://www.fsa.go.jp/en/news/2010/20100122-3.html">http://www.fsa.go.jp/en/news/2010/20100122-3.html</a></p>	

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3 (4)	Establishment of international information sharing framework	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. (London)	Jurisdictions should indicate the progress made in implementing the high level principles in IOSCO's <a href="#">Report on Hedge Fund Oversight (Jun 2009)</a> on sharing information to facilitate the oversight of globally active fund managers.	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>MoU,EoL, etc.</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>Under the agreement MoU and EoL etc., the FSA cooperates with foreign authorities for supervision of Japanese invest management business operators which manage fund in foreign jurisdictions and foreign invest management business operators which manage fund in Japan.</p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p>The FSA will continue the efforts.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

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4 (5)	Enhancing counterparty risk management	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures. (London)	Jurisdictions should indicate specific policy measures taken for enhancing counterparty risk management and strengthening their existing guidance on the management of exposure to leveraged counterparties.  See, for reference, the following BCBS documents :	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i> <b>Issue is being addressed through :</b> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify:  <b>Status of progress :</b> Reform effective (completed) as of : March 2012  <b>Short description of the content of the legislation/ regulation/guideline:</b> The FSA revised the Guidelines for Supervision and the Inspection Manual to strengthen banks' Financial Instruments Business Operators' and insurance companies' management of credit risks regarding the counterparties, including hedge funds. The FSA revised The FSA Administrative Notice on Capital Adequacy Rules in March, 2012. This notice became effective from March 31, 2013, and financial institutions are required to stricter counterparty risk management and capital requirement based on Base13.	<b>Planned actions (if any):</b> The FSA has already taken various measures on this issue and will continue the efforts. The FSA and BOJ will continue to check the risk management of institutions that have hedge funds as their counterparties through supervision/monitoring and inspection/  <b>Expected commencement date:</b>  <b>Web-links to relevant documents:</b>
6)		Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties. (Rec. II.17,FSF 2008)	<ul style="list-style-type: none"> <li>• <a href="#">Sound Practices for Banks' Interactions with Highly Leveraged Institutions (Jan 1999)</a></li> <li>• <a href="#">Banks' Interactions with Highly Leveraged Institutions (Jan 1999)</a></li> <li>• <a href="#">Basel III (June 2011) – relevant references to counterparty credit risk standards</a></li> </ul>		

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				<p><b>Web-links to relevant documents:</b>            Publication of amendment to administrative notice on capital adequacy rules for internationally active banks based on Basel III  <a href="http://www.fsa.go.jp/en/news/2012/20120330-1.html">http://www.fsa.go.jp/en/news/2012/20120330-1.html</a></p>	



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<b>III. Securitisation</b>					
5 (7)  (8)	Improving the risk management of securitisation	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> <li>implement IOSCO’s proposals to strengthen practices in securitisation markets. (FSB 2009)</li> </ul> <p>The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. (London)</p> <p>Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently. (Pittsburgh)</p>	<p>Jurisdictions should indicate the progress made in implementing the recommendations contained in:</p> <ul style="list-style-type: none"> <li>IOSCO’s <a href="http://www.bis.org/publ/bsc0903.pdf">Report on Global Developments in Securitisation Regulation (Nov 2012)</a> including justification for any exemptions to IOSCO requirements; and</li> <li>BCBS’s Basel 2.5 standards on exposures to securitisations (Jul 2009), <a href="http://www.bis.org/publ/bcbs157.pdf">http://www.bis.org/publ/bcbs157.pdf</a> and <a href="http://www.bis.org/publ/bcbs158.pdf">http://www.bis.org/publ/bcbs158.pdf</a></li> </ul>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Primary / Secondary legislation</li> <li><input checked="" type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>Private Sector’s effort</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : Jan 2009 and Dec 2011</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The FSA revised the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. in order to ensure the traceability of original assets of securitized products (April 2008). The FSA clarified in the Guidelines for Supervision that some points, including the following, would be within the scope of supervisory reviews in order for financial institutions to strengthen the management of market risk and credit risk related to investment in marketable credit products and</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA has already taken various measures to strengthen risk management. The FSA and the BOJ will contribute to the development of the discussions through the work stream on Ratings and Securitization in the BCBS and the discussions through the IOSCO, and take appropriate measures based on the discussions.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>securitization (August 2008). 1) The valuation of financial products, including securitized products, as objective as possible 2)An appropriate understanding of the nature of financial products, including securitized products, for example, avoiding excessive dependence on external ratings 3)The proper management of market liquidity risk related to investment in financial products including securitized products 4) A study on risks including the pipeline risk in originating securitized products</p> <p>The WG on Distributions of Securitized Products of Japan Securities Dealers Association (JSDA) established and enforced the “Regulations Concerning Distributions, etc. of Securitized Products” which is self-regulation communicaiton of information related to the contents and risks of original assets (June 2009). Concerning “Enhancements to the Basel framework”published by the BCBS in July, 2009, the FSA has publicized the final domestic rules, including measures to strengthen regulation on securitized products, e.g., raising risk-weights on re-securitized products, in May 2011. It has been implemented from the end 2011.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
6 (9)	Strengthening of regulatory and capital framework for monolines	Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit. (Rec II.8 ,FSF 2008)	<p>Jurisdictions should indicate the policy measures taken for strengthening the regulatory and capital framework for monolines.</p> <p>See, for reference, the following principles issued by IAIS:</p> <ul style="list-style-type: none"> <li>• <a href="#">ICP 13</a> – Reinsurance and Other Forms of Risk Transfer</li> <li>• <a href="#">ICP 15</a> – Investments, and</li> <li>• <a href="#">ICP 17</a> - Capital Adequacy.</li> </ul> <p>Jurisdictions may also refer to the IAIS <a href="#">Guidance paper on enterprise risk management for capital adequacy and solvency purposes (Oct 2008)</a>.</p>	<p>Not applicable</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b>[No response]</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
7 (10)	Strengthening of supervisory requirements or best practices for investment in structured products	Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products. (Rec II.18 ,FSF 2008)	<p>Jurisdictions should indicate the policy measures taken for strengthening best practices for investment in structured product.</p> <p>See, for reference, the principles contained in IOSCO's report on <a href="#">Good Practices in Relation to Investment Managers' Due Diligence When Investing in Structured Finance Instruments (Jul 2009)</a> and <a href="#">Suitability Requirements for Distribution of Complex Financial Products (Jan 2013)</a>.</p> <p>Jurisdictions may also refer to the Joint Forum report on <a href="#">Credit Risk Transfer-Developments from 2005-2007 (Jul 2008)</a>.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : Sept. 2015</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>On January 21, 2010, the FSA published the “Development of Institutional Frameworks Pertaining to Financial and Capital Markets” which includes, 1) Making it possible - for information on OTC derivative transactions to be submitted to the authority from trade repositories and from CCPs, and - for the authority to require that financial institutions submit information directly to it. 2) Expanding the items to be reported by hedge fund managers to the authorities, including reports on the risk management related to managed assets. The FSA submitted the relevant draft bill</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA has already taken various measures to enhance risk management. We will contribute to the development of the discussions through the work stream on Ratings and Securitization in the BCBS and take appropriate measures based on the discussions.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>to the Diet on March 9, 2010, which was established in May 12 and promulgated in May 19, 2010. As for the obligatory use of ETP (Electronic Trading Platforms), the FSA submitted the relevant draft bill to the Diet on March 9, 2012, which was established on Sept. 6 and promulgated on Sept. 12, 2012. The bill, Cabinet Order and Cabinet Office Ordinance relating to 2) was enforced on April 1 2011. The regulation relating to 1) stipulated by the above Act of 2010 was enforced on November 1, 2012, which was enforced on April 1 2013. The regulation on OTC derivatives stipulated by the above Act of 2012 is scheduled to be enforced by Sept. 2015. The FSA has inspected invest managers whether they reconfirms their risk management according with the products' complexity and variety. The FSA/BOJ/SESC (Securities and Exchange Surveillance Commission) are gathering relevant information regarding the risk management of financial institutions through their on-site inspection/examination and off-site monitoring. The FSA revised Supervisory Guidelines for Banks (April 2008) and Insurance companies (June 2009) to add viewpoints on the risk management for investment in securitized products.</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p><b>Web-links to relevant documents:</b>            "Development of Institutional Frameworks Pertaining to Financial and Capital Markets"  <a href="http://www.fsa.go.jp/en/news/2010/20100122-3.html">http://www.fsa.go.jp/en/news/2010/20100122-3.html</a></p>	

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8 (11)	Enhanced disclosure of securitised products	Securities market regulators should work with market participants to expand information on securitised products and their underlying assets. (Rec. III.10-III.13, FSF 2008)	<p>Jurisdictions should indicate the policy measures taken for enhancing disclosure of securitised products.</p> <p>See, for reference, IOSCO’s <a href="#">Report on Principles for Ongoing Disclosure for Asset-Backed Securities (Nov 2012)</a> that complements IOSCO’s <a href="#">Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities (Apr 2010)</a>.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input checked="" type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : January 2009</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The FSA revised the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. in order to ensure the traceability of underlying assets of securitized products. The “WG on Distributions of Securitized Products” of Japan Securities Dealers Association (JSDA) established and enforced the “Regulations Concerning Distributions, etc. of Securitized Products,” which is self-regulation communication of information related to the contents and risks of underlying assets (June 2009).</p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p>The FSA has already taken various measures regarding this issue and will continue the efforts.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>IV. Enhancing supervision</b>					
9 (12)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh)	<p>Jurisdictions should indicate the policy measures taken for implementing consistent, consolidated supervision and regulation of SIFIs.<sup>2</sup></p> <p>See, for reference, the following documents:</p> <p>Joint Forum:</p> <ul style="list-style-type: none"> <li>• <a href="#">Principles for the supervision of financial conglomerates (Sep 2012)</a></li> </ul> <p>BCBS:</p> <ul style="list-style-type: none"> <li>• <a href="#">Framework for G-SIBs (Nov 2011)</a></li> <li>• <a href="#">Framework for D-SIBs (Oct 2012)</a></li> <li>• <a href="#">BCP 12 (Sep 2012)</a></li> </ul> <p>IAIS:</p> <p><a href="#">ICP 23</a> – Group wide supervision</p> <p>FSB:</p> <ul style="list-style-type: none"> <li>• <a href="#">Framework for addressing SIFIs (Nov 2011)</a></li> </ul>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : March 2012</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>On January 21, 2010, the FSA published the “Development of Institutional Frameworks Pertaining to Financial and Capital Markets” which includes, 1) Introducing regulation and supervision on a consolidated basis for securities companies, such as those providing large-scale and complex services as an entire group, whose overall operations and risks might be hard to identify under the current non-consolidated-based</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA and BOJ will continue to actively take part in the discussion on addressing systemically important financial institutions at the FSB, the BCBS and etc.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

<sup>2</sup> The scope of the follow-up to this recommendation will be revised once the monitoring framework on policy measures for G-SIFIs, which is one of the designated priority areas under the CFIM, is established.



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				<p>regulation and supervision, 2) Introducing prudential standards on a consolidated basis for insurance companies. As for 1), the FSA submitted the relevant draft bill to the Diet on March 9, 2010, which was established on May 12 and promulgated on May 19, 2010. The Cabinet Order and Cabinet Office Ordinance were enforced on April 1, 2011. As for 2), the consolidated Solvency Margin Ratio was enforced in March 2012. From the macro-prudential point of view, the FSA has required the major banking groups to conduct bottom-up macrofinancial stress testing with supervisory common scenarios in order to assess the impact on the soundness and stress testing models of those banks. As for recovery and resolution issues, on February 2013, the FSA published a new supervisory guideline, which clarify that the recovery and resolution plans for G-SIBs and, as necessary, other financial institutions that could have an impact on financial stability in the event of its failure should be developed at least annually.</p> <p><b>Web-links to relevant documents:</b>            "Development of Institutional Frameworks Pertaining to Financial and Capital Markets" <a href="http://www.fsa.go.jp/en/news/2010/20100122-3.html">http://www.fsa.go.jp/en/news/2010/20100122-3.html</a></p>	

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10 (13)	Establishing supervisory colleges and conducting risk assessments	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. (London)	Reporting in this area should be undertaken solely by home jurisdictions of significant cross-border firms. Relevant jurisdictions should indicate the steps taken and status of establishing remaining supervisory colleges and conducting risk assessments.	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i>	<b>Planned actions (if any):</b> Japan has already held some supervisory colleges and will intend to hold ones on other companies as needed.
(14)		We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...(Seoul)	See, for reference, the following documents: BCBS: <ul style="list-style-type: none"> <li>• <a href="#">Good practice principles on supervisory colleges (Oct 2010)</a></li> <li>• <a href="#">Report and recommendations on cross-border bank resolution ( Mar 2010)</a></li> </ul> IOSCO: <ul style="list-style-type: none"> <li>• <a href="#">Principles Regarding Cross-Border Supervisory Cooperation (May 2010)</a></li> </ul> IAIS : <ul style="list-style-type: none"> <li>• <a href="#">ICP 25 and Guidance 25.1.1 – 25.1.6 on establishment of supervisory colleges</a></li> <li>• <a href="#">Guidance 25.6.20 and 25.8.16 on risk assessments by supervisory colleges</a></li> </ul>	<b>Issue is being addressed through :</b> <input type="checkbox"/> Primary / Secondary legislation <input type="checkbox"/> Regulation /Guidelines <input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: Establishment of Supervisory Colleges as of October, 2008 <b>Status of progress :</b> [No response] <b>Short description of the content of the legislation/ regulation/guideline:</b> Japan established supervisory colleges of major financial institutions in 2008. The FSA holds the 5colleges every year for financial institutions (Banks, Securities Firm, Insurance Firm), and 18 foreign authorities participate and discuss these institutions’ risk.Japan also participates in supervisory colleges of major financial institutions in other jurisdictions. Japan exchanges information on the group structure, consolidated capital/risk, internal transaction and internal management functions of financial institutions through supervisory colleges	<b>Expected commencement date:</b>  <b>Web-links to relevant documents:</b>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				in order to monitor risk.  <b>Web-links to relevant documents:</b>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<p>11 (15)</p> <p>New</p>	<p>Supervisory exchange of information and coordination</p>	<p>To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels. (Rec V.7 , FSF 2008)</p> <p>Enhance the effectiveness of core supervisory colleges. (FSB 2012)</p>	<p>Jurisdictions should include any feedback received from recent FSAPs/ROSC assessments on the <a href="#">October 2006</a> Basel Core Principle (BCP) 25 (Home-host relationships) or, if more recent, the <a href="#">September 2012</a> BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.</p> <p>Jurisdictions should describe any regulatory, supervisory or legislative changes that will contribute to the sharing of supervisory information within core colleges (e.g. bilateral or multilateral MoUs).</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p>Supervisory Colleges etc.</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>Japan exchanges information, in coordination with other countries, through supervisory colleges. As a FSB report states, Japan demonstrates sufficient strong adherence to cooperation and information exchange standards. (See FSB report: "Global adherence to regulatory and supervisory standards on international cooperation and information exchange") The FSA showed the draft of the Cross-border Cooperation Agreement (Co-Ag) to the CMG member authorities for the major financial institutions in Japan. The FSA will finalize the Co-Ag</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA and BOJ have already taken various measures on this issue and will continue the efforts to strengthen the coordination among authorities at both national and international levels.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>in 2013, cooperating with the CMG authorities. This agreement will help facilitate information sharing and cooperation among CMG authorities.</p> <p><b>Web-links to relevant documents:</b>            "Global adherence to regulatory and supervisory standards on international cooperation and information exchange"  <a href="http://www.financialstabilityboard.org/publications/r_121102.pdf">http://www.financialstabilityboard.org/publications/r_121102.pdf</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
12 (16)	Strengthening resources and effective supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention. (Seoul)	Jurisdictions should provide any feedback received from recent FSAPs/ROSC assessments on the <a href="#">October 2006</a> BCPs 1 and 23 or, if more recent, the <a href="#">September 2012</a> BCPs 1, 9 and 11. Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.	Implementation ongoing or completed <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i> <b>Issue is being addressed through :</b> <input type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify: <b>Status of progress :</b> Reform effective (completed) as of : N.A.	<b>Planned actions (if any):</b> The FSA and BOJ continue to enhance the capability to collect and analyze information on both macro- and micro level and cooperation with relevant domestic and foreign authorities as well as to employ external professionals actively and to make efforts to analyse and assess the risks in the entire financial system from the macro-prudential viewpoint.
(17)		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. (FSF 2008)		<b>Short description of the content of the legislation/ regulation/guideline:</b>	<b>Expected commencement date:</b>
New		Supervisory authorities should continually re-assess their resource needs; for example, interacting with and assessing Boards require particular skills, experience and adequate level of seniority. (Rec. 3, FSB 2012)	Jurisdictions should describe the outcomes of the most recent assessment of resource needs (e.g. net increase in supervisors, skills acquired and sought). Please indicate when this assessment was most recently conducted and when the next assessment is expected to be conducted.	The FSA conducted measures to enhance supervision as below. -Established a new department, with the aim of capturing and analysing risks in the financial market and the financial system at an early stage. -Implementing various types of stress tests to capture risks in the financial system. - “Early intervention measures” and “Early warning system” so that the FSA could achieve early interventions and warnings in an effective way when risks in financial institutions materialize. The BOJ carries out on-site examinations and off-site monitoring, for achieving the purpose of the BOJ’s act. To strengthen	<b>Web-links to relevant documents:</b>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>resources, The FSA established a specialized office that collects and analyses information related to financial system risks and is trying to advance risk analysis. Besides cultivating and utilizing staffs' expertise internally, the FSA and BOJ have been employing professionals from the private sector (including system/market risk experts, actuaries, lawyers and public certified accountants). In order to respond properly to sophistication and complication of financial activities, the FSA and BOJ have conducted effective and efficient inspection /examination and/or supervision /monitoring through collecting information, analysing the condition of the macro economy and each market, such as the stock or bond market, and employing the staff with a high level of expertise.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>V. Building and implementing macroprudential frameworks and tools</b>					
<p>13 (18)</p> <p>(19)</p>	<p>Establishing regulatory framework for macro-prudential oversight</p>	<p>Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks<sup>3</sup> and private pools of capital to limit the build up of systemic risk. (London)</p> <p>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. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions. (London)</p>	<p>Please describe the systems, methodologies and processes that have been put in place to identify macroprudential risks, including the analysis of risk transmission channels.</p> <p>Please indicate whether an assessment has been conducted with respect to the powers to collect and share relevant information among different authorities – where this applies – on financial institutions, markets and instruments to assess the potential for systemic risk. Please indicate whether the assessment has indicated any gaps in the powers to collect information, and whether any follow-up actions have been taken.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <p><input type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify: Supervisory College etc.</p> <p><b>Status of progress :</b></p> <p>[No response]</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The FSA in cooperation with the BOJ, hosted supervisory colleges for important financial institutions to enable authorities to collect relevant information. Please refer to the reply in 7, 12,14 as well.</p> <p><b>Web-links to relevant documents:</b></p> <p>"Development of Institutional</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA will continue to identify risks to the overall financial system promptly and properly through such measures as strengthening its supervisory systems and deepening cooperation with the BOJ and foreign authorities, while considering the lessons from the current global financial crisis and development in other countries. The BOJ also strives to identify risks of the overall financial system promptly and properly through on-site examinations and off-site monitoring. The FSA, in cooperation with the BOJ, will continue to host supervisory college.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

<sup>3</sup> The recommendation as applicable to shadow banks will be retained until the monitoring framework for shadow banking, which is one of the designated priority areas under the CFIM, is established.



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				Frameworks Pertaining to Financial and Capital Markets" <a href="http://www.fsa.go.jp/en/news/2010/20100122-3.html">http://www.fsa.go.jp/en/news/2010/20100122-3.html</a>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
14 (20)	Enhancing system-wide monitoring and the use of macro-prudential instruments	<p>Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level...(Rec. 3.1, FSF 2009)</p> <p>We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject. (Cannes)</p>	<p>Please describe major changes in the institutional arrangements for macroprudential policy that have taken place in the past two years, including changes in: i) mandates and objectives; ii) powers and instruments; iii) transparency and accountability arrangements; iv) composition and independence of the decision-making body; and v) mechanisms for domestic policy coordination and consistency.</p> <p>Please indicate the use of macroprudential tools in the past two years, including the objective for their use and the process used to select, calibrate, and apply them.</p> <p>See, for reference, the CGFS document on <a href="#">Operationalising the selection and application of macroprudential instruments (Dec 2012)</a>.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>Monitoring</p> <p><b>Status of progress :</b></p> <p>[No response]</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The FSA is designated to stabilize the financial system, and it not only supervises each financial institution but also takes various measures such as strengthening its supervisory systems in order to identify risks of the overall financial system. From the macro-prudential point of view, the FSA has required the major banking groups to conduct bottom-up macrofinancial stress testing with supervisory common scenarios in order to assess the impact on the soundness and stress testing models of those banks. The FSA and the BOJ have been contributing to (i) BCBS-</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA and BOJ will continue to monitor quantitative indicators on leverage. The FSA and BOJ will continue to take part in the discussion on the regulatory framework and details at the BCBS, etc. actively. The FSA and BOJ will continue to monitor the development of indicators such as asset prices and credit aggregates and their impacts on the macro economy and the financial system. The FSA and BOJ will continue to identify risks in the overall financial system promptly and properly, while considering the lessons learnt from the current global financial crisis and development in other countries. The FSA will introduce capital buffers in accordance with the BCBS agreements.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>
(21)		<p>Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)</p>	<p>Jurisdictions can also refer to the FSB-IMF-BIS progress report to the G20 on <a href="#">Macroprudential policy tools and frameworks (Oct 2011)</a>, and the IMF paper on <a href="#">Macroprudential policy, an organizing framework (Mar 2011)</a>.</p>		

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>IOSCO-CPSS-CGFS work on margin requirements for OTC derivatives, and (ii) FSB workstream on securities lending/repo transactions. The BOJ reviews the development of indicators such as asset prices and credit aggregates in the semi-annual Financial System Report. The BOJ is also developing indicators and publishes those in the Reports. In addition, the BOJ released a report on “The Bank of Japan’s Initiatives on the Macroprudential Front” that stipulated various measures taken by the Bank to enhance macroprudential monitoring in October 2011. In Japan, each authority has power and tools for macroprudential policy. Authorities exchange ideas through communication at various levels, and implement necessary policies in order to mitigate risks of the financial sector.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
15 (22)	Improved cooperation between supervisors and central banks	Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain. (Rec. V.8 , FSF 2008)	<p>Jurisdictions can make reference to the following BCBS documents:</p> <ul style="list-style-type: none"> <li>• <a href="#">Report and recommendations of the Cross-border Bank Resolution Group (Mar 2010)</a></li> <li>• <a href="#">Good Practice Principles on Supervisory Colleges (Oct 2010) (Principles 2, 3 and 4 in particular)</a></li> </ul>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>Supervisory Cooperation</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>In Japan, the FSA is responsible for the integrated financial administration and BOJ is responsible for ensuring smooth settlement of funds among financial institutions, thereby contributing to the maintenance of an orderly financial system. The FSA and BOJ in close coordination take measures to capture risks in the financial system and to support the real economy through maintaining the financial intermediation function.</p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p>The FSA and BOJ will continue to strengthen their coordination to capture risks in the financial system promptly and accurately.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>VI. Improving oversight of credit rating agencies (CRAs)</b>					
16 (23)	Enhancing regulation and supervision of CRAs	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals. (London)	Jurisdictions should indicate the policy measures undertaken for enhancing regulation and supervision of CRAs. They should also indicate its consistency with the following IOSCO document:  • <a href="#">Code of Conduct Fundamentals for Credit Rating Agencies (May 2008)</a>	Implementation ongoing or completed  <i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i>  <b>Issue is being addressed through :</b> <input checked="" type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify:  <b>Status of progress :</b> Reform effective (completed) as of : April 2010  <b>Short description of the content of the legislation/ regulation/guideline:</b>	<b>Planned actions (if any):</b> The FSA and the SESC will continue to properly supervise and inspect CRAs in accordance with the Guidelines for Supervision and the Inspection Manual for CRAs. An effective oversight of cross-border CRAs is being facilitated through continuing bilateral dialogues concerning supervisory cooperation amongst regulators. The FSA continues to contribute to discussions at IOSCO and engage in bilateral dialogues.
(24)		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.  CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process.  The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO. (London)	Jurisdictions may also refer to the following IOSCO documents:  • Principle 22 of <a href="#">Principles and Objectives of Securities Regulation (Jun 2010)</a> which calls for registration and oversight programs for CRAs;  • <a href="#">Statement of Principles Regarding the Activities of Credit Rating Agencies (Sep 2003)</a> ; and  • <a href="#">Credit Rating Agencies: Internal Controls Designed to Ensure the Integrity of the Credit Rating Process and Procedures to Manage Conflicts of Interest (Dec 2012)</a> .		<b>Expected commencement date:</b>  <b>Web-links to relevant documents:</b>
(25)		Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010. (FSB 2009)		The Act to revise the Financial Instruments and Exchange Act, which introduced a registration system for CRAs, was established and promulgated in June 2009, with the aim of ensuring independence and prevention of conflicts of interests of CRAs, quality and fairness of the rating process, and transparency for market participants. The Cabinet Order and Cabinet Office Ordinances were published in December 2009. The ordinances included provisions concerning differentiation of ratings for structured products and disclosures of rating history and material information	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>used in the rating process. The new registration system was enforced on April 1, 2010. On March 31, 2010, the FSA and the SESC established the Guidelines for Supervision and the Inspection Manual for CRAs. They became effective on April 1, 2010. They enabled appropriate inspection and supervision. To secure international consistency in regulations, the FSA has been contributing to discussions at IOSCO and bilateral dialogues.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
17 (26)	Reducing the reliance on ratings	<p>We also endorsed the FSB’s principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. (Seoul)</p> <p>Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation. (Rec IV. 8, FSF 2008)</p> <p>We reaffirm our commitment to reduce authorities’ and financial institutions’ reliance on external credit ratings, and call on standard setters, market participants, supervisors and central banks to implement the agreed FSB principles and end practices that rely mechanistically on these ratings. (Cannes)</p>	No information on this recommendation will be collected in the current IMN survey since a thematic peer review is taking place in this area during 2013.		

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>VII. Enhancing and aligning accounting standards</b>					
18 (27)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards. (Washington)	Jurisdictions should indicate the accounting standards that they follow and whether (and on what basis) they are deemed to be equivalent to IFRSs as published by the IASB. They should also explain the system they have for enforcement of consistent application of those standards.	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>Japanese Generally Accepted Accounting Principles (J-GAAP) developed by ASBJ (private accounting standard setter in Japan)</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : June 2013</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>1. Japanese Generally Accepted Accounting Principles (J-GAAP) is acknowledged as a set of high quality accounting standards having converged with International Financial Reporting Standards (IFRS) substantially, and is considered to be equivalent to IFRS.</p> <p>(note)</p> <p>In March 2005 the IASB and the ASBJ (private accounting standard setter in</p>	<p><b>Planned actions (if any):</b></p> <p>To amend the related Cabinet Office Ordinance in order to relax the requirements for voluntary application of IFRS. (Expected to be enforced in October.)</p> <p>To build up more examples of voluntary application of IFRS</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Japan) launched a joint project to eliminate differences between IFRS and J-GAAP with the aim of contributing to the development of global capital markets by promoting further international convergence to high quality accounting standards. As part of the agreement, both boards agreed to seek to eliminate by 2008 major differences between Japanese GAAP and IFRS, with the remaining differences to be removed on or before 30 June 2011. As a result, the ASBJ completed the target to eliminate major differences in 2008. In addition, in June 2011 the ASBJ and IASB announced that the ASBJ substantially achieved the target to remove other remaining differences.</p> <p>2. On December 12, 2008, the European Commission assessed Japan’s accounting standards as equivalent with IFRS based on the EC Directive No. 1569/2007.</p> <p>3. Voluntary application of IFRS as published by the IASB by certain companies started for business years ending on or after 31 March 2010</p> <p>(note)</p> <p>On 19 June 2013, Business Accounting Council (BAC), an advisory body to the FSA, issued “The Present Policy on the</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Application of International Financial Reporting Standards (IFRS)". In that report, BAC recommended to relax requirements for eligibility to voluntary application of IFRS and to introduce an additional set of standards identical to IFRS with limited modifications. Through these approaches, Japan is now building up more examples of voluntary application of IFRS.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<p>19 (28)</p> <p>(29)</p>	<p>Appropriate application of Fair Value Accounting</p>	<p>Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak. (Rec. 3.4, FSF 2009)</p> <p>Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements. (Rec 3.5, FSF 2009)</p>	<p>Jurisdictions should indicate the policy measures taken for appropriate application of fair value accounting.</p> <p>See, for reference, the following BCBS documents:</p> <ul style="list-style-type: none"> <li>• <a href="#">Basel 2.5 standards on prudent valuation (Jul 2009)</a></li> <li>• <a href="#">Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009)</a></li> </ul>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>Discussion</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : December 2008</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The ASBJpublished guidance for assessing financial instruments fair value practices..</p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p>Considering the progress made in discussion conducted by the IASB, the ASBJ is examining with Japanese stakeholders the possibility of improvement in accounting standards.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>VIII. Enhancing risk management</b>					
20 (31)	Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. (Washington)	Jurisdictions should indicate the policy measures taken to enhance guidance to strengthen banks' risk management practices. See, for reference, the Joint Forum's <a href="#">Principles for the supervision of financial conglomerates (Sep 2012)</a> and the following BCBS documents:	Implementation ongoing or completed <i>If "Not applicable" or "Applicable but no action envisaged ..." has been selected, please provide a brief justification:</i>	<b>Planned actions (if any):</b> The FSA has already taken various measures to enhance risk management. The FSA and the BOJ will continue to contribute to the international discussion at the BCBS & etc, and make reviews to strengthen banks' risk management and their internal management. The FSA and BOJ will continue to examine the liquidity risk management conducted by each financial institution based on the Guidelines for Supervision and Financial Inspection Manuals, and On-site Examination Policy properly. The FSA decided the following schedule to apply liquidity standards under Basel III. i) The LCR will be introduced in 2015. ii) The NFSR will be introduced in 2018.
(33)		National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. (Rec. II.10, FSF 2008)	<ul style="list-style-type: none"> <li>• <a href="#">Principles for effective risk data aggregation and risk reporting (Jan 2013)</a></li> <li>• <a href="#">The Liquidity Coverage Ratio (LCR) (Jan 2013)</a></li> <li>• <a href="#">Principles for the sound management of operational risk (Jun 2011)</a></li> <li>• <a href="#">Principles for sound stress testing practices and supervision (May 2009)</a></li> </ul>	<b>Issue is being addressed through :</b> <input type="checkbox"/> Primary / Secondary legislation <input checked="" type="checkbox"/> Regulation /Guidelines <input type="checkbox"/> Other actions (such as supervisory actions), please specify:  <b>Status of progress :</b> Reform effective (completed) as of : August 2008	
(34)		Regulators and supervisors in emerging markets <sup>4</sup> will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)	Jurisdictions may also refer to FSB's February 2013 <a href="#">thematic peer review report on risk governance</a> .	<b>Short description of the content of the legislation/ regulation/guideline:</b> In the Guidelines for Supervision the FSA clarified that some points, including the following, would be within the scope of supervisory reviews in order to ensure sound risk management in financial institutions(August 2008). 1) Proactive management of risks by the management team and establishment of systems that enable quick decisions from the viewpoint of the group's overall portfolio. 2) Use of various risk management approaches, including stress tests, to complement statistical risk	<b>Expected commencement date:</b>
(35)		We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)			<b>Web-links to relevant documents:</b>

<sup>4</sup> Only the emerging market jurisdictions may respond to this recommendation.

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>measure approaches 3) Valuation of financial products, including securitized products, as objective as possible 4) Appropriate understanding of the nature of financial products, including securitized products, for example, avoiding excessive dependence on external ratings 5) Proper management of market liquidity risk related to investment in financial products including securitized products 6) Study on risks, including the pipeline risk in originating securitized products 7) Appropriate counterparty risk management regarding transactions involving derivatives etc. The FSA has been encouraging the efforts of financial institutions to make risk management more sophisticated, following the revision of the Guidelines for Supervision. The FSA and BOJ have been examining the liquidity risk management conducted by each financial institution based on the Guidelines for Supervision and Financial Inspection Manuals, and On-site Examination Policy. In addition, the FSA has taken supervisory actions, including the issuance of a business improvement order. In June 2009, the BOJ released a paper on liquidity risk management in order to promote stronger risk management in financial institutions. In</p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>July 2010, the BOJ released a paper on important check points regarding the liquidity risk management of financial institutions so that they can enhance their crisis management ability.</p> <p>As for principles for effective risk data aggregation and risk reporting, the FSA has been reviewing whether the capacity for collecting risk data on a group-wide basis has been developed in their systems for timely and appropriate detection of risk information.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
21 (36)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed. (Pittsburgh)	Jurisdictions should indicate steps taken to reduce impaired assets and encourage additional capital raising. For example, jurisdictions could include here the amount of new equity raised by banks operating in their jurisdictions during 2012.	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input checked="" type="checkbox"/> Regulation /Guidelines</li> <li><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b></p> <p>Draft approved and in force / to be in force from / by : N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>By adding necessary supervisory viewpoints, in the Guidelines for Supervision, the FSA is encouraging financial institutions to recognize non-performing loans early through stringent assessment of assets. To deal with those loans properly, they take early measures that essentially make such loans sound according to their risks (so that debtors are rehabilitated as much as possible). Based on supervisory guidelines, the FSA is requiring banks to assess the extent of the overall adequacy of their capital in light of their risk profiles and monitoring whether the banks have implemented proper risk management and measures to retain adequate capital in</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA has already taken various measures toward ensuring the soundness of the financial conditions of financial institutions such as by prompting the disposal of nonperforming loans, and will continue to consider reinforcing current supervision as necessary.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>terms of both quality and quantity considering the results of assessments. Because of the measures mentioned above, financial institutions have made progress in disposing of nonperforming loans (nonperforming loan ratio of major banks decreased from 8.4% at the end of March 2002 to 1.7% at the end of March 2013 and total capital ratio of internationally active banks of them is 17.45% at the end of March 2013).</p> <p><b>Web-links to relevant documents:</b></p>	



No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
22 (37)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. (Washington)	Jurisdictions should indicate the status of implementation of the disclosures requirements of IFRSs (in particular IFRS7 and 13) or equivalent. Jurisdictions may also use as reference the recommendations of the October 2012 report by the Enhanced Disclosure Task Force on <a href="#">Enhancing the Risk Disclosures of Banks</a> .	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input checked="" type="checkbox"/> Regulation /Guidelines</li> <li><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : April 2011</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>Japanese Generally Accepted Accounting Principles (J-GAAP) is substantially converged with International Financial Reporting Standards (IFRS) and for appropriate implementation, ASBJ publishes Implementation Guidelines. For example, the ASBJ published the Guideline No.19 on 31 March 2008, which reflects the concept of the IFRS 7.</p> <p>The FSA revised each Supervisory Guideline for Bank, Financial Instruments Business Operators, etc. by April 2011 and continues to request, according to international best practices, the proactive disclosure of exposure related to sectors of the particular market</p>	<p><b>Planned actions (if any):</b></p> <p>The FSA has already taken various measures on this issue and will continue to strive to strengthen risk disclosure of financial institutions.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>interest. It leads to necessary disclosure in each financial institution based on international discussion.</p> <p><b>Web-links to relevant documents:</b></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>IX. Strengthening deposit insurance</b>					
23 (38)	Strengthening of national deposit insurance arrangements	National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed. (Rec. VI.9, FSF 2008)	Jurisdictions should describe any revisions made to national deposit insurance system, including steps taken to address the recommendations of the FSB's February 2012 <a href="#">thematic peer review report on deposit insurance systems</a> .	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>Japan has an explicit deposit insurance system based on the Deposit Insurance Act. All financial institutions whose headquarters in Japan, such as banks and credit unions, are obliged to join the System. If a financial institution fails, the deposits for payment and settlement are fully protected. Regarding other ordinary deposits (e.g., saving deposits), the principals of ten million yen at maximum per depositor and the interest at the time of the failure are protected. In the FSB's thematic peer review report on deposit insurance systems in February 2012, Japan, was broadly consistent with “Core Principles for Effective Deposit Insurance</p>	<p><b>Planned actions (if any):</b></p> <p>Japan has already taken measures on the deposit insurance systems and will continue to ensure the sound deposit insurance system.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
				<p>Systems “ .</p> <p><b>Web-links to relevant documents:</b></p> <p>Thematic Review on Deposit Insurance Systems Peer Review Report (Feb 2012) <a href="http://www.financialstabilityboard.org/publications/r_120208.pdf">http://www.financialstabilityboard.org/publications/r_120208.pdf</a></p>	

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>X. Safeguarding the integrity and efficiency of financial markets</b>					
24 (39)	Enhancing market integrity and efficiency	We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012. (Cannes)	<p>Jurisdictions should indicate the progress made in implementing the following IOSCO reports:</p> <ul style="list-style-type: none"> <li>• <a href="#">Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (Oct 2011)</a>; and</li> <li>• <a href="#">Report on Principles for Dark Liquidity (May 2011)</a>.</li> </ul>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <p><input checked="" type="checkbox"/> Primary / Secondary legislation</p> <p><input type="checkbox"/> Regulation /Guidelines</p> <p><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>In Japan, the suitable measures are taken to mitigate risks related to market integrity and efficiency. For instance, exchanges have already developed price limits, circuit breaker, etc. to prevent radical price fluctuation. Moreover, market participants are required to develop appropriate order management systems. In addition, transparency of off-market trading is ensured through adequate reporting requirement regarding information on orders, trading volume, etc.</p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p>Through the daily supervision and market surveillance, the FSA conducts analysis on market trends such as the new form of transaction. The FSA will continue such measures.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
25 (40)	Enhanced market transparency in commodity markets	We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve 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. We call on IOSCO to report on the implementation of its recommendations by the end of 2012. (Cannes)	<p>Jurisdictions should indicate the policy measures taken to enhance market transparency in commodity markets.</p> <p>See, for reference, IOSCO’s report on <a href="#">Principles for the Regulation and Supervision of Commodity Derivatives Markets (Sep 2011)</a>.</p> <p>Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the <a href="#">report</a> published by the IOSCO’s Committee on Commodity Futures Markets based on a survey conducted amongst its members in April 2012 on regulation in commodity derivatives market.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of :N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>Pursuant to Articles 102 and 118 of the Commodity Derivatives Act in Japan, Japanese market authorities including an exchange have effective intervention powers to address disorderly markets and prevent market abuses, e.g., the power to set ex-ante position limits</p> <p><b>Web-links to relevant documents:</b></p> <p><a href="http://www.meti.go.jp/policy/commerce/a00/2010/commodity_derivatives_act.pdf">http://www.meti.go.jp/policy/commerce/a00/2010/commodity_derivatives_act.pdf</a></p>	<p><b>Planned actions (if any):</b></p> <p>Japan has already taken measures on this issue and will continue to enhance market transparency in commodity markets.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
26 New	Legal Entity Identifier	<p>We support the creation of a global legal entity identified (LEI) which uniquely identifies parties to financial transactions. (Cannes)</p> <p>We encourage global adoption of the LEI to support authorities and market participants in identifying and managing financial risks. (Los Cabos)</p>	<p>Jurisdictions should indicate whether they have joined Regulatory Oversight Committee (ROC) and whether they intend setting up Local Operating Unit (LOU) in their jurisdiction.</p>	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p><b>Status of progress :</b></p> <p>[No response]</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>The FSA and the BOJ have been contributing to Regulatory Oversight Committee (ROC) and Committee on Evaluation and Standards (CES) for the launch of the global LEI system.</p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p>The FSA and the BOJ contribute to the discussions through the ROC and CES.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>

No	Description	G20/FSB Recommendations	Remarks	Progress to date	Next steps
<b>XI. Enhancing financial consumer protection</b>					
27 (41)	Enhancing financial consumer protection	We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions. (Cannes)	Jurisdictions should describe progress toward implementation of the OECD's <a href="#">G-20 high-level principles on financial consumer protection (Oct 2011)</a> .	<p>Implementation ongoing or completed</p> <p><i>If “ Not applicable “ or “Applicable but no action envisaged ...” has been selected, please provide a brief justification:</i></p> <p><b>Issue is being addressed through :</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Primary / Secondary legislation</li> <li><input type="checkbox"/> Regulation /Guidelines</li> <li><input checked="" type="checkbox"/> Other actions (such as supervisory actions), please specify:</li> </ul> <p>Discussion</p> <p><b>Status of progress :</b></p> <p>Reform effective (completed) as of : N.A.</p> <p><b>Short description of the content of the legislation/ regulation/guideline:</b></p> <p>FSA, MOF and BOJ have been contributing to the discussion on financial consumer protection at OECD (Task Force on Financial Consumer Protection). The FSA has already taken various measures for financial consumer protection, which is stipulated by law as one of three major objectives of the FSA: to ensure protection of depositors, insurance policyholders, securities investors, etc.</p> <p><b>Web-links to relevant documents:</b></p>	<p><b>Planned actions (if any):</b></p> <p>Japan will continue to participate in the discussions of the OECD task force on financial consumer protection, which works to develop effective approaches to support the implementation of the High Level Principles on Consumer Protection endorsed in Cannes.</p> <p><b>Expected commencement date:</b></p> <p><b>Web-links to relevant documents:</b></p>



**XII. Source of recommendations:**

[Los Cabos: The G20 Leaders Declaration \(18-19 June 2012\)](#)

[Cannes: The Cannes Summit Final Declaration \(3-4 November 2011\)](#)

[Seoul: The Seoul Summit Document \(11-12 November 2010\)](#)

[Toronto: The G-20 Toronto Summit Declaration \(26-27 June 2010\)](#)

[Pittsburgh: Leaders' Statement at the Pittsburgh Summit \(25 September 2009\)](#)

[London: The London Summit Declaration on Strengthening the Financial System \(2 April 2009\)](#)

[Washington: The Washington Summit Action Plan to Implement Principles for Reform \(15 November 2008\)](#)

[FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience \(7 April 2008\)](#)

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

[FSB 2009: The FSB Report on Improving Financial Regulation \(25 September 2009\)](#)

[FSB 2012: The FSB Report on Increasing the Intensity and Effectiveness of SIFI Supervision \(1 November 2012\)](#)

**XIII. List of Abbreviations used:**

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