

Ongoing and Recent Work Relevant to Sound Financial Systems

Cover note by the Secretariat for the FSF meeting on 25-26 September 2007

This cover note highlights and summarises those collective and multilateral initiatives started during the previous six months, out of the initiatives in the attached Secretariat detailed note on work relevant to sound financial systems. Contact information for projects is also provided in the detailed note.

The cover note also includes an overview of major ongoing international regulatory initiatives, including information on their schedules for public consultation and target dates for finalisation, so as to inform FSF members and other stakeholders of the international regulatory “pipeline” and the potential bunching of regulatory initiatives.

I. Macroeconomic Management, Surveillance and Transparency

1. *Sovereign Liability Management: Guidelines for Public Debt Management* (IMF and World Bank, page 11)

A paper reviewing Bank-Fund staff experience with applying the *Guidelines for Public Debt Management* in developing countries was discussed by the Boards of the two institutions in May 2007 and led to endorsement of an agenda for strengthening debt strategy and debt management in middle- and low-income countries. The paper draws key lessons, identifies the continuing challenges facing debt managers, and proposes further capacity building and advisory work in public debt management.

2. *Methodological Framework for Medium-Term Debt Strategies* (IMF and World Bank, pages 11-12)

A joint Bank-Fund technical working group is developing a methodological framework for medium-term debt strategies, with a view to helping low-income countries make well-informed decisions about public debt and its management that is consistent with maintaining debt sustainability and limiting portfolio risk over the medium term.

II. Identifying Financial System Strengths and Weaknesses

Dialogue with Financial Markets Stakeholders (IOSCO, pages 19-20)

With a view to enhance the dialogue with the industry, the IOSCO Technical Committee decided in its meeting of February 2007, to publish the report entitled *An Overview of the Work of the IOSCO Technical Committee*, as a consultation report with a comment period ending on 8 June 2007. In addition, on 26 March 2007 a meeting was organized at the Madrid IOSCO premises with a number of industry representatives of close to a dozen bodies. The Chairman of the TC encouraged the bodies present at the meeting to send comments on the aforementioned TC consultation report. The industry representatives present at the Madrid meeting were eager to pursue the dialogue. This work should assist the TC in determining the next move forward. The Chairman of the TC intends to prepare for the next TC meeting in November 2007 a discussion paper

that will contain a number of options as to how an enhanced dialogue with financial market stakeholders could subsequently be pursued.

III. Accounting, Auditing and Public Disclosure

Non-Audit Services of Auditors (IOSCO, pages 37-38)

Following the March 2005 Technical Committee report entitled *Strengthening Capital Markets Against Financial Fraud*, IOSCO decided to set up a Task Force on Non-Audit Services (TFNAS). This involves a study of issues bearing on quality audits and auditor independence. The objective is to lead to improvements in auditor independence practices as well as to encourage cross-border convergence of these practices. There is a focus on the issue of non-audit services offered to publicly listed audit clients and the potential impact of these services on auditor independence. TFNAS has recently initiated phase two of its mandate and is currently exploring the potential convergence of existing domestic standards related to non-audit services. A report on this issue should be presented for consideration during the November 2007 TC meeting.

IV. Financial Globalisation, Market Functioning/Conduct and Transparency

1. *Working Group on Private Equity and Leveraged Finance Markets* (CGFS, page 38)

A working group on private equity and leveraged finance markets was established in March 2007 with the objective of providing an overview/stock-taking of existing work in this field, especially concerning: (a) the characteristics, structure and operations of leveraged finance markets; (b) the role and importance of the main market participants; (c) the main forces that have and still are driving the growth of leveraged finance markets; and (d) the potential impact on listed equity markets. The working group will also identify the aspects of the private equity and leveraged finance markets that give rise to potential financial stability concerns.

2. *The Role of Alternative Investment Vehicles in Corporate Governance* (OECD, page 40)

The OECD Steering Group on Corporate Governance released in July 2007 two reports it commissioned on the impact of alternative investors (activist hedge funds and private equity) together with a summary of its April discussions. A new paper covering general policy issues including a review of private codes of conduct will be discussed at its November 2007 meeting.

3. *Working Group on Capital Flows to Emerging Market Economies* (CGFS, page 40)

A working group was established in May 2007 with a mandate to address the following issues: (a) consequences of capital inflows for bank and corporate balance sheets and domestic asset markets; (b) implications for the conduct of monetary policy; (c) impact on inflation, current account positions and government budget balances; (d) implications for the domestic financial infrastructure development; and (e) challenges posed to regulation of the domestic financial sector.

4. *Coordinated Direct Investment Survey* (IMF, page 42)

An international task force chaired by the IMF concluded in 2005 to undertake a Coordinated Direct Investment Survey in respect of end-2009. To that end, the IMF has formed a Task Force, comprising six international organizations and ten countries, to provide advice and content for a survey guide. The Task Force met in June 2007, and will meet again in early 2008, to finalize the guide.

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5. *Developing Emerging Market Economies' Financial Markets* (IMF, pages 42-44)

The IMF is undertaking several initiatives to develop financial markets in emerging market (EM) countries. A project is ongoing to facilitate the development of a common methodological framework for securities statistics of those countries. The Fund is also developing a set of best practices for developing the domestic institutional investor base, and for improving regulation and consistency of treatment of institutional, foreign, and other investors. An Occasional Paper on developments in ABS markets in EM countries is under preparation. The IMF also initiated a project for deepening existing derivatives markets in more advanced emerging countries and for developing derivatives markets in less advanced economies. Planned outputs of this project include the publication of an Occasional Paper and conduct of regional workshops on derivative market development.

6. *Capital Markets Assessment Tool* (WB/IFC, page 44)

It is an ongoing work to produce a Capital Markets Assessment tool, intended to provide a methodology to conduct thorough diagnostics on the state of development of the capital markets of a given country. The methodology is expected to provide disciplined and objective framework for assessing the major obstacles for the market to develop, and to provide a more consistent basis for implementation of strategies to develop individual markets. It is intended to be also a methodology to evaluate the potential for private capital markets, and to formulate a sequenced capital markets development strategy in countries with differing economic and legal infrastructure conditions.

7. *Credit Rating Agencies* (IOSCO, page 46)

IOSCO's Task Force on CRAs (TFCRA) will initiate work on the new mandate that it has received from the Technical Committee during its meeting of April 2007, which is to consider the adequacy of the models used by CRAs to assess the risks related to structured finance products and the potential conflicts of interests involved. TFCRA will in particular assess the need to amend the existing Technical Committee December 2004 report entitled *Code of Conduct Fundamentals for Credit Rating Agencies*.

8. *Direct Access to Exchanges and Other Markets* (IOSCO, page 49)

A new mandate on direct access to exchanges and other markets and the related project specifications were approved during the Technical Committee meeting of April 2007. The operation of exchanges and other markets and the methodologies for accessing them have over the past few years evolved rapidly. Today, various financial intermediaries and investors have direct market access (DMA), in particular through electronic means. Surveying the various approaches taken in different jurisdictions with respect to DMA would assist regulators in addressing important related regulatory issues, such as: the risks relating to market integrity and security, the requirements in place for the different access methodologies, the categories of financial market stakeholders who are granted DMA, how the DMA risk management issues are addressed and which authorities are responsible for developing and enforcing related rules. These issues will be considered as part of a new mandate and have been included in the corresponding project specifications, in order to prepare a report that summarizes the regulatory approaches and identifies commonalities and differences in approaches.

V. Prudential Regulation and Supervision

1. *Economic Capital Measurement and Management* (BCBS, page 52)

The Basel Committee's Risk Management and Modelling Group is currently assessing the range of practice of banks' approaches to economic capital measurement and management. This effort supports supervisors' objective to remain current and informed of evolving risk management techniques.

2. *Initiatives on Risk-based Supervision and Microfinance* (BCBS, pages 52-53)

The International Liaison Group (ILG) was established to provide a forum for deepening the Committee's engagement with supervisors around the world on a broad range of issues. One of its projects is related to risk-based supervision. The ILG currently is reviewing the various approaches to risk-based supervision. This work may result in a range of practices paper that will highlight the various objectives supervisors seek to achieve, the different tools at their disposal and the practical difficulties, issues and tradeoffs which confront supervisors in carrying out their risk-based supervisory mandates.

The ILG has also commenced work related to microfinance regulation and supervision. The ILG intends to identify issues and emerging supervisory responses to microfinance. The objective is not to create new standards but to draw on the collective experience of some of its members with microfinance.

3. *Financial Conglomerates* (IAIS, page 55)

The IAIS has identified further work on group wide supervision as an area of high priority. A draft Paper on Principles on Groupwide Supervision was circulated for comments by August 2007. Given the expected progress of relevant standards setting work in the areas of solvency and reinsurance, consideration will be given to the development of more specific requirements relevant to group supervision in 2008.

4. *Review of Insurance Core Principles* (IAIS, page 56)

As the range and scope of Supervisory and other papers of the IAIS expand, and as practice in the industry and supervisory sector evolves, it is appropriate to periodically take stock of the foundation principle to ensure the Insurance Core Principles (ICPs) remain appropriate, comprehensive and current. A review of the ICPs will both inform, and be informed by, the other standard setting initiatives of the IAIS.

5. *Harmonized International Glossary* (IAIS, page 56)

The work on the IAIS Glossary will progress during 2007 to 2009. As a part of the work being undertaken in the development of a globally accepted regime for solvency assessment, a comprehensive review of the IAIS solvency terminology will be undertaken. This review will pay close regard to the glossaries of other relevant international and supra-national bodies with a view to harmonization of terminology and potential longer term convergence towards a harmonized international glossary.

VI. Combating Money Laundering, Terrorist Financing and Other Market Abuses

Guidance on the Risk-Based Approach to combating Money Laundering and Terrorist Financing (FATF, pages 60-62)

In June 2007 the FATF released its Guidance on the Risk-Based Approach to combating Money Laundering and Terrorist Financing. The Guidance was developed by the FATF in close consultation with representatives of the international banking and securities

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sectors. The Guidance supports the development of a common understanding of what the risk-based approach involves, outlines the high-level principles involved in applying the risk-based approach, and indicates good public and private sector practice in the design and implementation of an effective risk-based approach.

International Regulatory Initiatives

This overview table is intended to provide a snapshot of key regulatory initiatives in the implementation, public consultation and development phases, along with an indication of their timing where applicable. It is intended to assist national authorities, firms and other stakeholders in keeping abreast of and better preparing for major regulatory initiatives as they are taken forward. Initiatives are included in this table, drawing on the advice of the principal international institutions, groupings and committees. The table captures only summary information on major initiatives, and is concerned largely with the timing of implementation. Thus readers are encouraged to refer to the accompanying detailed note on Ongoing and Recent Work relevant to Sound Financial Systems for further insight on the background and objectives of these, and other initiatives of the principal international institutions, groupings and committees. Readers should also be aware that decisions regarding implementation are in most cases left to national discretion, and thus the timing of implementation may vary across jurisdictions. Lastly, the timing of initiatives indicated in the table is based on information as of 29 March 2007, and the relevant bodies should be consulted directly for more recent developments.

International regulatory initiatives in the implementation phase									
	2007				2008				2009 and onwards
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
BCBS <i>Basel II</i>	1 January 2007 for FIRB (credit risk) and BAI/TSA (operational risk)				1 January 2008 for AIRB (credit risk) and AMA (operational risk)				
IAIS <i>Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors</i>	Periods beginning February 2007								
IASB <i>IFRS 7 Financial Instrument: Disclosures</i>	Periods beginning 1 January 2007								
IASB <i>Amendments to IAS 1 Presentation of Financial Statements - Capital Disclosures</i>	Periods beginning 1 January 2007								
BCBS <i>Updated Basel Core Principles</i>	From October 2006 all new assessments will be conducted against the updated BCP								
International regulatory initiatives in the public consultation phase									
	2007				2008				2009 and onwards
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
IASB <i>Financial Statement Presentation - Phase A - MOU project</i>			T.D. (P.C. for ED ended July 2006)						
IOSCO <i>Soft Commission Arrangements in Collective Investment Schemes</i>	P.C. ended 15 March			T.D.					
IOSCO <i>Hedge Funds Valuation and Administration</i>		P.C. ended 21 June			T.D.				
IASB <i>Financial Instruments - Puttable Instruments</i>			T.D. (P.C. for ED ended October 2006)						
IASB <i>IFRS 3 Business Combinations - MOU project</i>			T.D.(P.C. for ED ended October 2005)						
BCBS <i>Principles for home-host supervisory cooperation and allocation mechanisms in the context of AMA</i>		P.C. ended 18 April		T.D.					
IOSCO <i>Review of Code of Conducts for Credit Rating Agencies</i>		P.C. ended 11 May	T.D.						
IOSCO <i>Role of Market Intermediaries in the Offering of Financial Products</i>		P.C. ended 25 May		T.D.					
IOSCO <i>Periodic Disclosure by Listed Issuers</i>			T.D.(P.C.ended December 2005)						
IOSCO <i>Issues on Audit Services of Auditors</i>		P.C. ongoing (to be ended 15 October)			T.D.				
IASB <i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</i>							T.D. (P.C.for ED ended October 2005)		
OECD/IOPS <i>Guidelines on Licensing of Pension Entities</i>			P.C. ongoing (to be ended 5 October)	T.D.					

IOSCO <i>Corporate Governance of Listed Companies</i>	P.C. ended 10 January					T.D.				
IASB <i>Insurance Contracts</i>		P.C. for DP ongoing					P.C. planned for ED			
IASB <i>Fair Value Measurement Guidance - MOU project</i>			Round-table discussion planned				P.C. planned for ED			
IASB <i>Consolidations - MOU project</i>					P.C. planned for DP				P.C. planned for ED	
IASB <i>Financial Statements Presentation -Phase B- MOU project</i>					P.C. planned for DP				P.C. planned for ED	
IASB <i>Revenue recognition - MOU project</i>					P.C. planned for DP				P.C. planned for ED	
IASB <i>Post-employment benefits (including pensions) - MOU project</i>				P.C. planned for DP					P.C. planned for ED	
IASB <i>Leases - MOU project</i>					P.C. planned for DP				P.C. planned for ED	
Other international regulatory initiatives under development										
		2007				2008				2009 and onwards
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
IAIS <i>Comment Letter on the IASB's Discussion Paper arising from Phase II of its Insurance Contracts Project (Phase II) (*)</i>					T.D.					
BCBS <i>Principles for modeling incremental default risk in the Trading Book</i>						T.D.				
IAIS <i>Insurers' Solvency: Valuation of Technical Provisions and Assets, Capital Requirement and Resources, Enterprise Risk Management, Internal models (*)</i>					T.D.					
IAIS <i>Principles on group-wide supervision (*)</i>									T.D.	
IAIS <i>Reinsurance: discussion paper on Mutual Recognition between Supervisors of Reinsurers (*)</i>					T.D.					
IAIS <i>Revision of the Standard on reinsurance cover of Primary Insurers(*)</i>									T.D.	
IAIS <i>Global Reinsurance Market Report Annual Edition</i>					T.D.				T.D.	
IAIS <i>Setting-up new Corporate Governance and Compliance Subcommittee (*)</i>					T.D.					
IAIS <i>Setting-up of Task Force on Review of Insurance Core Principles (*)</i>					T.D.	T.D.				
IAIS <i>Harmonised International Glossary(*)</i>						T.D.				
IOSCO <i>Private Equity</i>								T.D.		
IOSCO <i>Funds of Hedge Funds</i>								T.D.		

P.C.
T.D.

Agreed international implementation date

Period of public comment on consultation documents

Target date for finalisation of initiatives

Note 1:

Note 2:

Note 3:

Note 4:

(*): In consultation with IAIS Members and Observers including insurance industry and professionals

For IASB projects, DP means Discussion Paper. ED means Exposure Draft, public comment of which is normally 120 days.

For IASB's projects, target dates will not correspond to the date when entities must apply the standard, i.e. agreed international implementation date. Each IASB standard will have an 'application date' which is decided when the final standard is published. All standards issued over the next two year period will have an application date of 1 January 2009 or later. Further, target dates will differ in some parts of the world, depending on when a country will adopt IFRS or endorse the published standard into their framework. For further details of the IASB's overall work plan, please refer to the IASB's website link (<http://www.iasb.org/current/iasbworkplan.asp>).

The IAASB issues proposals (called Exposure Drafts (EDs)) for new or amended International Standards on Auditing (ISAs) for public comment. ISAs are intended to guide auditors in performing high quality external audits and other assurance work and do not usually include guidance that directly affects private sector firms. However, given the indirect effect that audit standards can have on regulators, audit oversight authorities and private sector firms, the link to the IAASB' EDs (<http://www.ifac.org/Guidance/EXD-Outstanding.php>) is provided for the information of those that use this table.

**Ongoing and Recent Work Relevant to
Sound Financial Systems**

**Note by the FSF Secretariat (with inputs from various bodies)
for the FSF Meeting on 25-26 September 2007**

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For further information, please contact the FSF secretariat at fsforum@bis.org,
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I. Work Completed Since the Last FSF Meeting

(i) Macroeconomic Management, Surveillance and Transparency

1. External Vulnerability Assessments

Agency: IMF

Contact Information: IMF Surveillance Review Division (tvanderwilligen@imf.org)

Completion Date: June 2007

Website locator: <http://www.imf.org/external/np/sec/pn/2007/pn0769.htm>

Brief Description: On June 15, 2007, the IMF Executive Board adopted a new Decision on Bilateral Surveillance over Members' Policies, repealing and replacing the 1977 Decision on Surveillance Over Exchange Rate Policies after a year-long review. Bilateral surveillance is a key mechanism through which the IMF conducts external vulnerability assessments, and the update of its policy framework represents a keystone of the IMF's Medium-Term Strategy to maximize the Fund's effectiveness in light of economic and financial globalization. The new Decision provides a comprehensive statement on what bilateral surveillance is about, and codifies best practices as they have evolved over time. It is expected to promote candor and evenhandedness and to help focus surveillance on issues crucial to international monetary and financial stability. In particular, it does so by introducing a concept of external stability as an anchor for bilateral surveillance, making it clear that it should focus on assessing whether countries' policies —both exchange rate policies and relevant domestic economic and financial policies— are promoting external stability; and by providing more complete guidance on how members should conduct, and the Fund assess, exchange rate policies. Importantly, the new Decision introduces a recommendation to members to avoid exchange rate policies that result in external instability.

(ii) Market Infrastructure

1. New developments in clearing and settlement arrangements for OTC derivatives

Agency: CPSS

Contact Information: cpss@bis.org

Completion date: March 2007

Website locator: <http://www.bis.org/publ/cpss77.htm>

Brief Description: The report follows up on a report published by the BIS in 1998, entitled *OTC Derivatives: Settlement procedures and counterparty risk management* (<http://www.bis.org/publ/cpss27.htm>). Since 1998, the OTC derivatives markets have continued to grow rapidly, while market practices have evolved and market infrastructures have been strengthened. The report concludes that further progress is needed with regard to the reduction of confirmation backlogs and the industry's preparedness to the close-out of major participants. In addition, as the centralisation of trading and post-trade processing increases, open access and interoperability in the area of essential services will gain importance,

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and regulators will need to consider whether new services need to comply with existing standards.

(iii) Accounting, Auditing and Public Disclosure

1. Non-Audit Services of Auditors

Agency: IOSCO

Contact Information: Isabel Pastor (isabel@iosco.org)

Completion Date: March 2007

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD241.pdf>

Brief Description: Following the March 2005 Technical Committee report entitled *Strengthening Capital Markets Against Financial Fraud* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD192.pdf>), IOSCO decided to set up a Task Force on Non-Audit Services. This involves a study of issues bearing on quality audits and auditor independence. The objective is to lead to improvements in auditor independence practices as well as to encourage cross-border convergence of these practices. There is a focus on the issue of non-audit services offered to publicly listed audit clients and the potential impact of these services on auditor independence. A survey has been conducted among members to collect information in this area and the results have formed the basis of a report on the current regulation of non-audit services. The final objective is to recommend reforms that might facilitate cross-border convergence of prevailing practices. During the Technical Committee meeting of November 2006 it was agreed to approve a summary report. The summary report was published in January 2007 (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD231.pdf>). It was also agreed to approve the complete survey report and to authorize its posting in the section of the IOSCO Internet Home Page that is reserved to the members. The Technical Committee has also agreed to authorize the public release of the complete survey report entitled *Survey on the Regulation of Non-Audit Services Provided by Auditors to Audited Companies* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD241.pdf>).

2. Disclosure of Special Purpose Entities (SPE)

Agency: IOSCO

Contact Information: Eduardo Manso (Eduardo@iosco.org)

Completion Date: April 2007

Brief Description: As a follow-up to the March 2005 Technical Committee report entitled *Strengthening Capital Markets Against Financial Fraud* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD192.pdf>), the Technical Committee initiated work on disclosure about special purpose entities (SPEs). The objective was to determine whether the use of unconsolidated SPEs warrants additional disclosure by public issuers. IOSCO has surveyed the accounting and non-financial statement disclosure requirements in the jurisdictions of the Technical Committee members that are applicable to the use of unconsolidated SPEs, as well as

the required level of audit assurance on this information. IOSCO also requested that Technical Committee members review a limited sample of filings prepared by public issuers in their jurisdictions to identify, to the extent possible, whether these issuers disclose more than is currently required with respect to their use of unconsolidated SPEs. IOSCO has completed a draft survey report and in April 2007 it was presented for consideration by the Technical Committee. The report presented the results of a survey covering sixteen jurisdictions and an analysis of the survey results. It was agreed that it would be premature at this point in time to attempt to develop a global approach for addressing issuer's reporting of information to investors regarding unconsolidated SPEs. IOSCO will continue to monitor developments with respect to off-balance sheet financings, including unconsolidated SPEs, and assess at a later date whether the development of IOSCO guidance on unconsolidated SPEs would be useful.

(iv) Financial Globalisation, Market Functioning/Conduct and Transparency

1. Financial Stability and Local Currency Bond Markets

Agency: CGFS

Contact Information: cgfs@bis.org

Completion Date: June 2007

Brief Description: A working group on financial stability and local currency bond markets was established in November 2005. The working group was mandated to review (i) how far the issuance of local currency debt improves domestic financial intermediation; (ii) the international dimension of these developments; (iii) how sectoral risk exposures arising from indebtedness might be quantified; and (iv) how the monitoring of exposures to credit and market risk can be facilitated. One major finding of the working group is that exposure to currency depreciation risk has declined in most emerging market economies. Net foreign currency exposures vis-à-vis non-residents have fallen substantially. In addition, the proportion of financial contracts and instruments between residents that are denominated in foreign currency (notably domestic bonds and bank deposits/loans) has been reduced. The deepening of local currency bond markets across a range of maturities has encouraged increased participation by institutional investors such as insurance companies, pension funds and mutual funds (which in turn contributes to deeper markets). Notwithstanding these substantial benefits, however, the shift in the composition of debt from external foreign currency bonds to domestic local currency bonds raises two possible issues that policies may need to address. The first issue is that, because the maturity of domestic bonds is on average shorter than the maturity of external bonds, the exposures to interest rate and refinancing risks have increased. Yet the risks from such exposures are probably less serious than those from large currency mismatches. A second issue is that higher interest rates on domestic bonds than on external bonds (allowing for exchange rate changes) means that debt servicing costs are increased.

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2. The Globalization of Financial Institutions: Financial Stability Implications

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Financial Sector Policy Division (contact: Mark Swinburne, mswinburne@imf.org, +1 202 623 4777).

Completed Date: April 2007 (published in Global Financial Stability Report, April 2007)

Brief Description: Complementing the rapid growth of cross-border financial flows is the expansion of financial institutions into foreign markets, both regional and global. This trend should enhance financial efficiency and stability through the transfer of knowledge and technology, the diversification of institutions' assets cross-border and the potential decoupling of lending decisions from domestic credit conditions. However, longer-term institutional issues can arise from loss of focus on core activities or markets and the increasing complexity of risk management in a cross-border entity. Systemically, as a number of large institutions diversify into increasingly correlated markets and economies, the gains from diversification diminish while the concentration of counterparty risk increases. This paper describes the degree to which the globalization of financial institutions is occurring, and assesses the evidence as to whether contagion risk between major international banks is increasing. It discusses the implications for policies designed to promote financial stability, notably the need for greater supervisory cooperation between home and host supervisors, and of improved arrangements for managing cross-border financial crises. The overall conclusion is that, while the globalization of financial institutions should enhance systemic stability when faced with moderate shocks, it may make the international financial system more susceptible to large ones.

3. International Capital Flows and Implications for Global Financial Stability

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Completion Date: April 2007 (published in Global Financial Stability Report, April 2007)

Brief Description: Gross international capital flows have increased sharply, tripling over the past decade to \$8.4 trillion annually. This work examines the growth in gross international capital flows and the broadening of the investor base and provides an analysis of the implications for financial stability. It also provides a discussion of policies available to promote the sound and stable development of the supply of international capital.

4. The implications of alternative investment vehicles in corporate governance

Agency: OECD

Contact Information: Mats.Isaksson@oecd.org

Completion Date: July 2007

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Website Locator: <http://www.oecd.org/daf>

Brief Description: At its meeting in April 2007, the OECD Steering Group on Corporate Governance concluded that the corporate governance practices of private equity firms and hedge funds are best addressed within the framework of the existing OECD Principles of Corporate Governance. They consequently rejected the idea of a separate OECD code on the role of hedge funds and private equity firms in corporate governance. The conclusions were based on a “fast track report” on the implications of “activist” hedge funds and private equity firms on corporate governance. As a next step, the Steering Group will address some of the specific issues that have attracted public concern, including conflicts of interest, the efficiency of the market for takeovers, transparency around major shareholdings and the robustness of voting systems. For this purpose the OECD will prepare a comparative report on how existing industry codes and standards address such issues and the relevant parts of the OECD Principles of Corporate Governance. The report will be completed in the fall 2007 and discussed at the Steering Group’s meeting of 14 November 2007, which will also host a consultation with industry representatives.

5. Multi-jurisdictional Information Sharing for Market Oversight

Agency: IOSCO

Contact Information: Pamela Vulpes (p.vulpes@iosco.org)

Completion Date: April 2007

Website Locator <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD248.pdf>

Brief Description: IOSCO has finalized the work on its mandate on multi-jurisdictional information sharing for market oversight. The Technical Committee’s Standing Committee 2 developed and circulated to its members a specialized questionnaire on this topic. This survey was aimed at identifying their regulatory approaches with regard to markets that operate or seek to operate in more than one jurisdiction. It also aimed to obtain information concerning the categories of information that could be usefully shared between regulators with regard to cross-border trading of securities. A summary of the responses to the questionnaire has been posted on the members’ only section of the IOSCO webpage. In addition, the Standing Committee 2 has proceeded to the analysis of the data gathered from the survey, and the expectation is that the Technical Committee has approved a report for public consultation in February 2007. Standing Committee 2 proceeded to an analysis of the comments gathered from the international financial community on the Technical Committee Consultation Report entitled *Multi-jurisdictional Information Sharing for Market Oversight* and prepared a draft final report that takes into account the comments received. The Technical Committee approved the final report for publication in April 2007 (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD248.pdf>).

(v) Prudential Regulation and Supervision

1. Issues Paper in Regulation and Supervision of Microinsurance

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- Agency: IAIS
Contact Information: iais@bis.org
Completion Date: June 2007
Website Locator: [http://www.iaisweb.org/ temp/Issues Paper in regulation and supervision of microinsurance June 2007.pdf](http://www.iaisweb.org/temp/Issues_Paper_in_regulation_and_supervision_of_microinsurance_June_2007.pdf)
- Brief Description: The paper defines microinsurance as an insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices, and funded by premiums. It outlines salient features of regulation and supervision of microinsurance and provides input for high-level expert discussion among regulators, supervisors and other stakeholders involved in the provision of insurance services for lower income segments. It recognizes that the IAIS Insurance Core Principles are the foundation of all insurance supervision, including microinsurance.
2. Report on Preventing, Detecting and Remediating Fraud in Insurance
- Agency: IAIS
Contact Information: iais@bis.org
Completion Date: May 2007
Website Locator: [http://iaisweb.org/ temp/Report on the survey on preventing detecting and remediating fraud in insurance May 2007.pdf](http://iaisweb.org/temp/Report_on_the_survey_on_preventing_detecting_and_remediating_fraud_in_insurance_May_2007.pdf)
- Brief Description: This report builds on the IAIS's Guidance paper on preventing, detecting and remediating fraud in insurance, published last year. The guidance paper was written by the IAIS Insurance Fraud Subcommittee (IFS) to assist insurance supervisors to address fraud risk management in insurance and to assist insurers and intermediaries in the prevention, detection and remediation of the potential risk of fraud. To improve the draft guidance paper, a survey questionnaire was developed and sent to IAIS Members and Observers and to the members of the International Association of Insurance Fraud Agencies (IAIFA). This report describes the results of the survey.
3. Guidelines on Funding and Benefit Security of Private Pensions
- Agency: OECD
Contact Information juan.yermo@oecd.org; +33 145 24 96 62
Completion Date: May 2007
- Brief Description: The guidelines on funding and benefit security were prepared by the Working Party on Private Pensions to further develop one of the Core Principles of Occupational (employment-based) Pension Regulation adopted by the OECD Council as a Recommendation in July 2004. They complement other Guidelines already completed, covering "pension fund governance", "the rights of members and beneficiaries" and "pension fund asset management". The focus of this new set of guidelines is the funding of defined benefit pension plans. They include rules on valuation and funding of pension plan liabilities, plan termination procedures and

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guarantee arrangements. Their aim is to promote the financial security of pension funds and adequate retirement income to retirees, while avoiding undue costs on employers. A public consultation was completed in 2006. The OECD Council approved the Recommendation of Guidelines on Funding and Benefit Security in Occupational Pension Plan in May 2007.

II. Ongoing Work

(i) Macroeconomic Management, Surveillance and Transparency

1. External Vulnerability Assessments

Agency: IMF

Contact Information: IMF Surveillance Review Division (tvanderwilligen@imf.org)

Target Date: Ongoing

Brief Description: Key objectives of IMF surveillance (Article IV) country reports are to provide in-depth analysis of exchange rate and financial sector issues, debt sustainability, regional and global spillovers, and balance sheet vulnerabilities. In recent years, there has been a general shift in the emphasis of Fund surveillance from real sector to financial developments and their interactions, and a greater focus on balance sheet linkages and the sources of financing.¹ More than two-thirds of recent Article IV reports provide explicit analysis of elements of vulnerability to balance of payments crises, supported by debt sustainability analyses and discussions of financial and corporate sector vulnerabilities.

In April 2007, the International Monetary and Financial Committee (IMFC) welcomed progress in implementing the Managing Director's medium-term strategy (MTS) for the IMF, which places strong emphasis on strengthening the effectiveness of surveillance. Key initiatives aim at revisiting the framework for surveillance and strengthening its practice. Regarding the former, (i) a thorough review of the foundations of surveillance has culminated in a new Decision on Bilateral Surveillance over Members' Policies that updates, repeals, and replaces the 1977 Decision on Surveillance over Exchange Rate Policies (see section I above). The new Decision became effective immediately and should be reflected in staff reports issued from July 2007. Also with regard to strengthening the framework of surveillance, (ii) consideration is being given to issues of independence and accountability, including a possible remit or statement of surveillance priorities, and (iii) the first multilateral surveillance consultation (MC) is ongoing, focusing on global imbalances (See <http://www.imf.org/external/np/sec/pr/2007/pr0772.htm> for an IMF Press Release concerning the IMFC's review of the first MC). To strengthen practice, the IMF's Monetary and Financial Systems Department and International Capital Markets Department were merged to form the Monetary and Capital Markets Department to support better integration of the analysis of financial sector issues into bilateral surveillance. As well, analytical approaches are being strengthened by refining modeling tools, setting up a comprehensive database to support the analysis of global imbalances and other multilateral policy issues, and adding a contingent claims approach to the analytical framework for

¹ Some recent examples of balance sheet work are: the coverage of the U.S. household sector and mortgage markets in the *WEO* and *GFSR*, the long-term public sector balance sheet issues set out in Germany's Article IV report, and the analysis of the credit derivatives market in the United Kingdom Article IV report.

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balance sheet analysis. The work of the Consultative Group on Exchange Rates, which involves estimating multilaterally-consistent equilibrium exchange rates, is being refined and expanded to cover emerging market countries. Finally, more emphasis is being put on risk-based scenario analysis and on the macroeconomic implications of financial sector issues in IMF multilateral surveillance.

2. Transparency of IMF Policies and Assessments

Agency: IMF

Contact Information: IMF Surveillance Review Division (tvanderwilligen@imf.org)

Target Date: Ongoing

Brief Description: Under the IMF's transparency policy, publication is voluntary but presumed for most country documents, including Article IV consultation, Use of Fund Resources, country policy intention, regional surveillance, and related documents. Publication of Financial System Stability Assessments (FSSAs) and Reports on the Observance of Standards and Codes (ROSCs) is voluntary. ("Voluntary" means that publication requires the member's explicit consent. "Presumed" means that a document is expected to be published within 30 calendar days following the Board meeting.) For countries with programs involving exceptional access to IMF resources, the Managing Director will generally not recommend Board approval of a program or completion of a review unless the authorities consent to publication of the staff report. The IMF's transparency policy allows for the deletion of specified sensitive material prior to publication at the relevant member country's request. In addition, publication of Fund policy papers, except those pertaining to administrative matters of the IMF, is presumed, and the Executive Board agenda is made public several days in advance. A review by the Executive Board of the transparency policy was completed in August 2005 with the issuance of an amended Transparency Decision. The main changes introduced aimed at clarifying the scope for deletions prior to publication of a document and reducing publication lags. The vast majority of IMF staff reports are now published. Detailed publication statistics and trends are available at <http://www.imf.org/external/np/pp/eng/2007/013007.pdf>.

3. Sovereign Asset Management: Guidelines for Foreign Exchange Reserves Management

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Sovereign Asset and Liability Management Division, IMF(udas@imf.org)

Target Date: Ongoing

Brief Description: The Guidelines for Foreign Exchange Reserves Management have been developed as part of the IMF's broader program to help strengthen the international financial architecture, promote policies and practices that contribute to stability and transparency in the financial sector, and reduce external vulnerabilities (see <http://www.imf.org/external/pubs/ft/ferm/guidelines/2004/index.htm>).

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The Guidelines are intended to assist governments in strengthening their policy frameworks for reserve management so as to help increase their country resilience to shocks that might originate from global financial markets or within the domestic financial system. The aim is to help the authorities articulate appropriate objectives and principles for reserve management and build adequate institutional and operational foundations for good reserve management practices. The Guidelines are being used as a framework to review reserve management practices. Key issues regarding reserve adequacy, strategic asset allocation framework, transparency, and accounting and measurement of reserves are covered in IMF's work on Article IV surveillance, FSAPs, as needed, and through technical assistance work.

4. Sovereign Liability Management: Guidelines for Public Debt Management

Agency: IMF and World Bank

Contact Information: Monetary and Capital Markets Department, Sovereign Asset and Liability Management Division, IMF and The World Bank Treasury
Udaibir S. Das (udas@imf.org), and Phillip R. D. Anderson (prdanderson@worldbank.org)

Target Date: Ongoing

Brief Description: The Guidelines for Public Debt Management, developed by the IMF and the World Bank in 2001, are being used as a framework to review debt management framework and practices and as a tool in assisting governments in designing debt management reforms. An assessment of public debt management has been incorporated into surveillance work, where relevant, and included in other Bank and Fund advisory and technical assistance work. A paper reviewing Bank-Fund staff experience with applying the Guidelines in strengthening public debt management frameworks and capacity in developing countries was discussed by the Boards of the two institutions in May 2007 and led to endorsement of an agenda for strengthening debt strategy and debt management in middle- and low-income countries (*Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward*, Prepared by the Staff of the IMF and the World Bank <http://www.imf.org/external/np/pp/2007/eng/032707m.pdf>). The paper draws key lessons, identifies the continuing challenges facing debt managers, and proposes further capacity building and advisory work in public debt management. Ongoing capacity building efforts include work related to strengthening debt management within the context of a broader asset-liability management framework.

5. Methodological Framework for Medium-Term Debt Strategies

Agency: IMF and World Bank

Contact Information: Udaibir S. Das (udas@imf.org), and Vikram Nehru (Vnehr@worldbank.org)

Target Date: Ongoing

Brief Description: Efforts are underway to strengthen public debt management capacity in low-income countries through the development of effective public debt management frameworks. A joint Bank-Fund technical working group is developing a methodological framework for medium-term debt strategies, with a view to helping low-income countries make well-informed decisions about public debt and its management that is consistent with maintaining debt sustainability and limiting portfolio risk over the medium term (see <http://www.imf.org/external/np/mae/pdebt/2000/eng/index.htm>). The development of the MTDS will be undertaken in close cooperation with various stakeholders - including other technical assistance providers and donors- -after which pilot missions in selected low-income countries will be undertaken.

(ii) Identifying Financial System Strengths and Weaknesses

1. Reports on Financial Stability and Regulatory Risk Assessments

A number of central banks, regulators and international institutions now publish reports that attempt to identify current and prospective risks to institutions and financial systems operating in their jurisdictions. Below is a list of website links of reports regularly published by the members of the Financial Stability Forum (similar reports are, needless to say, also published by bodies outside the FSF membership).

- Reserve Bank of Australia: Financial Stability Review (http://www.rba.gov.au/FinancialSystemStability/financial_publications.html)
- Bank of Canada: Financial System Review (<http://www.bankofcanada.ca/en/fsr/index.htm>)
- Banque de France: Financial Stability Review (http://www.banque-france.fr/gb/publications/rsf/rsf_b.htm)
- Deutsche Bundesbank: Financial Stability Review (http://www.bundesbank.de/presse/presse_finanzstabilitaetsbericht.en.php)
- Hong Kong Monetary Authority: Monetary and Financial Stability Report (<http://www.info.gov.hk/hkma/eng/public/index.htm>)
- Bank of Japan: Financial System Report: An Assessment of Financial System Stability (<http://www.boj.or.jp/en/theme/finsys/fsys/index.htm>)
- De Nederlandsche Bank: Overview of Financial Stability in the Netherlands (http://www.dnb.nl/dnb/home/news_and_publications/dnb_publications/overview_of_financial_stability/en/13-66426-64.html)
- Monetary Authority of Singapore: Financial Stability Review (http://www.mas.gov.sg/masmcm/bin/pt1MAS_FSR.htm)
- Financial Services Authority, UK: Financial Risk Outlook (http://www.fsa.gov.uk/pubs/plan/financial_risk_outlook_2006.pdf)
- Bank of England: Financial Stability Report (<http://www.bankofengland.co.uk/publications/fsr/2006/fsr20.htm>)
- European Central Bank: Financial Stability Review (<http://www.ecb.int/pub/pdf/other/financialstabilityreview200612en.pdf>)

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- International Monetary Fund: Global Financial Stability Report (<http://www.imf.org/external/pubs/ft/gfsr/index.htm>)
- World Bank: Global Development Finance Report (<http://www.worldbank.org/reference/>)

2. Financial Sector Assessment Program

Agency: IMF and World Bank

Contact Information: Monetary and Capital Markets Department, Financial Sector Policy Division, Mark Swinburne (mswinburne@imf.org, + 1 202 623 4777); Susan Marcus (smarcus@worldbank.org, +1 202 458 0035)

Target Date: Ongoing

Brief Description: The Financial Sector Assessment Program (FSAP) provides a comprehensive framework for identifying financial system strengths, risks, and vulnerabilities, assessing development needs and priorities, and helping to develop appropriate policy responses. These analyses provide the basis for the IMF's Financial System Stability Assessments (FSSAs) which are discussed by the IMF Executive Board within the context of a country's Article IV consultation (see www.imf.org/external/np/fsap/fsap.asp for published FSSAs). They also provide the basis for the World Bank staff's Financial Sector Assessments (FSAs), which are distributed to the World Bank Executive Board for information (see <http://worldbank.org/fsap> for published FSAs). A significant part of the IMF/World Bank work on assessing OFCs and on anti-money laundering and combating terrorist financing is also undertaken under the FSAP.

About 140 countries and economies, including all G-20 member countries except China, Indonesia, and the United States have undergone, or have formally requested, an initial assessment under the program (for Argentina, a G20 country, an initial assessment started in 2001, but was interrupted by the financial crisis). About 50 countries, including some G-20 countries, have undergone or requested an FSAP update. FSAP training seminars are being conducted jointly by the IMF and the World Bank for country officials. IMF and the World Bank also are carrying out FSAP-related financial sector work in regions with significant cross-border linkages; examples include regional financial sector exercises for Central America (in 2005) and for the Nordic-Baltic region (in 2006). *The Financial Sector Assessment Handbook* dealing with techniques of assessments of financial stability and developmental needs, country experiences, and the FSAP process was published by the World Bank and the IMF in 2005 and is available on the institutions' websites (see <http://www.worldbank.org/FSAHandbook> or <http://www.imf.org/external/pubs/ft/fsa/eng/>).

The IMF and World Bank Boards reviewed the FSAP in March 2005 (see www.imf.org/external/np/sec/pn/2005/pn0547.htm) and adopted a number of decisions, aimed at improving the framework for the updates, increasing awareness of the program, and improving follow-up. In the beginning of 2006 the Boards discussed the independent

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evaluations of the FSAP undertaken by respectively the IMF Independent Evaluation Office and by the World Bank's Independent Evaluation Group (see <http://www.imf.org/external/np/ieo/2006/fsap/eng/pdf/sumup.pdf>). The Boards were encouraged by the main conclusion of the reports that the FSAP represented a distinct improvement to the conduct of financial sector surveillance and identification of financial sector development issues. The Boards also adopted further measures for improvement, aimed in particular at enhancing the FSAP prioritization process and integration in surveillance. The staffs have been working at implementing the recommendations. The *Final Report of the External Review Committee on Bank-Fund Collaboration*, February 2007, chaired by Pedro Malan, noted that Bank-Fund coordination in the financial sector has generally worked well but also cited challenges arising from the expanding overlap of the World Bank and the IMF in financial sector work, and called for further strengthening of collaboration. The next review of the program by the Fund and Bank Boards will be in 2009.

3. External Assessments of Implementation through Reports on the Observance of Standards and Codes (ROSCs)

Agency: IMF and World Bank

Contact Information: IMF Surveillance Review Division (tvanderwilligen@imf.org); lpromisel@worldbank.org

Target Date: Ongoing

Brief Description: The IMF and the World Bank have recognized 12 areas as useful for their operational work and endorsed associated standards in 11 areas, which fall in three broad categories: transparency, financial sector, and market integrity. The financial sector standards include banking supervision, securities, insurance, payments and securities settlement systems, and AML/CFT, and are usually assessed under the FSAP. Reports on the Observance of Standards and Codes (ROSCs), which are prepared and published at the request of the member country, summarize the extent to which countries observe these standards and codes. ROSCs and FSAPs can be accessed at <http://www.imf.org/external/standards/index.htm> and <http://www.worldbank.org/ifa>.

As of end-June 2007, 946 ROSC modules and updates (for 137 economies) have been completed, of which 77 percent have been published. Detailed information on published ROSCs is available at <http://www.imf.org/external/standards/summary/2007/0607.pdf>.

Following the review of the standards and codes initiative in July 2005 (<http://www.imf.org/external/np/sec/pn/2005/pn05106.htm>), the IMF issued in June 2006 a paper laying out operational changes made to its work on Standards and Codes to implement its recommendations as well as those of the Managing Director's medium-term strategy. The changes aim at improving the country coverage and prioritization of ROSCs, the integration of ROSCs with IMF surveillance and technical assistance, and the quality and timeliness of ROSCs

(<http://www.imf.org/external/pp/longres.aspx?id=56612>). The Code of Good Practices on Fiscal Transparency was revised in May 2007 (<http://www.imf.org/external/np/fad/trans/index.htm>).

4. Financial Soundness Indicators

Agency: IMF

Contact Information: Armida San Jose (asanjose@imf.org), Andreas Georgiou (ageorgiou@imf.org)

Target Date: Ongoing

Brief Description: The work program on the Financial Soundness Indicators (FSIs) involves a number of initiatives. The IMF has launched a coordinated compilation exercise (CCE), which aims to support efforts by 62 participating countries to compile and disseminate cross-country comparable FSIs. Along with FSAPs and other IMF surveillance work, the CCE should lead to an increasing number of countries compiling FSIs on an ongoing basis. A set of four regional meetings were held in May-July 2005 to help advance the compilation effort at the individual country level. A second round of meetings was held in April-July 2006 to help countries in the CCE finalize the FSI data and metadata they have put together under the CCE. The data and metadata compiled under the CCE for 57 countries were disseminated by the IMF on its website in the early part of 2007. Subsequently, the data and metadata for the remaining CCE-participating countries will be posted on the IMF website as these countries finalize their submissions.

The CCE is using the recommendations of the *Compilation Guide on Financial Soundness Indicators* as a reference in compiling FSIs and producing the metadata for the indicators. This *Guide* has been posted on the IMF's external website and was published as an IMF document in 2006.

Following the dissemination of the FSI data and metadata, a post-CCE evaluation involving a meeting of the CCE Reference Group (consisting of international and regional organizations) and a meeting of CCE countries was held at headquarters in May 2007. The main conclusions from the post-CCE meetings were that (1) the CCE was very useful and relevant to the participating countries' financial stability work, promoting compilation and dissemination of data, as well as a broader awareness of FSIs among country authorities and (2) the CCE fostered a clearer understanding of the FSI compilation methodology and the critical issues involved, making transparent (through the metadata) the mode of compilation of FSIs across countries, thus allowing for more informed cross-country comparisons. Participants in the meetings were strongly supportive of continuing IMF involvement in FSI work. IMF staff will report to the IMF Executive Board in November 2007 on the outcome of the CCE and on proposals for future work of the IMF on FSIs. The report will, among others, reflect the CCE participating countries' views and experience in compiling FSIs and lessons learned in carrying out the exercise.

In parallel with this statistical development work, there has been ongoing analytic work on FSIs aimed at enhancing their usefulness as a surveillance tool. This work has been integrated with the development of other surveillance tools, such as stress testing and standards assessments, and the FSAP. It includes guidance on how to interpret FSIs and apply them to different country situations and work to clarify how to integrate the analysis of FSIs with other financial data and early warning indicators. This work is summarized in the *Handbook of Financial Sector Assessment*, a joint publication of the IMF and the World Bank, which was released in late 2005. The IMF, in collaboration with the Bank for International Settlements, conducted a conference on real estate indicators and financial stability during October 2003. A volume on conference proceedings was released in April 2005. The publication is also posted on the IMF and BIS websites. Work is ongoing as a part of IMF and the World Bank efforts to further develop and refine macro-prudential analysis.

5. Joint External Debt Statistics Hub

Agency: BIS, IMF, OECD, and World Bank

Contact Information: http://www.jedh.org/jedh_contact.html

Completion Date: Ongoing

Brief description: To increase the availability of external debt data to the public, the BIS, IMF, OECD, and the World Bank have developed a joint external debt hub (JEDH) (<http://www.jedh.org/>). The JEDH brings together national external debt data (QEDS) provided by most of the subscribers to the IMF's Special Data Dissemination Standard (SDDS); creditor/market sourced external debt and selected foreign assets data for 175 countries; and associated metadata for the two sets of statistics. The IMF and World Bank have started a joint project aimed at extending the JEDH to subscribers of the IMF's General Data Dissemination Standards (GDDS), particularly low-income countries. The project focuses on disseminating public and publicly guaranteed external debt stock data for participation in QEDS, in line with the GDDS data category. The (public) external debt data for GDDS subscribers will be disseminated once a core number of countries agree to participate. First results for the public are expected to be available by late 2007. Work is ongoing, in particular with the Berne Union (the International Union of Credit & Investment Insurers), to collect data on official and officially-supported trade credits from alternative sources following the discontinuation of the collection by the OECD.

6. Expansion of Debtor Data Coverage in QEDS

Agency: IMF and World Bank

Contact Information: Robert Heath (rheath@imf.org) and Punam Chuhan-Pole (pchuhan@worldbank.org)

Target Date: End 2007

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Brief description: The IMF and the World Bank are developing a project to improve the availability of developing countries' quarterly external debt data to the public (<http://www.jedh.org/>). The project aims to extend the Special Data Dissemination Standards-based Quarterly External Debt Statistics (QEDS) to subscribers of the IMF's General Data Dissemination Standards (GDDS), particularly low-income countries. At present, GDDS participants are not required to report these data for GDDS purposes but rather to provide metadata to be posted on the IMF website. Considering the capacity constraints to produce external debt data in most low-income countries, the project focuses on the public external debt stock data, as the mandatory item for participation in QEDS, but encourages the dissemination of other data in line with the GDDS framework. The project is being implemented in four phases: (1) designing additional external debt data templates for public external debt-service payment schedule data collection and creditor sector information - the template for public and publicly - guaranteed external debt stock data is already available in QEDS; (2) informing the proposed list of GDDS participants about the joint Bank-IMF project and asking them for their comments and support; (3) developing the data collection tool and implementing/adjusting the data collection mechanisms; (4) disseminating in the QEDS the external debt data for GDDS participating countries, once a core number of countries agreed to participate and provided adequate data. In principle, it is intended that the initial results of the project will be available to the public in late 2007.

7. International Reserves and Foreign Currency Liquidity

Agency: IMF

Contact Information: Robert Heath (rheath@imf.org), Phone: +1 202 623 7904

Target Date: 2008

Brief Description: To promote transparency on countries' international reserves and foreign currency liquidity positions, the International Reserves and Foreign Currency Liquidity Data Template (reserves template) is a prescribed item of the IMF's Special Data Dissemination Standard (SDDS). The SDDS calls for subscribing countries to disseminate timely, accurate, and comprehensive template data on their national websites, which are hyperlinked to the IMF's Dissemination Standards Bulletin Board (DSBB). The DSBB is accessible to the public at <http://www.dsbb.imf.org>. In addition, to bring together comparable data for SDDS-subscribing countries in one central location, since 2000 the IMF has invited subscribers, both existing and new, to provide their reserves template data to the IMF for re-dissemination on the IMF's external website (<http://www.imf.org/external/np/sta/ir/index.htm>). This website also disseminates countries' time series data on key components of the reserves template, facilitating research and analysis. Around 60 subscribing countries transmit their template data to the IMF for re-dissemination. Since April 2007, data have been added for six economies (including the ECB and the Eurosystem). Countries' template data are to be compiled under an internationally agreed framework set out in the *International Reserves and Foreign Currency Liquidity*:

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Guidelines for a Data Template (Guidelines). The *Guidelines* will be reviewed in the context of updating the *Balance of Payments Manual, fifth edition (BPM5)*.

8. Financial Sector Development Indicators

Agency: World Bank

Contact Information: FSDI@worldbank.org

Target Date: Ongoing

Brief Description: The project on Financial Sector Development Indicators (FSDI) has completed its first phase. Data have been made available externally at <http://www.fsd.org/>. FSDI provides easily accessible and standardized information for assessing financial sector development, covering, beyond size, the dimensions of access, efficiency and stability. The information included comprises indicators, benchmarks, detailed statistics and analytical notes that can be utilized to assess financial sectors. The project takes stock of existing data and other information, reviews its quality, coverage and frequency, using robust selection criteria. In addition, new cross-country data have been obtained through surveys, such as that of bank regulatory agencies, and are made available. The project aims to be comprehensive, while retaining the flexibility for customized assessment. Information can be utilized directly or can be complemented opportunistically using sources specific to countries. In the coming periods, FSDI will be further extended in coverage and depth.

9. Effectiveness and Efficiency of Financial Regulation

Agency: OECD

Contact Information: Stephen Lumpkin (stephen.lumpkin@oecd.org;
+33 145 24 15 34)

Target Date: Ongoing

Brief Description: The OECD Committee on Financial Markets is conducting an analysis of regulatory effectiveness and efficiency in selected sub-components of financial services via a case-study approach. Participating delegations with regulatory review procedures in place will provide information on their methodology, how they identify costs and benefits, and resultant outcomes. A companion exercise focused on the insurance and pensions sectors will be conducted by the Insurance and Private Pensions Committee.

10. Financial Management of Large-Scale Disasters

Agency: OECD

Contact Information: Timothy Bishop (timothy.bishop@oecd.org;
+33 145 24 84 66)

Target Date: Ongoing

Brief Description: Based on the work it has conducted on terrorism insurance and catastrophic risks, the OECD has established an International Network on

the Financial Management of Large-Scale Catastrophes, operating under the aegis of the Insurance and Private Pensions Committee and the Committee on Financial Markets. The objective of the Network is to promote the exchange of information regarding the mitigation and financial management of large-scale natural and man-made disasters, review the tools and schemes implemented in OECD and non-OECD countries, and develop policy analysis and recommendations aimed at improving catastrophe mitigation and compensation strategies and addressing financial and systemic risks that may arise from large-scale disasters. The first Conference to be organized under the auspices of the Network was held in Hyderabad, India, on 26-27 February 2007, in cooperation with the Insurance Regulatory and Development Authority of India.

11. Financial Sector Capacity Enhancement Program

Agency: World Bank

Contact Information: ssmith7@worldbank.org;

Afleming@worldbank.org (learning);
Imerican@worldbank.org (AML/CFT)

Target Date: Ongoing

Brief Description: The Financial Sector Capacity Enhancement Program of the World Bank has three main components: the Financial Sector Learning Program; the Anti-Money Laundering and Combating the Financing of Terrorism; and the Financial Sector Assessment Capacity Enhancement Initiative. The program offers a range of training activities, including institution building, that foster a firm foundation for financial services, sound banking systems, strong capital markets, a diversified financial system, and improved access by the poor and small-and medium-sized enterprises to financial services. The topics range from risk management to financial infrastructure and access to finance. Activities, which include global, regional and country focus events, are steadily growing.

In delivering training activities, the Financial Sector Capacity Enhancement Program partners with various multilateral, bilateral and academic organizations as well as standard setting agencies, private sector institutions, and NGOs at the local level.

12. Dialogue with Financial Market Stakeholders

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD239.pdf>

Brief Description: With a view to enhance the dialogue with the industry, the Technical Committee decided in its meeting of February 2007, to publish the report entitled *An Overview of the Work of the IOSCO Technical Committee*, as a consultation report with a comment period ending on 8 June 2007. In addition, on 26 March 2007 a meeting was organized at

the Madrid IOSCO premises with a number of industry representatives of close to a dozen bodies, including the IOSCO SRO Consultative Committee. Representatives from accounting and auditing firms were not however present at that meeting nor were representatives from investors (institutional or retail), CRAs and public issuers. This meeting enabled an exchange of preliminary views on the Technical Committee decision to deepen its dialogue with financial market stakeholders. The Chairman of the Technical Committee encouraged the bodies present at the meeting to send comments on the aforementioned Technical Committee consultation report. The industry representatives present at the Madrid meeting were eager to pursue the dialogue. Analyzing all the comments that have been received from the international financial community, after the 8 June 2007 deadline, constitutes the next step. This work should assist the Technical Committee in determining the next move forward. The Chairman of the Technical Committee intends to prepare for the next TC meeting in November 2007 a discussion paper that will contain a number of options as to how an enhanced dialogue with financial market stakeholders could subsequently be pursued.

(iii) Market Infrastructure

1. Principles of Corporate Governance

Agency: OECD and World Bank

Contact Information: mats.isaksson@oecd.org; tbarger@ifc.org

Target Date: Ongoing

Brief Description: In November 2006 OECD Steering Group on Corporate Governance agreed on a methodology for assessing the implementation of the OECD Principles of Corporate Governance. As an integral part of developing the assessment methodology, the Group also completed a pilot country study evaluating Turkish corporate governance standards and practices. A brochure describing how the Methodology can be used is under preparation and presentations are being about its main features in the Regional Roundtables (see below).

Under the ROSCs initiative, the World Bank takes the lead in assessing the compliance of the corporate governance of emerging market countries with the OECD Principles of Corporate Governance. As of end-June 2007, 62 corporate governance ROSCs have been completed or were underway for 52 countries, including 11 updates; 49 assessments have been published. The World Bank assisted in the development of the OECD's *Methodology for Assessing the Implementation of the OECD Principles on Corporate Governance*, and has now incorporated the Methodology into the ROSC process.

The OECD and World Bank Group regularly organize Regional Roundtable meetings in key emerging and developing markets. These are also supported by an IFC-administered multi-donor funded Global Corporate Governance Forum. The Roundtables are currently focused on implementing priorities agreed to in White Papers on Corporate

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Governance issued for Russia, Asia, Latin America and South East Europe, and a Comparative Overview for Eurasia (see <http://www.oecd.org/daf/corporate-affairs/roundtables>). The OECD also has corporate governance programmes in China and the Middle East North Africa (MENA) region.

2. Corporate Governance of State-Owned Enterprises

Agency: OECD and World Bank

Contact Information: Mats Isaksson (mats.isaksson@oecd.org); Alex Berg (aberg@worldbank.org)

Target Date: Ongoing

Brief Description: Activities are also under way to support the active use and implementation of the OECD Guidelines on Corporate Governance of State-Owned Enterprises (SOEs). Regional Roundtables focusing on governance of SOEs have been held in China, Russia, Latin America and the MENA regions, Southeast Europe and Eurasia. The strong global interest in this work has led to the launching of an OECD global network on corporate governance of state-owned enterprises which will have its first meeting at the beginning of 2008. This global network will be supported by regional networks in Asia and Latin America. The Asia Network had its first meeting in Singapore in May 2006 and met again in the Philippines in April 2007. The Working Group on Privatisation and Corporate Governance of State-Owned Assets will focus its work in 2007-2008 on developing a transparency and accountability guide for the state as a shareholder and will develop a best practice manual to prepare for successful privatisation based on a prior review of recent experience.

In response to demand from its client countries, the World Bank has also developed a set of diagnostic tools to review the corporate governance of state-owned enterprises and the performance of client governments as owners, in line with the OECD Guidelines. Four pilot reports have been drafted to date, and five more are on-going. The reviews cover the corporate governance of state-owned enterprises, as well as the performance and professionalism of the state acting as the owner / shareholder of the enterprises.

3. Assistance for Countries in Reviewing Corporate Governance in Banking Organizations

Agency: World Bank

Contact Information: Laura Ard (lard@worldbank.org, +1 202 473 9662)

Target Date: Ongoing

Brief Description: In concert with the BCBS revision and issuance of the revised principles for “Enhancing Corporate Governance in Banking Organizations”, the World Bank is assisting partner countries to review the state of their commercial bank governance framework. Since inception, six reviews have been completed with additional reviews planned. The objectives of each review are tailored to a country’s existing settings and circumstances. The final report, in the form of a technical note, includes

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key findings and recommendations for bank governance enhancement at the country level.

A toolkit with which to conduct the bank governance reviews has been developed. This toolkit includes a comprehensive methodology, a set of benchmarks based on the BCBS guidance, and a set of questionnaires for banks and the bank supervisor. It is scheduled for external review by the end of 2007. Following the review, the toolkit will be published and posted on the World Bank website.

The World Bank also has recently developed guidelines for the corporate governance of state-owned commercial and development banks and is preparing case studies that highlight good practices. The objective of the work is to clarify the essential components of good corporate governance in a state bank and how demanding and costly it can be to put in place. The work is a response to resurging interest in state banking, especially state development banking, in many client countries.

In the coming months, the World Bank will be enhancing already existing modules designed to review the state of governance in insurance companies, pension funds, and mutual funds.

4. Impact Assessment and Better Regulation in the Area of Corporate Governance

Agency: OECD

Contact Information: mats.isaksson@oecd.org

Target Date: End 2007

Brief description: The OECD Steering Group on Corporate Governance is examining ways to improve evaluation of the regulatory impact and regulatory costs in the area of corporate governance. The ambition is partly to investigate the scope for more evidence-based reform and thereby prepare policy-makers and regulators for taking adequate and more informed actions in response to perceived or real shortcomings in the corporate governance framework. The work will also address the issue of unintended consequences, including unforeseen compliance, surveillance or enforcement costs. The study will cover various techniques such as regulatory impact assessment, risk-based regulation and cost-benefit analysis as tools for better regulation. It will examine how these techniques may be used, both ex ante and ex post, in the formulation/assessment of policy responses to corporate governance issues that also may have impact on financial market integrity and efficiency. A preliminary paper including case studies was discussed by the OECD Steering Group on Corporate Governance at its April 2007 meeting and further case studies will be discussed at its November 2007 meeting.

5. Corporate Governance of Listed Companies

Agency: IOSCO

Contact Information: Isabel Pastor (isabel@iosco.org)

Target Date: May 2008

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Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD238.pdf>

Brief Description: In collaboration with the OECD, IOSCO's Task Force on Corporate Governance (TFCG) is examining how different jurisdictions address important issues relating to the corporate governance of companies on stock exchanges. IOSCO published in February 2007 the Report entitled *Board Independence of Listed Companies*, which contains a useful review of the various definitions and roles of independent directors on the board of issuers as they apply in many capital markets. In November 2006, the Technical Committee also agreed to approve detailed terms of reference for a mandate on the protection of minority shareholders. The Task Force is concentrating on Principle III A.2 as applied to listed companies in major securities markets. The focus is on minority shareholders holding ordinary voting stock, but also covers some issues arising out of the use of different classes of equity securities, the mechanisms for minority shareholders to participate in corporate decisions and the impact on them of certain corporate events, including take-over bids. A preliminary report has now been completed and TFCG has initiated the preparation of a questionnaire that will be used to gather related substantive information to identify what mechanisms are in place to protect minority interests in listed companies. The aim of the Report, which is expected to be published by mid-2008, will be to describe, in a fact-finding approach, the different mechanisms in place, including the principles and objectives that inspire them, without establishing recommendations or best practices among them.

6. Corporate Governance of Insurers and Reinsurers

Agency: IAIS

Contact information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS Corporate Governance Task Force has completed a stock take of existing work on corporate governance requirements within the IAIS and work done by other bodies (such as the Basel Committee, IFAC, OECD, IOSCO and CEIOPS). Based on that, the Task Force is now working towards defining the main elements of a broad corporate governance framework applicable to insurers. In conjunction with other IAIS working parties' work, it may also review the Insurance Core Principles and revisit some relevant terminology in the IAIS glossary, e.g. corporate governance and board of directors.

In October 2007 the Task Force will submit a progress report to the IAIS Technical Committee and advance some proposals for further work. After that the Task Force will dissolve and a new Corporate Governance and Compliance Subcommittee will be established to proceed the work in this regard.

7. Assessments and Technical Assistance for Insolvency and Creditors Rights Reform

Agency: World Bank

Contact Information: vtata@worldbank.org, muttamchandani@worldbank.org

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Target Date: Ongoing

Brief Description: In July 2005, the World Bank reported to its Board on the experience in carrying out assessments of insolvency and creditor rights systems under the ROSC programme.

The World Bank is the designated institution for the conduct of ROSC assessments in the area of insolvency and creditor rights. To date, ICR ROSC assessments have been completed or are underway in 38 countries. Assessments typically lead to a dialogue on legal modernization initiatives and have led to assistance on reform in 80% of the countries where assessments have been completed. The World Bank continues to review the contributions of the ROSC programme in order to consolidate lessons learned.

In regions where the lack of development of insolvency systems has been particularly acute, the World Bank has launched region-wide initiatives (e.g. MENA) to catalyze the ICR reform process.

The World Bank Group's follow-on technical assistance projects have included (i) supporting the legislative reform and drafting process (numerous countries, particularly in LAC and ECA), (ii) implementing collateral registries (Nepal and Honduras), and (iii) providing specific, tailored advice to governments on the implementation of specific ROSC recommendations (Nigeria, India and Sri Lanka).

8. Principles and Guidelines for Effective Insolvency and Creditor Rights Systems

Agency: World Bank

Contact Information: vtata@worldbank.org, muttamchandani@worldbank.org

Target Date: Ongoing

Brief Description: In fulfilment of its standard-setting responsibilities for insolvency and creditor rights, the World Bank has maintained a wide dialogue with the international community and developing countries on the *Principles*. This dialogue, the Bank's experience with ICR ROSC assessments, as well as the Bank's ongoing collaboration with UNCITRAL have all helped to inform the revised version of the World Bank's *Principles (Revised Principles 2005)*. The collaboration with UNCITRAL has also led to the development of a Creditor Rights and Insolvency Standard (*ICR Standard*), comprising the *Revised Principles 2005* and the recommendations that form part of the UNCITRAL Legislative Guide on Insolvency Law. Future ICR ROSC assessments will be conducted on the basis of this unified standard. The World Bank's *Revised Principles 2005* and a proposed form of the unified *ICR Standard* have been posted on the Bank's website at http://www.worldbank.org/ifa/rosc_icr.html.

Working with the IMF and UNCITRAL staff and experts, World Bank legal staff and internationally recognized experts in the field from around the world have completed the ICR ROSC Assessment Methodology (*ICR ROSC Methodology*). The ICR ROSC Methodology is based on the World Bank's Principles and Guidelines for Effective

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Insolvency and Creditor Rights Systems, as well as UNCITRAL's Legislative Guide on Insolvency.

In July 2005, the World Bank reported to its Board on next steps in completing the *ICR Standard*, and on a new methodology for work in this area. The World Bank is continuing to dialogue with other key stakeholders to develop a more concise version of the *ICR Standard* and expects to report to the Board on those efforts in FY08.

In addition, as part of the World Bank's ongoing standard-setting functions, the World Bank, UNCITRAL and other international partner continue to examine emerging issues in insolvency through colloquia involving experts and stakeholders, and publications. Current issues most relevant to systemic stability include (i)the need for a legal framework for the treatment of corporate groups in insolvency, (ii)the impact of the extensive use of derivative instruments as loan-risk hedging tools and (iii)the insolvency of state-owned enterprises.

The Global Insolvency Law Database (GILD), which, inter alia, provides an information portal for policy-makers to access both global and region-specific information on insolvency reform (www.worldbank.org/gild), was launched as a companion piece to the initiative and is being continually developed and updated.

9. Global Forum on Insolvency Risk Management and Regional Roundtables

Agency: OECD and World Bank

Contact Information: elena.miteva@oecd.org,
vtata@worldbank.org, muttamchandani@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank organized the Forum on Insolvency Risk Management (FIRM) to sustain a global dialogue on the fundamental role and importance of insolvency and creditor rights systems. The Forum is being promoted in collaboration with the OECD to coordinate outreach on insolvency and creditor rights systems through a series of regional roundtables, including the Forum for Asian Insolvency Reform (FAIR) and the Forum on Insolvency in Latin America (FILA).

Organized by the OECD, and co-sponsored by the World Bank and ADB, in partnership with the Governments of Australia and Japan, the FAIR seeks to promote a regional dialogue on initiatives related to insolvency, risk management and credit systems. The FAIR will shift its focus from stocktaking and raising awareness of international guidance to building capacity and implementation. It will draw on a dedicated Network of policy makers and practitioners from the region, to be established in 2007. The FAIR will reconvene in 2008. Prior FAIR meetings have taken place in China, India, Korea, Thailand, and Indonesia. In June 2004, the World Bank and OECD launched the FILA, to promote a dialogue in the Latin American region on the topic of Enterprise Restructuring and Revitalizing Business Environments. The OECD, in conjunction with the World Bank and Hawkamah

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organized a meeting in Cairo on insolvency as part of the MENA Working Group on Corporate Governance.

10. Global Judges Forum

Agency: World Bank

Contact Information: vtata@worldbank.org,
muttamchandani@worldbank.org, arouillon@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank launched the Global Judges Forum in 2003 to promote the sharing of experience among insolvency and commercial law judges from around the world, bringing together more than 100 judges from 70 countries. In 2007, the first joint judicial colloquium between the Bank, UNCITRAL and INSOL International (the leading insolvency NGO) was held in Cape Town, South Africa.

This represented the first such joint effort and the first major international insolvency conference to ever be held on the African continent. The event brought together judges from around the developing and developed worlds to discuss issues of mutual concern in insolvency. In particular, the issue of multi-jurisdictional insolvencies, particularly as manufacturing assets are increasingly found in the developing world while 'head office' functions are carried out in the developed world.

The World Bank continues to work towards the development of protocols that permit court-to-court communication and facilitate the reduction of duplicative and contradictory processes in multi-jurisdictional insolvencies. These efforts do not seek to substantively alter domestic law but, rather, to provide a procedural framework for the coordination of legal proceedings that transcend individual legal systems. In addition, the World Bank continues to facilitate knowledge sharing and policy dialogue *within* countries and, in particular, between policy-makers, judges, academics and private-sector actors (most recently in Sri Lanka and Nigeria).

11. Bank Insolvency Initiative

Agency: World Bank and IMF

Contact Information: Ernesto Aguirre (eaguirre@worldbank.org, +1 202 473 4912); Maike Luedersen (mluedersen@imf.org, +1 202 623 7795)

Target Date: Ongoing

Brief Description: The project, closely related to the work on effective insolvency described above, seeks to identify an appropriate legal, institutional and regulatory framework to deal with bank insolvency, including in the context of systemic crisis, and to develop an international consensus regarding that framework. Significant attention is devoted to participation of the highest possible number of countries. The initiative is being coordinated with other international efforts in related areas.

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A number of global and regional seminars, as well as a series of consultation meetings with supervisory/legal authorities in all areas of the world, have been completed. A Core Consultative Group with participation of 17 important countries and a number of international agencies has been actively cooperating in the preparation of the Main Document under the initiative.

A version of the Main Document was presented for a technical briefing to the World Bank Board of Directors in January 2004. The Document and its supporting and complementary papers are being used as benchmarks for voluntary policy dialogue with countries and for the respective reviews of their framework for bank insolvency. A number of pilot country reviews (including Chile, Czech Republic, South Africa and Brazil) have been completed and sent to the respective country authorities. An additional Annex to the Main Document, with a comparative analysis of the pilot country reviews undertaken by the World Bank is close to completion. It is expected that an updated version of the Main Document would be presented at the IMF Board of Directors (in a format similar to the one used at the World Bank) in the second half of 2007. The preparation of an annex to the Main Document dealing with cross border aspects of bank insolvency is currently being considered.

12. Collective Action Clauses

Agency: IMF

Contact Information: IMF Sovereign Asset and Liability Management Division (udas@imf.org)

Target Date: Ongoing

Brief Description: A working group of the G10 Ministers and Governors developed recommendations for Collective Action Clauses (CACs) in international sovereign bond contracts in September 2002 (Report of the G10 Working Group on Contractual Clauses). The use of such clauses has steadily increased since the first such bond was issued in March 2003. By the second half of 2004, almost all bonds issued under New York law by emerging market countries included CACs, which has become the market standard. As of July 2007, bonds with CACs represented 66 percent of the value of the outstanding stock of bonds issued by emerging market countries. In response to calls by the IMFC, the IMF has continued to promote the use of CACs in international sovereign bonds. Progress has also been made in the design of CACs. It now appears that market practice for bonds issued under New York law has rapidly converged to a 75 percent voting threshold (based on outstanding principal) for majority restructuring provisions, in line with the G-10 recommendations. The inclusion of CACs in sovereign bonds has not resulted in any observable impact on pricing.

13. Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets

Agency: G20/IIF

Contact Information: IMF Crisis Resolution Issues Division (mmecagni@imf.org)

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Target Date: Ongoing

Brief Description: In September 2005, the IMFC welcomed the efforts by emerging market issuers and private sector creditors to broaden the consensus on the Principles. These Principles could facilitate dialogue between creditors and debtors, promote corrective policy action to reduce the frequency and severity of crises, and improve the prospects for an orderly and expeditious resolution of crises. The Principles are based on four pillars: information sharing and transparency, close debtor-creditor dialogue and cooperation, good faith actions during debt restructuring, and fair treatment of all parties. A three-tier process for monitoring implementation of the Principles has been developed, including the completion of technical work (Tier One), the creation of the Principles Consultative Group (Tier Two), and the formation of the Group of Trustees (Tier Three).

14. Crisis Resolution

Agency: IMF

Contact Information: IMF Crisis Resolution Issues Division (mmecagni@imf.org)

Target Date: Ongoing

Brief Description: The IMF's current efforts on crisis resolution are focused on improving the process of restructuring sovereign debt within the existing legal framework. This includes (i) promoting the inclusion of collective action clauses (CACs) in international sovereign bonds in jurisdictions where they are not yet the market standard; (ii) monitoring and contributing to the broadening of the consensus between sovereign issuers and their creditors on the Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets (discussed above); and (iii) continuing efforts to enhance the IMF's capacity to assist members in resolving crises. The IMF has continued to analyze cross-country experience with debt restructuring and the restoration of debt sustainability, along with policy issues raised by specific cases (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=19634.0>). It has also examined issues related to the restoration of international capital market access following crises, and has been studying factors that help explain the duration of capital account crises. Going forward, based on the IMF's Medium-Term Strategy, work in the area of crisis resolution will include a review of the IMF's lending into arrears policy.

15. Foreign Exchange Settlement Risk Management

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 1st half of 2008

Brief Description: The sub-group on foreign exchange settlement risk is monitoring the use of the Continuous Linked Settlement (CLS) service and other developments as part of its assessment of the implementation of the strategy for reducing foreign exchange settlement risk adopted by the G10 Governors in 1996. The sub-group is carrying out a survey to gather

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more information on how major market players are settling their foreign exchange transactions; depending on the results of that survey, it will decide what further action, if any, might need to be taken to implement the strategy. A report for public consultation was published in July.

16. Interdependencies of Payment and Settlement Systems

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 1st half of 2008

Brief Description: The CPSS established this working group to study the continuing effects of financial sector consolidation and globalisation on the interdependencies of payment and settlement systems. The working group is analyzing the risk and efficiency implications of key relationships between different systems such as cross-system settlement links and cross-system operational dependencies, with a particular focus on how large financial institutions participate in multiple systems, and how common participants may serve as a channel for risk transmission between systems.

17. Conceptual Developments and Compilation Guidance for Measuring Remittance-related Flows in the Balance of Payments Framework

Agency: IMF and World Bank

Contact Information: Emmanuel Kumah (Ekumah@imf.org +1 202 623 7981), Jens Reinke (jreinke@imf.org, +1 202 623 6493)

Target Date: 2008

Brief Description: The IMF and the World Bank are leading efforts to improve data on remittances in the balance of payments framework. This project is being carried out mainly in response to the outcome of the G7 summit on Sea Island in 2004 which emphasized the importance of remittances and called for better data. Conceptual work, with contributions from a working group convened by the UNSD, will be completed with the publication of *BPM6*. In a related development, the Luxembourg Group (a consultative group formed to develop proposals for improved compilation guidance) held its third and final meeting on 26-27 June 2007 in Brazil. The work is on schedule for publication of compilation guidance on remittances during the first quarter of 2008.

18. Bilateral Remittance Corridor Analysis (BRCA)

Agency: World Bank

Contact Information: lmerican@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank has been conducting bilateral remittance corridor analysis (BRCA) between several countries. These studies are based on a common methodology and guidelines that allow for consistency, quality and comparability of results from the different corridor analyses. The

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corridor studies that have been completed and published are the corridors of US-Mexico Canada-Vietnam, Germany-Serbia, Italy-Albania, US-Guatemala, and UK-Nigeria. Currently, reports examining the Malaysia-Indonesia, UK/US/South Africa-Uganda, and South Korea-Mongolia corridors are being finalized. Requests from both developed and developing economies for World Bank assistance in conducting analysis of other corridors include the corridors between Canada and the Caribbean (Haiti and Jamaica) and US and Honduras. By the middle of 2008, results from these studies will be compiled into a comprehensive report that will draw lessons and options for public policy on remittances that protect the integrity of remittance flows, maximize development impact of remittances, and improve access by remittance senders and beneficiaries to financial services.

19. Enhancing Information Exchange among Securities Regulators

Agency: IOSCO

Contact Information: Isabel Pastor (isabel@iosco.org)

Target Date: Ongoing

Brief Description: To enhance information exchange among the signatory securities regulators and facilitate financial crime investigation, the President's Committee of IOSCO endorsed the IOSCO MMOU during its May 2002 annual meeting

(http://www.iosco.org/library/index.cfm?section=mou_main). The MMOU builds on the many previously existing IOSCO Resolutions and Principles to establish an international benchmark for cooperation and information sharing. Prior to signing the IOSCO MMOU, member regulators must establish through a fair and transparent process that they have the legal capacity to fulfill its terms and conditions. The process adopted for the implementation of the MMOU provides incentives for members that do not have the legal capacity to sign the MMOU to raise their respective national standards. IOSCO is committed to assisting them in this process and a framework for assistance is being developed. As a follow up to the endorsement of the MMOU, a screening group was set up. This group prepared an operational procedure to review the applications sent by members. The MMOU signatory process was officially opened in August 2002. Currently, 41 IOSCO members have completed the application process and have become signatories to the MMOU. Also, 15 IOSCO members have expressed their commitment to become signatories and are currently listed on Appendix B of the MMOU. The 2006 Annual Conference resolved to hold annual reviews of each member currently listed in accordance with Appendix B in order to monitor developments. IOSCO continues to monitor the progress of each member currently listed on Appendix B as they seek to make the transition to become full signatories. The Emerging Markets Committee has recently carried out a project to examine the obstacles that emerging markets face in adopting the MOU. The Report on *Obstacles to Joining the IOSCO MOU*, which was published in April 2007, concluded that some emerging markets may face obstacles in meeting the requirements but that training programs provide invaluable assistance.

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Part of the IOSCO strategic direction involves giving greater prominence to the MMOU. At its April 2005 Annual Conference, IOSCO adopted a timetable by which all member regulators, which are not already signatories to the MMOU, have been asked to meet this international benchmark by 1 January 2010. By this date, all member regulators should have applied for and been accepted as signatories or have expressed a commitment to seek the legal authority that would enable them to become signatories. In order to achieve these objectives, IOSCO is currently providing additional assistance to members, including technical support, so that progress is made. The *IOSCO MOU Assistance Program* aims to help members throughout their application process. The Program which is coordinated by the IOSCO General Secretariat provides experienced specialists to work with members requiring technical assistance in order to help them conform to the necessary international regulatory standards.

20. Dealing with Uncooperative Jurisdictions in Cross-border Cooperation

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: Ongoing

Brief Description: IOSCO has been examining the problems of cross-border cooperation for a number of years. During its 2005 Annual Conference, IOSCO took the opportunity to re-confirm its commitment to raising the standards for cross-border cooperation among securities regulators as a priority task. IOSCO has identified jurisdictions that appear to be unable or unwilling to cooperate, and it has been engaging a dialogue with the relevant authorities in order to resolve outstanding issues. At the 2007 Annual Conference IOSCO welcomed the positive and constructive progress that has been made with a number of the securities regulators with which the dialogue has been ongoing. Indeed, progress has been such with the Financial Services Commission of the British Virgin Islands that it has recently become an IOSCO ordinary member.

Given the progress made by jurisdictions initially contacted as part of this initiative, IOSCO has expanded the group of jurisdictions with which it is dealing with.

(iv) Accounting, Auditing and Public Disclosure

1. Accounting

a) International Financial Reporting Standards

Agency: International Accounting Standards Board (IASB)

Contact Information: http://www.iasb.org/about/contact_details.asp

Target Date: Ongoing

Brief Description: The IASB is focused on its convergence efforts aimed at eliminating differences among existing national and international accounting standards. Particular emphasis will be on convergence projects underway with a number of countries, including China, India, Japan, and the United

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States. The IASB's efforts with the United States Financial Accounting Standards Board (FASB) on short-term convergence projects should be complete by year end, and the IASB will continue its work on the major projects set out in the Memorandum of Understanding (MOU) between the IASB and the FASB, which are as part of the efforts towards the removal of the US reconciliation requirements for non-US companies registered with the US Securities and Exchange Commission. These efforts will be undertaken in close consultation with interested parties in jurisdictions where IFRSs are applied. In July, the SEC published its proposal recommending the removal of reconciliation requirements for those companies using IFRSs as published by the IASB.

In addressing convergence projects, the IASB will balance the desire of many for stability with the need to progress on convergence projects. As part of their joint work, the IASB and the FASB are addressing major conceptual accounting issues, including insurance, performance reporting, a re-examination of financial instruments accounting, consolidations and the conceptual framework. However, it is not anticipated that the new standards will be completed on many of these topics before 2008. More importantly, any standards completed before 2008 will not have to be applied by entities until 1 January 2009 at the earliest.

b) Banking

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Accounting Task Force is continuing its ongoing program to evaluate proposals for new standards put forward by the IASB (accounting) and the IAASB (auditing and assurance). Additionally, the ATF is evaluating implementation efforts of banks on the recent BCBS publications regarding fair value accounting, loan valuation, and compliance. The ATF will also concentrate on emerging accounting and auditing issues related to fair value measurements and loan loss provisioning. The BCBS is also participating as an observer on the IASB's international working groups dealing with financial instruments, insurance and performance reporting.

c) Insurance

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: i) Financial Reporting

Following the release by the IASB of a Discussion Paper on Phase II of the Insurance Contracts Project in May 2007, the IAIS is now working intensively in providing comments to the paper. This IASB project will result in an international financial reporting standard for the valuation in insurance liabilities; therefore monitoring the progress and developments

of this project and providing input remains a key priority of the IAIS. The IAIS believes that it is most desirable that the methodologies for calculating items in general purpose financial reports can be used for, or are substantially consistent with, the methodologies used for regulatory reporting purposes, with as few changes as possible to satisfy regulatory reporting requirements.

In May 2007 the IAIS provided comments on the IASB's Discussion Paper on Fair Value Measurements. The IAIS may still work, and produce comments to the IASB, on areas relevant to Phase II which are either not covered in the Discussion Paper, or on which the IASB has not yet reached a clear preliminary view. The IAIS will continue to monitor and provide comments to the IASB, as appropriate, for the duration of the Phase II project, including on the release of the IASB's Exposure Draft for the Phase II standard expected at the end of 2008.

The IAIS has continued to monitor and comment on the international standards on auditing (ISAs) issued by the International Federation of Accountants (IFAC) during 2007, in particular the standards which have been exposed for comment following redrafting/revision under the "clarity project".

ii) Public Disclosures

During 2004-2006 the IAIS produced a trio of standards on public disclosures requirements by insurers. The IAIS is now considering proposals to assess the implementation by its members of these standards. The results of such work are expected to provide valuable feedback on the implementational aspects and may identify needs which will inform the future standard-setting work by the IAIS in the area of disclosure.

The IAIS is also monitoring developments on the IASB's Phase II project with respect to its likely impact upon the public disclosure requirements for insurers of general purpose financial reports.

d) Securities

Agency: IOSCO

Contact Information: Eduardo Manso (Eduardo@iosco.org)

Target Date: Ongoing

Website Locator: <https://www.iosco.org/ifrs/>

Brief Description: The IOSCO Technical Committee has launched a project on "Regulatory Interpretations of International Financial Reporting Standards" to address communications among IOSCO members to promote the consistent application and enforcement of IFRSs. The major output of this project is a central database of regulatory decisions and a process for facilitating communications and cooperation among regulators and other enforcers relating to IFRSs, which was made operational on 19 January 2007. 46 members have up to now agreed to participate in the IOSCO IFRS Interpretation Database, which is now fully operational. The Technical

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Committee team is communicating and coordinating with CESR-FIN regarding a similar project in the EU.

The Technical Committee also will undertake another initiative on “Review and Enforcement of Application of Financial Reporting Standards” focusing on the range of activities and powers that relate to reviews of public company financial statements by securities regulators and others. This project will focus on the powers and activities of a review process, and criteria and actions needed, regardless of the accounting standards in use. The major output of this project, which will begin when other current projects are completed, is expected to be an IOSCO statement of principles, best practices, and/or descriptions of effective models in use for such review functions.

2. Accountancy Profession

Agency: PIOB

Contact Information: Donna Bovolaneas, Secretary General (dbovolaneas@ipiob.org)

Target Date: Ongoing

Brief Description: The Public Interest Oversight Board (PIOB), established on 28 February 2005 to oversee the public interest activities of the International Federation of Accountants (IFAC), focuses its attention on IFAC’s international standard-setting activities in the areas of audit performance standards, independence and other ethical standards for auditors, audit quality control and assurance standards, and education standards (http://www.fsforum.org/press/press_releases_71.html). It also oversees IFAC’s program to monitor member body compliance with these same standards.

The PIOB’s ongoing operations are focused primarily on active observation of IFAC’s standard-setting boards in the areas of auditing, ethics and education and, beginning in 2007, of IFAC’s Compliance Advisory Panel (CAP). Furthermore, the PIOB has been closely involved in and has completed its assessment of all elements of the nominations process for election of members to the standard-setting boards and the CAP for the year 2007. It will continue this program in the coming year with respect to 2008 nominations.

Since establishing its legal presence in Spain at the end of 2005, the PIOB Secretariat has focused on achieving full operating capability. The final steps toward this goal are now scheduled for early fall 2007 and should be complete before the end of the year.

In the latter part of 2006 the PIOB turned its attention to planning for the evaluation of the standard-setting boards’ priorities and work plans with respect to their completeness from an international public interest perspective. The three boards have since developed and undertaken their respective strategic planning exercises. While each is at a different stage of completion, the PIOB expects to receive proposal final plans for evaluation in the coming months. In addition, the PIOB will be increasing its focus on the inspection and certification of due process

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applied to the significant number of new, revised and/or clarified standards expected to be finalised during 2007 and through most of 2008.

Finally, the PIOB maintains ongoing relations with various external stakeholder groups having a common interest in the improvement of audit quality.

3. Auditing Standards

Agency: IFAC

Contact Information: Jim Sylph, IAASB Executive Director, Professional Standards (jimsylph@ifac.org)

Target Date: Ongoing

Brief Description: In December 2006, the International Auditing and Assurance Standards Board (IAASB) issued amendments to the Preface to International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services (Preface). This document establishes the conventions to be used by the IAASB in drafting future International Standards on Auditing (ISAs) and the obligations of auditors who follow those Standards.

The conventions and related obligations set out in the amended Preface are consistent with, though refined from, those exposed by the IAASB in October 2005, reflecting the broad support received from respondents. The IAASB has approved this convention to 5 ISAs including a new standard on Group Audits. It also has a total of 23 exposure draft ISAs issued for public comment.

In response to strong demand by stakeholders for the IAASB to accelerate that timetable, the IAASB has taken a number of steps to enable it to complete both the revision of certain ISAs, and the redrafting of all ISAs, by 2008. The IAASB believes that this timetable is feasible and can be accomplished without compromising due process. The IAASB's tentative timetable to 2008 is available on the IAASB website.

With respect to the effective date, the IAASB intends to make all redrafted ISAs effective from a single date. Provisionally, this is expected to be for audits of financial statements for periods beginning on or after December 15, 2008. The final effective date will be confirmed in 2007 Q3 as the IAASB progresses its agenda to issue a complete set of redrafted ISAs. The effective date will, however, not be earlier than this provisional date.

The independent Consultative Advisory Group continues to provide input from numerous stakeholder groups to IAASB in the direction of its projects and the content of its agenda.

The BCBS and IOSCO continue to evaluate ISAs in order to provide supervisory input. IAIS holds a watching brief on IAASB activities.

4. Ethical Standards for Auditors

Agency: IFAC

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Contact Information: Jim Sylph, IAASB Executive Director, Professional Standards (jimsylph@ifac.org)

Target Date: Ongoing

Brief Description: The existing independence provisions in the IFAC Code of Ethics were issued in November 2001 and were effective for assurance reports dated on or after December 31, 2004 with earlier application encouraged. Since then, several corporate failures have led to a loss of credibility in aspects of the financial reporting process and many jurisdictions have taken steps to restore credibility. Some of these steps have related to independence requirements for accountants performing assurance engagements.

Accordingly, the International Ethics Standards Board for Accountants (IESBA) concluded it was appropriate to commence a project to determine whether to revise any of the independence requirements contained in Section 290 of the Code.

In considering which parts of Section 290 might need to be revised, the IESBA sent a questionnaire to member bodies of IFAC to obtain information on implementation experience and to identify any areas where a member body had supplemented the Code with additional requirements. The IESBA has also benchmarked the existing Section 290 to the independence requirements in a number of jurisdictions to identify matters to be reconsidered. A first exposure draft was issued in December 2006 and the Board is now analyzing the comments received. A second ED was issued in July 2007 addressing auditor independence and internal audit services, the impact of a significant proportion of an audit firm's fees coming from one client and contingent fees. It is expected that an amended Code incorporating comments on both EDs will be issued in 2008.

The independent Consultative Advisory Group continues to provide input from numerous stakeholder groups to IESBA in the direction of its projects and the content of its agenda.

The BCBS and IOSCO continue to evaluate the Code of Ethics in order to provide supervisory input.

5. Strengthening Country Capacity for Improving the Quality of Corporate Financial Reporting

Agency: World Bank

Contact Information: John Hegarty (jhegarty@worldbank.org);
M. Zubaidur Rahman (mrahman@worldbank.org)

Target Date: Ongoing

Brief Description: In view of the linkage between credible corporate financial information and economic development, the World Bank has been working with the authorities of many member countries to implement action plans on accountancy reform and development. These plans mainly focus on modernizing the statutory framework of accounting and auditing; strengthening institutional capacity of the national professional accountancy body to comply with the membership obligations of International Federation of Accountants (IFAC); putting in place

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arrangements for high quality education and training including practical training to facilitate proper implementation of International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA); and to develop independent monitoring and enforcement arrangements in order to ensure compliance with the applicable accounting and auditing standards. The action plans flow from the conduct of ROSC Accounting and Auditing assessments in these countries. As of end-June 2007, 73 accounting and auditing ROSCs have been completed, 54 assessments have been published.

6. Issues on Audit Services of Auditors

Agency: IOSCO

Contact Information: Eduardo Manso (Eduardo@iosco.org)

Target Date: 2008

Website Locator: <http://www.iosco.org/library/index.cfm?section=pubvids>

Brief Description: The Technical Committee meeting of June 2006 agreed to create a Task Force on Audit Services and to ask it to present for consideration at the next meeting of the Technical Committee project specifications concerning potential work on the impact of audit firm concentration and auditor liability on audit quality, and on the development of an international contingency plan in case of demise or suspension of a major audit firm. In November 2006, the Task Force presented to the Technical Committee two project specifications which were approved. The first one is a project specification to develop a regulators contingency plan for a potential exit of a major audit firm from the market. The Task Force presented a contingency plan and is seeking related comments from Technical Committee members. The second project specification was the organization of a roundtable discussion on *Quality of Public Company Audits from a Regulatory Perspective*, on 1 June 2007 hosted by AMF in Paris. A written transcript and video of the Roundtable are available on the IOSCO website. Public comments will be welcomed. The Task Force will then consider all the comments and proposals made during the roundtable discussion and present a related report with recommendations to the Technical Committee.

7. Non-Audit Services of Auditors

Agency: IOSCO

Contact Information: Isabel Pastor (isabel@iosco.org)

Target Date: 2008

Brief Description: Following the March 2005 Technical Committee report entitled *Strengthening Capital Markets Against Financial Fraud* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD192.pdf>), IOSCO decided to set up a Task Force on Non-Audit Services (TFNAS). This involves a study of issues bearing on quality audits and auditor independence. The objective is to lead to improvements in auditor independence practices as well as to encourage cross-border convergence of these practices. There is a focus on the issue of non-audit services

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offered to publicly listed audit clients and the potential impact of these services on auditor independence. TFNAS has recently initiated phase two of its mandate and is currently exploring the potential convergence of existing domestic standards related to non-audit services. A report on this issue should be presented for consideration during the November 2007 Technical Committee meeting.

8. Periodic Disclosure by Listed Issuers

Agency: IOSCO
Contact Information: Eduardo Manso (Eduardo@iosco.org)
Target Date: 4th quarter of 2007 or in 2008
Brief Description: The Technical Committee has resumed work on its periodic disclosure standards mandate. The Technical Committee's Standing Committee 1 will strive to develop principles for periodic disclosure by listed issuers that will facilitate an international consensus on disclosures to be included in periodic reports and particularly in annual reports.

(v) Financial Globalisation, Market Functioning/Conduct and Transparency

1. Private equity and leveraged finance markets

Agency: CGFS
Contact Information: cgfs@bis.org
Target Date: May 2008
Brief Description: A working group on private equity and leveraged finance markets was established in March 2007 with the objective of providing an overview/stock-taking of existing work in this field, especially concerning: (a) the characteristics, structure and operations of leveraged finance markets; (b) the role and importance of the main market participants, including private equity firms, institutional investors and investment vehicles; (c) the main forces that have and still are driving the growth of leveraged finance markets including differentiating between cyclical factors and more permanent structural changes; and (d) the potential impact on listed equity markets. The working group will also identify the aspects of the private equity and leveraged finance markets that give rise to potential financial stability concerns, based on their significance, vulnerability to changing market circumstances and taking into account prevailing risk mitigation techniques.

2. Hedge Funds

1) Agency: IMF
Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org, +1 202 623 7151)
Target Date: Ongoing
Brief Description: This work program aims to take stock of developments in the hedge fund industry, focusing on: (1) counterparty exposure; (2) use and measurement of leverage; (3) sources of market discipline; (4) disclosure

practices and transparency; and (5) hedge funds' impact on smaller and developing markets, including emerging markets. An initial report was published in the September 2004 Global Financial Stability Report (<http://www.imf.org/external/pubs/ft/gfsr/2004/02/index.htm>). Update were published in the April 2005 and April 2007 issues of the GFSR (<http://www.imf.org/external/pubs/ft/gfsr/2005/01/index.htm> and <http://www.imf.org/external/pubs/ft/gfsr/2007/01/index.htm>).

2) Agency: IOSCO

Contact Information: Pamela Vulpes (p.vulpes@iosco.org)

Target Date: 2008

Website locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD240.pdf>
<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD244.pdf>

Brief Description: During the course of its work, IOSCO noted that hedge funds are playing an increasingly important role in international financial markets. Hedge funds can significantly enhance market efficiency and liquidity. However their nature and structure can also create risk. Valuation is an area of risk and IOSCO has expanded the scope of the hedge fund project to cover hedge fund asset valuation. IOSCO has decided that a set of principles in terms of valuation may prove of value to the hedge fund industry. The Technical Committee's Standing Committee 5 (TCSC-5) is pursuing a mandate related to hedge fund valuation. TCSC-5 issued a consultation report containing a number of related principles entitled *Principles For The Valuation Of Hedge Fund Portfolios* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD240.pdf>). The deadline for receiving comments was set at 21 June 2007. TCSC-5 intends to subsequently prepare a draft final report on that topic that will take into account all the comments received from the international financial community. This draft final report will be presented for consideration to the Technical Committee meeting of November 2007.

Also, the Technical Committee has started work on a mandate on Funds of Hedge Funds, which will examine the key regulatory concerns and elements of international regulatory standards for funds of hedge funds. This work is expected to be completed in fall 2008.

In February 2003 the Technical Committee approved and publicly released the report entitled *Regulatory and Investor Protection Issues Arising from the Participation by Retail Investors in (Funds-of) Hedge Funds*. Since then the volume of traded funds of hedge funds has tremendously increased and significant regulatory developments have taken place in several jurisdictions. During its 6 February 2007 meeting the Technical Committee gave to TCSC-5 the mandate to review the content of the above mentioned report in light of recent developments, in particular, to assess whether the regulatory principles presented in the 2003 report need to be amended and/or completed. As a result, TCSC-5 prepared a consultation paper that is calling for views on issues that could be addressed by IOSCO on funds of hedge funds. The paper entitled *Call for Views on Issues that could be addressed by IOSCO on Funds of Hedge Funds*, was presented for consideration by

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the Technical Committee in April 2007 and publicly released for comments(<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD244.pdf>).

3. The Role of Alternative Investment Vehicles in Corporate Governance

Agency: OECD

Contact information: Mats Isaksson (mats.isaksson@oecd.org)

Target Date: End 2007

Brief Description The OECD Steering Group on Corporate Governance has decided to extend its work on the role of alternative investment vehicles such as hedge funds and private equity firms in corporate governance. At its November 2007 meeting it will discuss general policy implications.

4. Aspects of Global Asset Allocation

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org; +1 202 623 7151)

Target Date: Ongoing

Brief Description: This work program aims at reviewing and assessing the influences underpinning asset allocation decisions by institutional investors (including changes in regulatory frameworks and prudential standards, legal frameworks and accounting regimes, development of market infrastructures and investment products), and their implications for the conduct of surveillance of global financial markets. The factors that determine changes in asset allocation and therefore, capital flows across national borders and sectors have significant implications for financial stability.

5. Capital flows to emerging market economies: what are the financial implications?

Agency: CGFS

Contact Information: cgfs@bis.org

Target Date: September 2008

Brief Description: The working group was established in May 2007 with a mandate to address the following issues: (a) consequences of capital inflows for bank and corporate balance sheets and domestic asset markets; (b) implications for the conduct of monetary policy including exchange rate developments and international reserve accumulation; (c) impact on inflation, current account positions and government budget balances; (d) implications for the domestic financial infrastructure development; and (e) challenges posed to regulation of the domestic financial sector.

6. The Quality of Domestic Financial Markets and Capital Inflows

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Policy Division (contact: Laura Kodres, lkodres@imf.org; +1 202 623 6161)

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Target Date: September 2007 (to be published in the Global Financial Stability Report)

Brief Description: The paper analyzes whether - in addition to strong macroeconomic fundamentals - a well-functioning domestic financial market encourages capital inflows and reduces their volatility. A panel estimation is performed examining the factors that determine the volume and volatility of annual capital inflows for a sample of developed and emerging market economies from 1977 to 2006. The factors include financial variables such as equity market breadth and liquidity, and financial openness; and a shorter sample also includes institutional quality variables such as corporate governance quality, and accounting standards. A second approach examines how five emerging market countries have coped with the recent rise in capital inflows and discusses their policy options in light of their financial development. The results of the empirical work show that the breadth and depth of financial markets positively influence the level of capital inflows. On the volatility of inflows, the empirical results are less conclusive, but for the capital flow components of equity flows, FDI, and bank borrowing, the breadth and liquidity of equity markets appears to reduce volatility of those inflows. The five country case studies reveal the difficulty of finding a common set of policies that help manage capital inflows, but generally policies that encourage financial market development as a whole (better transparency, credible prudential measures and improved risk management for financial institutions) and tend not to focus on short-term fixes (exchange rate sterilization and other capital controls) will likely better serve to cushion the financial system from the destabilizing effects of capital flow volatility.

7. The Impact of Market Risk Management Systems on Market Volatility

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Policy Division (contact: Laura Kodres, lkodres@imf.org; +1 202 623 6161).

Target Date: September 2007(to be published in the Global Financial Stability Report)

Brief Description: The proposition being tested in the paper is the extent to which Value-at-Risk (VaR)-based risk management systems have enhanced risk appetite at times of low financial market volatility, but could operate to exacerbate market volatility during stressful circumstances. The question is examined in two ways. First, a stylized VaR model is used to demonstrate how VaR measurements vary for representative portfolios when historical market data are applied. The stylized portfolios are also stressed with data from recent episodes of financial market turbulence, and simulations are conducted in which hypothetical, VaR-constrained firms interact in a market setting. Very preliminary results suggest that VaR-constrained traders could act collectively to destabilize markets, especially if risk appetite is low. Second, following interviews with market practitioners, the risk management procedures of investment banks and hedge funds are examined for indications as to whether they

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conform to the preconditions necessary to amplify market volatility in practice. While all firms maintain that they would not rigidly follow their VaR models in stressful circumstances, there are a number of ways in which VaR metrics, or related risk limits, could act to amplify market volatility. A number of indicative policy conclusions are then drawn.

8. Coordinated Direct Investment Survey

Agency: IMF

Contact Information: Ralph Kozlow (rkozlow@imf.org, +1 202 623 9398), John Joice (jjoisce@imf.org, +1 202 623 6136)

Target Date: End 2009

Brief Description: An international task force chaired by the IMF completed a feasibility study in late 2005, concluding it would be feasible and beneficial to national compilers and users of FDI statistics for the IMF and its interagency partners to undertake a Coordinated Direct Investment Survey (CDIS) in respect of end-2009. To that end, the IMF has formed a Task Force, comprising six international organizations and ten countries, to provide advice and content for a survey guide. The Task Force met in June 2007, and will meet again in early 2008, to finalize the guide. The CDIS would collect inward direct investment positions for all participating economies; outward direct investment positions for major investing economies and for other economies that can provide these data will also be collected.

9. Local Capital Markets Development in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date: Ongoing

Brief Description: Ongoing work on local capital market development in EM and developing the investor base for debt instruments. It examines trends in local market development and broadening the investor base for EM debt, which have allowed many EM to reduce debt-related vulnerabilities, especially foreign exchange, rollover, and interest rate risks. This work is designed at bolstering financial stability in EM through initiatives to develop deeper and more efficient local markets and broaden the EM investor universe, which provides a more stable funding base for EM and leaves them less vulnerable to adverse developments. This ongoing work also examines how appropriate regulation supports a balanced development of local markets and a broader investor base to reinforce financial stability.

10. Broadening the Local Bond Market Database in Emerging Market Economies

Agency: IMF

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Contact Information: Ralph Kozlow (contact: rkozlow@imf.org, +1 202 623 9398) and Ceyla Pazarbasioglu (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date: End 2008

Brief Description: The objective of the project is to facilitate the development of a common methodological framework for securities statistics that could be used by IMF member countries. For its part, the Fund would provide expert advice to promote consistency across macroeconomic statistics and promote the benefits of security databases across the membership in cooperation with other international organizations.

11. Broadening of the Investor Base in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date: March 2008

Brief Description: The Fund is developing a set of best practices for developing the domestic institutional investor base (including enabling reforms such as pension fund reforms), and for improving regulation and consistency of treatment of institutional, foreign, and other investors. The Fund is also working as part of the Capital Markets Consultative Group (CMCG) on a study to explore factors driving the changes in investor behavior in emerging markets, key impediments to development of emerging capital markets and local and foreign institutional investors therein, and remedial measures. The Working Group paper and related analyses will cover several areas including the state of play of the institutional investors of selected emerging market countries, development of a consistent database on assets and investment allocations of the pension funds, mutual funds and insurance companies, regulations regarding foreign investor participation, ownership restrictions, discriminatory tax treatment, and minimum holding periods, and the significance of structural issues such as shallow local investor base, illiquid secondary markets, and poor price formation. Case studies of mature market countries and some emerging market countries that have successfully developed a local institutional investor base and liquid bond markets will be used to draw lessons and assimilate “best practices” while tailoring them to individual circumstances.

12. Asset-Backed Securitization in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date: March 2008

Brief Description: The IMF is preparing an Occasional Paper on developments in asset-backed securities (ABS) markets in emerging market countries. Based on

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in-depth country studies of 6–8 emerging ABS markets, as well as lessons from more mature markets, the paper will outline key policy considerations in developing ABS markets in emerging markets, including in developing enabling legal and regulatory framework, standardization of underlying credits, tax treatment, and market development. It would also articulate the role of this market for reducing risks within the banking system, facilitate housing and infrastructure development, and investments by pension funds and insurers, as well as systemic stability implications of this market. The paper will facilitate more refined bilateral surveillance and advice.

13. Hedging Instruments in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date March 2008

Brief Description: The IMF initiated a major project with the objective to distill policy conclusions for deepening existing derivatives markets in more advanced emerging countries and for developing derivatives markets in less advanced economies by highlighting successful strategies and warning of potential pitfalls. Planned outputs include the publication of an Occasional Paper and conduct of regional workshops on derivative market development.

14. Capital Markets Assessment Tool (EM)

Agency: WB/IFC

Contact Information: Capital Markets Advisory Group - CCGCM (contact: cdelvalle@worldbank.org + 1 202 458 8276)

Target Date Ongoing

Brief Description: It is an ongoing work to produce a Capital Markets Assessment tool, intended to provide a methodology to conduct thorough diagnostics on the state of development of the capital markets of a given country (e.g. as part of FSAP's). It is expected that the methodology will provide disciplined and objective framework for assessing the major obstacles for the market to develop, and should provide a more consistent basis for implementation of strategies to develop individual markets. It is intended to be also a methodology for early stage that uses a developmental approach to evaluate the potential for private capital markets. The methodology also may be used to formulate a sequenced capital markets development strategy in countries with differing economic and legal infrastructure conditions. The methodology is intended for use in both countries where there are, or there is potential to develop, traditional markets for equities and corporate debt securities, and in countries where the development of such markets, in whole or in part, could be challenging and other alternatives to access capital should be considered.

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15. Financial Education

Agency: OECD

Contact Information: Andre.laboul@oecd.org; +33 145 24 91 27

Target Date: Ongoing

Brief Description: The OECD launched a major project on financial education conducted by the Committee on Financial Markets (CMF), the Insurance and Private Pensions Committee (IPPC) and the Working Party on Private Pensions (WPPP). An analytic report was released at the end of 2005. The OECD Council endorsed in June 2005 a new Recommendation on “Principles and good practices for financial education and awareness”. At their June 2006 meeting, the G8 Finance Ministers called for further development by the OECD of guidelines on financial education. The IPPC and the WPPP are finalizing further analysis and guidelines on good practices on financial education in the areas of pensions and insurance. In June 2007, these guidelines were released for public consultation. The consultation period ends 1st September 2007.

16. Longevity Risks and Financial Markets

Agency: OECD

Contact Information: Pablo.antolin@oecd.org; +33 145 24 90 86

Target Date: Ongoing

Brief Description: Several OECD bodies, including the Committee on Financial Markets, its Working Party on Debt management, the Insurance and Private Pensions Committee and its Working Party on Private Pensions are developing work related to the impact of increased longevity on financial and annuities markets and the possible role of governments (including for instance on the bond markets).

17. Private Equity

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: 2008

Brief Description: The IOSCO’s Technical Committee decided in the course of its meeting of 6 February 2007, to launch a fact finding exercise on the theme of private equity, given its increasing importance as a component of capital markets, and to create a Task Force on Private Equity (TFPE). The project will analyze private equity from a factual point of view, and will look at trends and recent market developments as well as the risks posed by the growth in the private equity market. TFPE is discussing a number of broad issues related to private equity, including leverage, scope for market abuse, management of conflicts of interest, transparency, market efficiency, market access and governance. TFPE intends to present a detailed issue paper on private equity during the next Technical Committee meeting in November 2007.

18. Review of Code of Conduct for Credit Rating Agencies

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: 2nd half in 2007

Website Locator <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD233.pdf>

Brief Description IOSCO reconstituted a Task Force to review the codes of conduct that have been released by Credit Rating Agencies (CRAs) to determine whether CRAs consistently choose to “explain” (rather than comply) with specific provisions of the IOSCO CRA Code. The review will assist in assessing whether any aspects of the IOSCO CRA Code need to be modified to better reflect market realities or better explained to help ensure more consistent compliance. The review of the codes of conduct published by CRAs in response to the IOSCO CRA Code was completed by November 2006. This review is not limited to the largest CRAs but also includes smaller firms. The Task Force finalized the drafting of a Consultation Paper entitled *Review of Implementation of the IOSCO Fundamentals of a Code of Conduct for Credit Rating Agencies*, on the basis of the above mentioned survey and conclusions (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD233.pdf>). This Paper was presented for consideration by the Technical Committee on 6 February 2007, which approved its public release with a comment period ending in May 2007. The Task Force on Credit Rating Agencies (TFCRA) intends to proceed to an analysis of the comments received as a result of this consultation and to present a related report to the Technical Committee. In the Paper it is revealed that any variations from the IOSCO Code are usually noted and adequately explained by the CRA. Nevertheless, IOSCO has also noted that in specific areas, there is still room for improvement. Accordingly, it has undertaken to continue to monitor progress in the adoption of the Code as well as new developments in the markets that may require revising the Code in the future.

Meanwhile TFCRA will initiate work on the new mandate that it has received from the Technical Committee during its meeting of April 2007, which is to consider the adequacy of the models used by CRAs to assess the risks related to structured finance products and the potential conflicts of interests involved. TFCRA will in particular assess the need to amend the existing Technical Committee December 2004 report entitled *Code of Conduct Fundamentals for Credit Rating Agencies* (IOSCO CRA Code).

19. Soft Commission Arrangements in the context of Collective Investment Schemes (CIS)

Agency: IOSCO

Contact Information: Pamela Vulpes (p.vulpes@iosco.org)

Target Date: End 2007

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD227.pdf>

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Brief Description: Soft commissions, as defined in certain jurisdictions, relate to an economic benefit, other than clearing and execution services, that an asset manager receives in connection with the CIS payment of commissions on transactions that involve the CIS's portfolio. IOSCO is doing work on this topic, with the purpose of examining the regulation and proposed regulation of members on "soft" commissions involving CIS and CIS operators, identifying any issues of concern to regulators, and if necessary seeking to develop regulatory principles. After having proceeded to a survey of the related regulatory frameworks currently in place in the jurisdiction of members, the Technical Committee's Standing Committee 5 has prepared a consultation report entitled *Soft Commissions*, which the Technical Committee agreed to approve in November 2006 and to authorize its public release for comments with a consultation period ending on 15 March 2007 (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD227.pdf>).

Standing Committee 5 is currently proceeding to an analysis of the comments received from the international financial community. Standing Committee 5 intends to subsequently prepare a draft final report on that topic that will take into account all the comments received on the consultation report. This draft final report will be presented for consideration to the Technical Committee of November 2007.

20. Point of Sale Disclosure to Retail Investors

Agency: IOSCO

Contact Information: Isabel Pastor (isabel@iosco.org)

Target Date: 2008

Brief Description: Many retail investors who buy investment products, particularly interests in a collective investment scheme and possibly similar products, do not clearly understand the products or the layers of costs associated with those products. Also, many retail investors may not clearly understand their intermediary's financial stake in selling those products, including so-called "revenue sharing" arrangements. Therefore, they might end up purchasing a product that they would not have otherwise, had they understood the true costs of the product and/or their intermediary's conflicts.

Pursuant to a February 2007 Technical Committee mandate, IOSCO is currently considering the key information that customers ought to receive at the point of sale in order to support sound investment decision-making. Industry and academic reports on the types of information that investors expect and find meaningful at the time they make an investment decision, primarily for investments in CIS have been collected and are currently being reviewed. The next step will be to survey the related regulatory requirements and initiatives in the jurisdictions of members. A consultation paper on the issues raised by this topic may be published in 2008. If appropriate, IOSCO will later develop recommendations or principles relating to this issue, which would also be published for consultation.

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21. Regulatory Oversight of Intermediaries' Adherence to Rules of Conduct

Agency: IOSCO

Contact Information: Isabel Pastor (isabel@iosco.org)

Target Date: End 2007

Brief Description: Although the members' approaches and policies to promote compliance with their regulations differ, they share the common belief that rules of conduct play an essential role in promoting investor protection, market integrity and ethical behavior. They believe that the supervision of market intermediaries' conduct through different tools helps to ensure the maintenance of high standards and the protection of investors. The IOSCO Technical Committee approved in November 2006 detailed terms of reference for examining the methods used by its members to oversee market intermediaries' compliance with rules of conduct and potentially developing principles applicable to regulatory oversight of firms' compliance with rules of conduct to help ensure investor protection and market stability. Standing Committee 3 is currently in the process of surveying the methods used by its members to oversee market intermediaries' compliance with rules of conduct and potentially developing principles applicable to regulatory oversight of firms' compliance with rules of conduct to help ensure investor protection and market stability. These non-public principles would be aimed at providing guidance to regulators and enhancing the effectiveness of their oversight programs.

22. Role of Market Intermediaries in the Offering of Financial Products

Agency: IOSCO

Contact Information: Isabel Pastor (isabel@iosco.org)

Target Date: End 2007

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD235.pdf>

Brief Description: As a follow-up to the Technical Committee report entitled *Strengthening Capital Markets Against Financial Fraud* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD192.pdf>), Standing Committee 3 was given a mandate on the role of market intermediaries in the offering of financial products. The focus of this mandate is on how to manage conflicts of interest that arise within intermediaries (and, if appropriate, the financial group of which they are a part) when they are involved in an IPO. Standing Committee 3 has worked on a report that explores possible conflicts of interest in relation to IPOs and arrangements that could be put in place in order to manage these conflicts. The Technical Committee approved a public consultation report on this matter at its meeting of February 2007, with a comment period ending on 25 May 2007. This report entitled *Market Intermediary Management of Conflicts that Arise in Securities Offerings* contains recommendations on how to manage the abovementioned conflicts of interest (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD235.pdf>). Standing

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Committee 3 intends to subsequently prepare a draft final report on that topic, which will take into account all the comments received from the international financial community on the consultation report. This draft final report will be presented for consideration to the Technical Committee of November 2007.

23. Direct Access to Exchanges and Other Markets

Agency: IOSCO

Contact Information: Pamela Vulpes (p.vulpes@iosco.org)

Target Date: 2009

Brief Description: A new mandate on direct access to exchanges and other markets and the related project specifications were approved during the Technical Committee meeting of April 2007. The operation of exchanges and other markets and the methodologies for accessing them have over the past few years evolved rapidly. Today, various financial intermediaries and investors have direct market access (DMA), in particular through electronic means. Surveying the various approaches taken in different jurisdictions with respect to DMA would assist regulators in addressing important related regulatory issues, such as: the risks relating to market integrity and security, the requirements in place for the different access methodologies, the categories of financial market stakeholders who are granted DMA, how the DMA risk management issues are addressed and which authorities are responsible for developing and enforcing related rules. These issues will be considered as part of a new mandate and have been included in the corresponding project specifications, in order to prepare a report that summarizes the regulatory approaches and identifies commonalities and differences in approaches.

24. Bond Market Microstructure: Lessons from best practice countries

Agency: WB/IFC

Contact Information: Capital Markets Advisory Group - CCGCM (contact: cdelvalle@worldbank.org +1 202 458 8276)

Target Date Ongoing

Brief Description: This technical note seeks to identify the key factors responsible for the development of a corporate bond market focusing on the capital raising function of the primary market for new issues and the liquidity provision and price discovery function of the secondary or trading market. It discusses important differences between debt and equity from an issuer and investor perspective, the impact these have had on the evolution of successful bond market infrastructures and seeks to draw out the regulatory and legislative implications which flow from them. The note illustrates these points by reference to two of the largest and most successful corporate bond markets to have developed in recent decades—the US corporate bond and the Europe based but global Eurobond market.

(vi) Prudential Regulation and Supervision

1. Review of Risks Related to Customer Suitability Issues

Agency: Joint Forum

Contact Information: Joint.Forum@bis.org

Target Date: End 2007

Brief Description: The Joint Forum has taken note of the trend of increased individual responsibility for personal financial well-being in some jurisdictions. This trend, combined with the growing complexity of financial products available to retail investors and increased competition in the retail segment generally, has contributed to potentially greater legal and reputational risks to firms from mis-selling. In response, in late 2005 the Joint Forum approved a mandate for a cross-sectoral review of existing practices in firms for managing the risk of potential mis-selling of retail financial products and services and the basic tenets of conduct of business rules across sectors. The work has been conducted mainly through two questionnaires, one of which was directed at regulators and the other at a sample of firms across the insurance, securities and banking sectors. The responses to the questionnaires are currently being compiled for further analysis.

2. Review of Risk Concentration Management

Agency: Joint Forum

Contact Information: Joint.Forum@bis.org

Target Date: End 2007

Brief Description: The Joint Forum is undertaking a review of how firms in the banking, securities, and insurance sectors manage risk concentrations at the conglomerate or group-wide level and how current and emerging techniques are employed to identify potential concentrations. Through this review, the Joint Forum will seek to understand the challenges that firms face in assessing firm-wide concentrations and build on its previous related work, including the 2003 report on trends in risk integration and aggregation.

3. Supervision of Financial Conglomerates

Agency: Joint Forum

Contact Information: Joint.Forum@bis.org

Target Date: End 2008

Brief Description: The Joint Forum is undertaking a stock-taking of the extent to which supervisors have implemented the 1999 Joint Forum principles on the supervision of financial conglomerates. In the interest of promoting the work of the Joint Forum beyond its traditional boundaries, this workstream will involve non-member agencies. The work is being conducted principally by means of a self-assessment completed by working group members.

4. Implementation of the New Capital Adequacy Framework (Basel II)

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: Building on the high-level principles for cross-border implementation of Basel II that were issued in August 2003 and elaborated upon in a May 2004 press release, members of the BCBS are currently engaged in a number of case studies and actual implementation plans for internationally active banks. These case studies and implementation plans, which in many instances also involve non-G10 supervisors, are contributing significantly to members' and banking organizations' understanding of the practical aspects of cross-border implementation in the context of specific firms' Basel II rollout plans. This work is being conducted through the Committee's Accord Implementation Group (AIG), which provides a forum for information sharing in order to promote consistency in the implementation of the new capital framework. The AIG regularly discusses practical issues related to cross-border implementation of Basel II for internationally active banks. The AIG is also actively discussing issues raised by industry participants related to differences in timing of implementation across jurisdictions.

The challenges of coordination between home and host supervisors go beyond Basel II's Pillar 1 (minimum capital requirements) and have clear implications for Pillar 2 (supervisory review process), particularly around topics like global risk management, diversification effects and treatment of risks beyond those captured in Pillar 1. The BCBS and the AIG are now devoting significant resources to the Pillar 2 implementation process. While there are differences in supervisory approaches across countries, it is not yet clear how these will impact individual institutions in practice. In this context, the AIG is identifying issues and challenges in various ways, eg sharing approaches to internal capital adequacy and assessment processes across countries, sharing case studies, and improving coordination and communication with non-member countries.

The AIG has established three subgroups to address specific issues that are of particular concern to the banking industry and supervisors in the implementation of Basel II. The first subgroup is addressing issues related to validation of the most advanced credit risk approaches in Basel II. The second subgroup is addressing issues related to the cross-border implementation of the advanced measurement approaches (AMA) for operational risk in the Basel II framework. The third subgroup is addressing issues related to the treatment of the trading book under Basel II. Specifically, through active dialogue with the industry this subgroup is working to identify best practices in risk management with respect to managing trading book positions, and aims to build consensus around supervisory approaches. This subgroup also seeks to identify industry best practices for determining regulatory capital for the trading book. A current focus of this group is the development of principles for the treatment of incremental default risk in the trading book.

5. Supervision of Bank Liquidity Risk Management

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee is currently reviewing different jurisdictions' approaches to supervising and regulating funding liquidity risk. Its Working Group on Liquidity has conducted a survey of regulatory and supervisory practices and expects to present its findings to the Committee by year-end 2007 for consideration. The survey also will assess how liquidity risk is being managed under the assumption of stressed market conditions.

6. Review of Trends in Regulatory Capital Instruments

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee has launched an initiative to review the definition of regulatory capital across jurisdictions. The Definition of Capital subgroup is undertaking a stock-take of the current definition of capital used in member jurisdictions as well as in a number of non-member jurisdictions. The subgroup is also evaluating how market participants, including rating agencies, perceive and value the equity-like characteristics of various capital instruments. This fact-finding work is focusing on the fundamental aspects of capital such as its loss absorbency. The subgroup is also reviewing the role of accounting in the calculation of regulatory capital and the relationships between regulatory definitions and firms' own definitions of capital in their internal economic capital models.

7. Economic Capital Measurement and Management

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee's Risk Management and Modelling Group is currently assessing the range of practice of banks' approaches to economic capital measurement and management. This effort supports supervisors' objective to remain current and informed of evolving risk management techniques. Areas of potential emphasis include new measurement approaches for credit risk, the treatment of diversification effects, the assessment of complex counterparty credit risks, the treatment of interest rate risk, and firms' approaches to validation of internal capital assessments.

8. Initiatives on Risk-based Supervision and Microfinance

Agency: BCBS

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Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee recently established the International Liaison Group (ILG) to provide a forum for deepening its engagement with supervisors around the world on a broad range of issues. The ILG provides a platform for non-member jurisdictions to contribute to new Committee initiatives early in the process and to develop new proposals that are of particular interest to ILG members. One of the projects the ILG recently commenced is related to risk-based supervision. A shift to a more principles- and judgmentally-based approach to supervision has been witnessed over the last decade or so. The ILG is undertaking a survey on issues related to risk-based approaches among its members which may result in a document on current practices. An additional workstream the ILG has commenced is related to microfinance regulation and supervision. The ILG intends to identify issues and emerging supervisory responses to microfinance. The objective is not to create new standards but to draw on the collective experience of some of its members with microfinance in order to identify supervisory issues and illustrate accepted practices.

9. Supervision and Assessment of Insurers' Solvency

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Following the completion of the IAIS Common Structure for the Assessment of Insurer Solvency (Structure paper) in February 2007, the IAIS plans to progress the work through the development of standards and guidance papers on:

- the valuation of assets and technical provisions ;
- capital requirements and resources;
- enterprise risk management for solvency purposes;
- use of internal models by insurers.

It is proposed to first develop guidance papers on internal models, enterprise risk management and capital requirements in 2007 with the opportunity and expectation that in 2008, as emerging practice becomes more settled, the papers would likely be further developed into standards. Similarly, it is proposed to develop a position paper on valuation of assets and technical provisions in 2007, with standards and guidance to be progressed during 2008.

There is also a recognized need to revisit and review or supersede existing papers on solvency assessment and capital adequacy. The papers which will be considered in this context include:

- Guidance paper on solvency control levels
- Guidance paper on stress testing by insurers

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- Issues paper on solvency, solvency assessment and actuarial issues

10. Reinsurance

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: i) Standard-setting on reinsurance and other forms of risk transfer

Based on a report on the analysis of the survey on supervision of reinsurers completed in mid 2007, the IAIS looks forward to finalizing and adopting a discussion paper on mutual recognition by October 2007. Further analysis and development of the concepts and proposals will be undertaken with a view to advancing an issues paper by mid 2008 and a guidance paper by October 2008.

Furthermore the Subcommittee intends to revise the Standard on reinsurance cover of primary insurers within the year 2008. In addition to that the Subcommittee wants to re-establish the finite reinsurance drafting group at the end of 2007 to upgrade the current guidance paper. Finally, the ongoing work of the Captives Paper Drafting Group aims at adopting the revised paper during the Annual Meeting in 2008.

ii) IAIS Global Reinsurance Market Report 2007

The IAIS plans to publish its fourth global reinsurance market report, based upon 2006 data, in November 2007. Following the present practice, the global statistics on which this report will be based will be provided by supervisors in seven jurisdictions –Bermuda, France, Germany, Japan, Switzerland, the UK and the US – in which the major significant reinsurance entities are domiciled and represent a continued drive by supervisors and the industry in participating jurisdictions to improve the transparency of the global reinsurance industry.

11. Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS has adopted a Multilateral Memorandum of Understanding (MMoU) in February 2007, to encourage the establishment of broader contacts and co-operation amongst insurance supervisors worldwide, facilitating mutual assistance and the exchange of supervisory information in the course of day to day business. Accession to the MMoU shall be a voluntary decision of each IAIS member and shall depend on the ability of a jurisdiction to comply with the strict confidentiality requirements set forth in the MMoU. The ultimate objective is to take the project forward and make it a success by displaying maximum amount of transparency in the process of its development, the greatest extent of accountability during its operation

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(beginning with the accession procedure, extending to its enforcement and regular review procedures for smooth functioning) whilst showing the highest degree of acceptance among its members.

The IAIS has invited applications from its members to become signatories to the MMoU. So far, 45 jurisdictions have expressed their willingness to sign the MMoU and 13 jurisdictions have indicated that they will nominate validators.

12. Implementation of IAIS Principles and Standards and Emerging Markets

i) Insurance Regional Seminars and Training

Agency: IAIS and FSI

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: IAIS organizes, in collaboration with the FSI and national insurance supervisory authorities and other bodies, around 10-15 regional seminars and workshops annually to assist insurance supervisors implement IAIS principles and standards on insurance supervision.

ii) Issues in Regulation and Supervision of Microinsurance

Agency: IAIS and CGAP Working Group on Microinsurance

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Following the completion of an issues paper on microinsurance (see pages 6-7 in more detail), and informed by the current country studies project (a study of the five jurisdictions – India, Phillipines, South Africa, Uganda and Colombia) expected to be completed in early 2008, work is expected to commence on the development of draft principles and guidance on the issue of regulation and supervision of microinsurance.

A survey on role of mutuals and cooperatives in microinsurance as a stock take of current laws and regulatory supervisory practices is also planned.

13. Financial Conglomerates

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS has identified further work on group wide supervision as an area of high priority. A draft Paper on Principles on Groupwide Supervision was circulated among the IAIS Members and Observers for comments by 15 August 2007. Given the expected progress of relevant standards setting work in the areas of solvency and reinsurance, consideration will be given to the development of more specific requirements relevant to group supervision in 2008.

14. Review of Insurance Core Principles

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The Insurance Core Principles (ICPs) are the foundation on which all standard setting activities of the IAIS build. However, as the range and scope of Supervisory and other papers of the IAIS expand, and as practice in the industry and supervisory sector evolves, it is appropriate to periodically take stock of the foundation principle to ensure they remain appropriate, comprehensive and current. A review of the ICPs will both inform, and be informed by, the other standard setting initiatives of the IAIS. As such it is an integral project and will necessarily be undertaken in a coordinated manner that has regard for this inherent interrelatedness with other work projects.

15. Harmonized International Glossary

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: It is proposed that the work on the IAIS Glossary will progress during 2007 to 2009. As a part of the work being undertaken in the development of a globally accepted regime for solvency assessment, a comprehensive review of the IAIS solvency terminology will be undertaken. This review will pay close regard to the glossaries of other relevant international and supra-national bodies – in particular the glossaries of the IAA and the CEA/Groupe Consultatif Solvency II Glossary – with a view to harmonization of terminology and potential longer term convergence towards a harmonized international glossary.

16. Strategic Direction of IOSCO Activities

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: 2010

Brief Description: IOSCO formally endorsed in April 2005 a range of operational priorities that will further strengthen the effectiveness of the Organization in this regard.

a) maintaining the role of IOSCO as the international standard setter for securities regulation

IOSCO has proven successful at setting international securities regulatory standards and IOSCO is recognized as the international standards setter for securities markets. Its current position must be maintained by constant work to upgrade the IOSCO principles to take into account emerging regulatory issues and to protect this key international standard setting responsibility.

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b) improving enforcement related cross-border cooperation

IOSCO is pushing forward in identifying obstacles that prevent enforcement cooperation and exchange of information within its membership and with non-member securities regulators.

The IOSCO Presidents Committee endorsed in April 2005 the IOSCO MOU as the international benchmark for enforcement related cooperation and exchange of information and to move forward with its implementation by 1 January 2010 as being a signatory or through a commitment to seek the legal authority to do so (see paragraph 19 in section (iii)).

c) implementing the IOSCO objectives and principles of securities regulation

Now that IOSCO has endorsed a full set of IOSCO Principles and has an operational Methodology to practically assess the level of implementation of the IOSCO Principles, the Organization is focusing on the systematic assessment of the level of implementation of the IOSCO Principles within the jurisdiction of each one of IOSCO's members and will provide technical and policy level assistance, whenever needed, to achieve this objective (see below the IOSCO Assisted Assessment Program).

In this respect, the Implementation Task Force is currently developing with the General Secretariat a work program to improve awareness of the IOSCO Principles and to encourage members to work towards their full implementation. This will in particular involve making related focused presentations at coming Regional Committee meetings.

d) continuing to raise the international profile of IOSCO and the level of internal communications

IOSCO has decided to continue to improve communications so that its initiatives, objectives and priorities become better known from the international financial community. One of the great advantages of IOSCO is its wide membership and the fact that its members regulate most of the world's securities markets. For that purpose IOSCO is using ways to leverage as much as possible the communications' aspects of this broad membership in order to facilitate the diffusion of IOSCO's messages and actions to its members' jurisdictions.

17. The IOSCO Principles Assisted Assessment Program

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: Ongoing

Brief Description: IOSCO is increasingly focusing its efforts on promoting the implementation of its principles by its members. To assist its members in this task, in February 2003 the IOSCO Executive Committee approved a pilot program to assist its members in the completion of an assisted assessment of their level of implementation of the IOSCO Objectives and Principles of Securities Regulation. Pursuant to this pilot program,

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experts selected by IOSCO from among its membership assist each participating jurisdiction in an assessment of its level of implementation of the IOSCO Principles using an innovative Assessment Methodology and in the development of an action plan to correct identified deficiencies. The IOSCO Executive Committee extended this pilot program in October 2004.

To date a number of IOSCO members have greatly benefited from assistance in this initiative including those from El Salvador, Turkey, Thailand, Morocco, Sri Lanka, Ecuador, Peru, Romania, WAMU, Uruguay, Honduras, Venezuela, Tunisia and Costa Rica. As part of the new IOSCO strategy the program will cover all IOSCO members.

In addition to providing direct assistance to members, the General Secretariat is gradually developing a network of experts who have gathered experience from direct participation in the *IOSCO Principles Assessment and Implementation Program* and is using this network to train other experts, develop related written guidance, and provide training seminars on the IOSCO Principles and on the IOSCO Assessment Methodology. A working session with experts involved in assessments was organized in Madrid on 4-5 December 2006 in coordination with the IOSCO Implementation Task Force and the World Bank and IMF in order to share experiences and strengthen the understanding of the IOSCO Methodology by assessors. The Workshop was designed to be an interactive session for participants with extensive experience in using the Assessment Methodology either through conducting an FSAP Assessment or an IOSCO Assisted Assessment. IOSCO has decided that a similar Workshop will be organized on a regular (annual) basis in the future in addition to other outreach events to improve awareness of the IOSCO Principles.

18. Securities Regional Seminars and Training & Assistance Programs

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: Ongoing

Website Locator <http://www.iosco.org/events/>

Brief Description: IOSCO and its members conduct a wide variety of seminars and training programs throughout the year. These programs take place in all regions of the world and benefit from the participation of IOSCO members and the expertise of their staffs.

The programs for 2007 include: <http://www.iosco.org/events/>

- The Asia Pacific regional training Seminar on the IOSCO MMoU which took place in Kuala Lumpur on 19 March 2007, sponsored by the Malaysian Securities Commission.
- The International Conference on Corporate Governance and Securities Markets, which took place on 7-8 February 2007.

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- Seminar on “Market Risk and Counterparty Credit Risk”, which took place on 4-6 September 2007 in Madrid, jointly organized by the Financial Stability Institute (FSI) and IOSCO.
- The 2007 Seminar Training Program on “The Transition to IFRSs: Challenges for Supervisors” which will take place on 15-19 October 2007 in Madrid.
- The International Conference on “Investor Education Developments in the European Union and around the Globe”, which will take place on 1-2 October 2007 in Madrid. This is a first-time partnering of IFIE and IOSCO where the program will focus on the implications for investor education of new and emerging investor protection rules.

19. Principles for Regulation and Supervision of Private Pensions

Agency: OECD, and International Organisation of Pension Supervisors (IOPS)

Contact Information: andre.laboul@oecd.org; +33 145 24 91 27

Target Date: Ongoing

Brief Description: A Recommendation on core principles of pension regulation was approved by the OECD Council in March 2004. Building on this work, the OECD Working Party on private pensions developed further *Guidelines on pension fund asset management* which were then endorsed by the Insurance and Private Pensions Committee and agreed by the OECD Council in January 2006. The *Guidelines on funding and benefit security in occupational pension plans* followed a similar approval process. They were released for public consultation in July 2006 and were approved by the OECD Council in May 2007. The Working Party is currently finalizing Guidelines on the Licensing of Pension Entities jointly with the International Organisation of Pension Supervisors (IOPS), which will then (in September) be issued for public consultation. A compendium of all OECD guidelines will be issued in December 2007 together with the core principles and an assessment of their implementations. This will provide a basis for country assessments. In December 2007, the Working Party will also review the Guidelines for pension fund governance and in July 2008 it will review the guidelines for the protection of the rights of members and beneficiaries.

The OECD also continues its work to monitor the pension fund industry by publishing an annual review (Pension Markets in Focus) and in December 2007 will publish a new statistical booklet with indicators on private pension systems. The data published is based on OECD's Classification system and glossary on private pensions published in 2005.

The OECD will continue to lead the development of international standards on pension regulation, while further work on supervisory issues and the related development of supervisory standards will be conducted by the IOPS. The IOPS agreed on principles on pension supervision at the occasion of its 2006 AGM and decided to launch work on guidelines on off-site supervision in 2007. The OECD and IOPS work in close co-

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operation under a Cooperative Agreement signed in January 2005. The two organisations are also developing jointly new guidelines on licensing of pension entities (see below for further details).

The IOPS and the World Bank have entailed the examination of risk-based supervision of pensions in some leading countries (Netherlands, Australia, Denmark, and Mexico) through the Pensions Risk Management project. These cases are close to completion. Some have been sent to the Supervision agency for final comments and clearance. In some countries, the writing of the report has entailed technical assistance.

*) Guidelines on Licensing of Pension Entities

Agency: IOPS/OECD

Contact Information: juan.yermo@oecd.org; +33 145 24 96 62

Target Date: December 2007

Brief Description: The draft guidelines on the licensing of pension entities have been prepared jointly by the OECD Working Party on Private Pensions and the International Organisation of Pension Supervisors. They further develop one of the Core Principles of Occupational (employment-based) Pension Regulation adopted by the OECD Council as a Recommendation in July 2004. The focus of the guidelines is the licensing and registration of pension entities, that is, independent legal entities that administer pension funds. The guidelines cover licensing and registration requirements as well as assessment procedures for the licensing or registration process. A call for public consultation was posted at the OECD and IOPS websites www.oecd.org/daf/pensions and www.iopsweb.org in July 2007. The deadline for comments is 5 October 2007.

20. Cross-border Trade in Insurance and Pensions

Agency: OECD

Contact Information: andre.laboul@oecd.org; +33 145 24 91 27

Target Date: 2007

Brief Description: The OECD is currently finalizing its examination of the Countries' reservations to the new insurance and pensions obligations of the OECD Code of Liberalisation of Current Invisibles Operations. The OECD is also analysing the links between liberalisation and appropriate regulations in insurance and pensions fields.

(vii) Combating Money Laundering, Terrorist Financing and Other Market Abuses

1. Actions to Combat Money Laundering & Terrorist Financing

Agency: FATF

Contact Information: John Carlson (john.carlson@fatf-gafi.org & secretariat@fatf-gafi.org +33 145 24 79 46)

Target Date: Ongoing

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- Brief Description:
- 1) 2003 FATF 40 Recommendations – in 2003 the FATF issued the revised Forty Recommendations on combating money laundering (ML), which together with the FATF Nine Special Recommendations on Terrorist Financing (TF) provide the international standard for AML/CFT.
 - 2) Terrorist Financing - since 2002, the FATF has developed interpretation and guidance on a number of FATF Special Recommendations: the obligation to criminalise the offence of terrorist financing (SR II); freezing and confiscating terrorist assets (SR III); preventing informal transfer systems and funds from being misused by terrorists (SR VI); the abuse of wire transfers by terrorists and their financiers (SR VII); and on preventing the misuse of non-profit organizations (SR VIII). In addition, in 2004 FATF agreed SR IX and associated documents which seek to prevent cash or monetary instruments linked to money laundering or terrorist financing being carried across national borders. Further work on terrorist financing, in particular SR III, is continuing.
 - 3) In 2004, the FATF adopted, in collaboration with the IMF, the World Bank and FATF style regional bodies (FSRBs) a revised Methodology to assess compliance with the FATF 40+9 Recommendations (the international AML/CFT standards). It is currently used in all FATF/FSRB/World Bank/IMF AML/CFT assessments. This Methodology is updated to reflect any changes in the standards, or to introduce any necessary interpretations or clarifications. A Handbook of common practices has also been developed, and provides a common format for the AML/CFT questionnaire and report.
 - 4) In January 2005 the FATF commenced a third round of mutual evaluations based on the FATF Recommendations and using the revised Methodology. Reports on Australia, Belgium, China, Denmark, Greece, Iceland, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK, and the United States have been completed and made publicly available. Reports on Canada, Finland and Singapore should be available in the near future and ultimately, all FATF members will be assessed over a 5-6 year cycle. The reports of FATF and FSRB members are publicly available at http://www.fatf-gafi.org/document/32/0,2340,en_32250379_32236982_35128416_1_1_1_1,00.html.
 - 5) An FATF Working Group continues to work to ensure that there is consistency of interpretation of the FATF standards and the AML/CFT Methodology 2004 in the context of all AML/CFT evaluations and assessments. This Working Group has agreed a number of measures, such as enhanced training, that will help to ensure the quality and consistency of assessment/evaluation reports prepared by all assessment bodies (FATF/FSRBs/IFIs). Quality and consistency is also meant to ensure that private sector entities will be able to use and better compare all AML/CFT evaluations.
 - 6) Following an initial meeting in December 2005, at which FATF discussed implementation issues with financial sector representatives

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(banking and securities sectors), FATF created an advisory group, with public and private sector membership. In June 2007 this group published its guidance on the risk based approach for addressing AML/CFT issues. FATF also held a dialogue in November 2006 with the legal and accounting professions and will be examining ways to do further work using a public-private partnership approach.

7) In June 2007, the FATF also issued Guidance Regarding the Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction. The guidance: (a) assists jurisdictions in implementing the targeted financial sanctions contained in UNSCR S/RES/1718(2006), S/RES/1737(2006) and S/RES/1747(2007) relating to the prevention of weapons of mass destruction (WMD) proliferation; (b) assists jurisdictions in implementing the activity-based financial prohibitions contained in UNSCRs S/RES/1695(2006) and S/RES/1737(2006) relating to the prevention of WMD proliferation; and (c) establishes a framework for further study of broad-based measures to combat WMD proliferation financing under S/RES/1540(2004) and S/RES/1673(2006).

8) FATF continues its longstanding work on “typologies” to identify new ML/TF methods and trends, and in June 2007 published reports on money laundering & terrorist financing through the real estate sector and laundering the proceeds of illegal narcotics trafficking. Consideration will be given as to whether there are policy considerations arising from those reports.

2. IMF/World Bank’s Ongoing Activities in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Agency: IMF and World Bank

Contact Information: Nadim Kyriakos-Saad (nkyriakos@imf.org, +1 202 623 5646);
Latifah Osman Merican (lmerican@worldbank.org, +1 202 458 8833)

Target Date: Ongoing

Brief Description: The IMF and the World Bank continue to deliver an intensive work program on AML/CFT. To date, the Fund and the Bank have conducted 30 AML/CFT assessments using the 2004 Methodology² and plan to conduct about 10 new assessments over the next 12 months. In the area of technical assistance (TA) on AML/CFT, they have continued to deliver a very strong and successful work program, carrying out 119 events/missions from January 1, 2007 to May 31, 2007:

- **Bilateral TA missions (54) and regional training events (18)** during this period covered a wide range of topics and activities such as legislative drafting, supervision, issues specific to CDD, institutional

² Belarus, Hungary, Greece, Italy, Bahrain, Panama, Uruguay, Denmark, Gibraltar, Latvia, Sudan, Senegal, Rwanda, Uganda, Mauritania, Madagascar, Namibia, Tunisia, CEMAC, Fiji, Sierra Leone, Qatar, Thailand, Cambodia, Botswana, Liechtenstein, United Arab Emirates, Cape Verde, Bermuda and Tajikistan.

and regulatory frameworks, FIUs, desk reviews of laws and regulations and assessor training. Both the WB and the IMF continue to conduct training for assessors, in conjunction with FATF and FATF Style Regional Bodies (FSRBs);

- **Outreach:** 25 events were held during this period, covering a range of activities—global dialogues, work on remittances, donor coordination, outreach to the private sector, relations with UN and Egmont Group and development of model laws.
- **Coordination:** The IMF and the World Bank continue to coordinate their respective programs to avoid overlap and to strengthen synergies, and to collaborate with the FSRBs on regional programs. In addition, coordination with FSRBs and other organizations is undertaken on a regular basis, and collaboration with UNODC is on-going, with emphasis (for the Bank) on the joint work in Central Asia and in Cambodia, Vietnam and Laos through the UNODC/WB mentors.
- **Policy Development and Research:** The Fund and the Bank have devoted additional resources to policy development work in key areas of AML/CFT. The main purpose of this work is to provide additional tools for technical assistance. While the institutions collaborate and coordinate, the project orientation in each institution is specifically focused on meeting their respective members' needs. The Fund and the Bank are also working in a coordinated way on developing a framework and methodology to assist countries to assess their AML/CFT risks.

3. Asset Freezes and Repatriation

Agency: IOSCO

Contact Information: Philippe Richard (p.richard@iosco.org)

Target Date: End 2007

Website Locator: <http://www.iosco.org/library/resolutions/pdf/IOSCORES25.pdf>

Brief Description: IOSCO has adopted in June 2006 a resolution (<http://www.iosco.org/library/resolutions/pdf/IOSCORES25.pdf>) that encourages members to examine the legal framework under which they operate and to enable assistance in the freezing of assets derived from cross-border securities and derivatives violations. In this way, those who break the laws of the securities sector will be unable to benefit from any gains made as a result of their illegal actions.

The resolution was adopted in response to the growing challenge posed by the increase in cross-border fraudulent and illicit activity and proceeds of fraud that cross borders, along with the general absence of powers to assist in freezing assets internationally. In order to deprive law breakers of the proceeds of their misconduct, IOSCO encourages regulators to examine their domestic laws in order to identify mechanisms that can be developed to assist in freezing assets.

IOSCO is currently focusing its work on updating the April 2005 internal Technical Committee report entitled *Preservation and Repatriation of Property in Cross-Border Enforcement Cases* to take into account latest

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related developments in the jurisdictions of members. IOSCO is also developing detailed guidance to assist members with the implementation of the June 2006 Presidents Committee resolution on preserving and repatriation of property in cross-border enforcement cases.

4. Establishment of an AML/CFT Expert Group

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee recently approved the establishment of an AML/CFT expert group comprised of BCBS-member countries and members of its International Liaison Group. The scope of the group's work will include the preparation of strategic input from the Committee on AML/CFT issues and contributing to the dialogue between public authorities and the industry on related issues.

(viii) Offshore Financial Centres (OFCs)

1. Offshore Financial Centre Assessments (OFCA)

Agency: IMF

Contact Information: Monetary and Capital Markets Department (<mailto:bjohnston@imf.org>)

Target Date: Ongoing

Brief Description: The IMF began assessing financial regulation and supervision in OFCs in 2000. Typically, the assessments review compliance with supervisory standards in banking relative to the Basel Core Principles and the anti-money laundering and combating the financing of terrorism regime relative to the FATF 40+9 recommendations. In addition, where warranted, the reviews include insurance and securities supervision as well. Member countries can also request to be assessed under the FSAP, which includes in addition a review of domestic financial vulnerabilities.

The first phase of the assessment program is completed with 42 of the 44 jurisdictions contacted having been assessed. Two jurisdictions received technical assistance in lieu of assessment.

The Executive Board of the IMF reviewed the OFC assessment program in November 2003 and concluded that the program should be based on the following elements: regular monitoring of OFCs as a standard component of the work of the Fund, improving transparency of OFCs' supervisory systems and activities, enhancing technical assistance, and collaboration with standard setters and supervisors to strengthen standards and exchanges of information. To this end, the IMF (i) has assessed 14 jurisdictions since 2005; (ii) has scheduled 11 assessments for 2007-08, and is contacting other jurisdictions to schedule assessments, coordinating these to the extent possible with agreed AML/CFT mutual evaluations; (iii) has received submissions of data from 28 jurisdictions for an information framework that is expected to serve as a common template that jurisdictions may use in their dissemination efforts, and to provide data to the IMF to facilitate

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monitoring of developments in financial centres; and (iv) held the fourth annual roundtable in December 2006 in the Cayman Islands to discuss the program with onshore and offshore supervisors and standard setters.

Progress reports on the OFC program prepared for the IMF Board were transmitted to the FSF prior to its meetings in September 2002, March 2003, September 2003, March 2004, March 2005 and March 2006. The reports are available at <http://www.imf.org/external/np/ofca/ofca.asp>.

2. Statistics on OFCs

Agency: IMF

Contact Information: cpis@imf.org and mcmif@imf.org

Target Date: Ongoing

Brief Description: The IMF is helping OFCs to improve their statistics, primarily by encouraging them to participate fully in international statistical collections such as the Co-ordinated Portfolio Investment Survey (CPIS), but also by helping them to improve their national macroeconomic statistics. The information dissemination and monitoring framework is also expected to contribute to the financial statistics collated by, and available on, OFCs. CPIS information and data are available on <http://www.imf.org/external/np/sta/pi/cpis.htm>.

3. Review of Relevant Work of International Bodies on OFCs

Agency: FSF

Contact Information: fsforum@bis.org

Target Date: Ongoing

Brief Description: In March 2005 the FSF established a group to review reports by the IMF and other bodies on the status of their efforts on OFCs and results that have been achieved with a view to advising the FSF on follow-up actions as appropriate. The FSF's OFC Review Group is continuing to monitor progress by FSF member bodies in working with OFCs to improve cross-border cooperation and exchange of information. At its latest meeting in March 2007 (http://www.fsforum.org/press/press_releases_100.html), the FSF noted the progress made in several OFCs and urged its member bodies to continue their efforts, including monitoring the progress achieved to improve international co-operation. The FSF encouraged OFCs to continue to cooperate with IOSCO and to participate in the IMF's ongoing assessment program. Since the March 2007 meeting, the OFC Review Group has undertaken an assessment of the FSF OFC initiative and has provided its conclusions to the FSF for its September meeting.

(ix) E-Finance

1. E-Finance and Debt Management

Agency: OECD

Contact Information: hans.blommestein@oecd.org; +33 145 24 79 90

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Target Date: Ongoing

Brief Description: The OECD Working Party on Public Debt Management discusses on a regular basis the implications of information and communications technology on debt management practices. An interim report on this work is available as chapters 4 and 5 in the OECD publication *Public Debt Management and Government Securities Markets in the 21st Century*.

2. E-Finance and Taxation

Agency: OECD

Target Date: Ongoing

Brief Description: In the summer of 2003 the OECD published a series of papers on tax administration and consumption tax issues, which focused on issues, such as electronic payment accountability, on-line business/customer identification and data elements for transaction information. In 2004 a report on enhancing facilities for the collection of consumption taxes on cross-border business-to-consumer e-products was published. In 2005 guidance on developing audit software to assist tax compliance was issued. Also, through the project on harmful tax practices, the OECD seeks to provide a cooperative framework within which countries can work together to eliminate such tax practices.

III. Glossary of Agencies

BCBS	Basel Committee on Banking Supervision (www.bis.org/bcbs)
BIS	Bank for International Settlements (www.bis.org)
CGFS	Committee on the Global Financial System (www.bis.org/cgfs)
CPSS	Committee on Payment and Settlement Systems (www.bis.org/cpss)
FATF	Financial Action Task Force on Money Laundering (www.fatf-gafi.org)
FSF	Financial Stability Forum (www.fsforum.org)
G-10	Group of 10
G-20	Group of 20
IAIS	International Association of Insurance Supervisors (www.iaisweb.org)
IASB	International Accounting Standards Board (www.iasc.org.uk)
IAASB	International Auditing and Assurance Board (www.ifac.org/iaasb)
IFAC	International Federation of Accountants (www.ifac.org)
IMF	International Monetary Fund (www.imf.org)
IMFC	International Monetary and Financial Committee
IOPS	International Organisation of Pension Supervisors (www.iopsweb.org)
IOSCO	International Organization of Securities Commissions (www.iosco.org)
OECD	Organisation for Economic Co-operation and Development (www.oecd.org)
PIOB	Public Interest Oversight Board
UNCITRAL	United Nations Commission on International Trade Law (www.uncitral.org)
World Bank	International Bank for Reconstruction and Development (www.worldbank.org)