

Ongoing and Recent Work Relevant to Sound Financial Systems

Cover note by the Secretariat for the FSF meeting on 29-30 September 2008

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. Market Infrastructure

1. Foreign Exchange Settlement Risk Management (CPSS, page 33)

Following the publication of the May 2008 CPSS report “*Progress in reducing foreign exchange settlement risk*”, the CPSS will be working with the Basel Committee to engage market participants on the development of best practices for managing FX settlement risk, and to revise the Basel Committee’s *Supervisory guidance for managing settlement risk in foreign exchange transactions*.

2. Operational Resilience of Major Payment and Settlement Organisations (CPSS, page 33)

The CPSS has established a small task force to work with major payment and settlement organisations, national authorities, and other international bodies to develop lessons learned in adopting stronger business continuity planning (BCP) arrangements and engender support for further improvements of major payment and settlement organisations. Potential actions include preparing a report and multilateral workshop and identifying sound practices for cross-border BCP testing and information sharing related to operational outages.

3. Standards for Payment and Settlement Systems (CPSS, pages 33-34)

The CPSS is reviewing a number of aspects of the CPSS *Core Principles for Systemically Important Payment Systems*, CPSS/IOSCO *Recommendations for Securities Settlement Systems*, and CPSS/IOSCO *Recommendations for Central Counterparties*. Among other considerations, the working group on standards will be updating the implementation guidance provided in these standards with respect to operational risk management and reviewing whether the standards need to be adapted to reflect issues addressed in the CPSS report “*The interdependencies of payment and settlement systems*”.

II. Accounting, Auditing and Public Disclosure

1. *Valuations in Illiquid Markets* (IASB, pages 36-37)

In response to the FSF April Report on Market and Institutional Resilience, and as part of its Fair Value Measurement project, the IASB has established an expert advisory panel to identify valuation and disclosure issues encountered in practice in the current market environment. The outcome of the meetings will assist the IASB in deciding whether additional guidance might be necessary.

2. *Auditing Standards* (IFAC, page 40)

Responding to calls from the FSF and other bodies, the IAASB is considering whether additional guidance can be provided to auditors considering fair value measurements. The IAASB intends to recommend what actions can be undertaken and within what timeframe before October 2008.

3. *Disclosure Practices and Requirements for Asset Backed Securities* (IOSCO, pages 42-43)

IOSCO's Task Force on the Subprime Crisis found that the recent market turmoil had relatively less effect on publicly traded structured finance products in some markets. Given this finding, the Technical Committee Standing Committee on Multinational Disclosure and Accounting (TCSC1) will consult with market participants about the typical structures and disclosure practices for private placements of asset backed securities (ABS), using disclosure requirements pertaining to public offerings and trading of ABS as a point of comparison.

TCSC1 also will review the degree to which existing IOSCO issuer disclosure standards and principles are applicable to public issuance of ABS, and will develop international principles regarding disclosure requirements for public offerings of ABS if it finds that existing standards and principles are inapplicable to such offerings.

4. *Internal Controls* (IOSCO, page 43)

As a result of the findings presented in the *Report on the Subprime Crisis*, published in May 2008, the Technical Committee Standing Committee on Multinational Disclosure and Accounting will review the degree to which existing internal controls and due diligence documentation procedures regarding the ownership rights attached to the assets underlying publicly traded securitized products protect the interests of investors in such products.

III. Financial Globalisation, Market Functioning/Conduct and Transparency

1. *Asset Managers Due Diligence Relating to Structured Finance Products* (IOSCO, page 52)

As a result of the findings presented in the *Report on the Subprime Crisis*, the Technical Committee Standing Committee on Investment Management (TCSC5) will review the degree to which investment managers who offer collective investment scheme to retail investors have invested in structured finance products; the type of due diligence typically conducted when making these investments; the degree to which these investment managers have been affected by the current market turmoil; and if and how investment managers may have shielded retail investors from the effects of their exposure to losses from structured finance products and any broader market implications

FINANCIAL STABILITY FORUM

such activity may have. It is anticipated that TCSC5 will finalize its review by the end of 2009.

2. *Due Diligence/Risk Management Practices of Sponsors of Structured Finance Products* (IOSCO, page 52)

As a result of the findings presented in the *Report on the Subprime Crisis*, the Technical Committee will ask originators and sponsors of securitization programs to develop best practices to reinforce their due diligence and risk management practices such that the assets originated for transfer off their balance sheets is of the same quality and subject to the same evaluations as for those kept on their balance sheet. This work will be reviewed by the Technical Committee Standing Committee on Regulation of Market Intermediaries, which will report to the Technical Committee on its opinion of the adequacy of these best practices.

3. *Financial Firm Internal Controls Relating to Structured Finance Products* (IOSCO, page 53)

IOSCO's Task Force on the Subprime Crisis found that many institutional investors and investment banking firms had inadequate risk modeling and internal controls in place to understand and address the risks they were assuming when buying many types of structured finance products. The Technical Committee Standing Committees on Regulation of Market Intermediaries and Investment Management will undertake a study of the internal control systems of financial firms, including asset managers, in different IOSCO jurisdictions and develop principles to address any concerns identified.

4. *Human and Technological Resources for Asset Valuation* (IOSCO, page 53)

IOSCO's Task Force on the Subprime Crisis found that some financial firms appear to have inadequate human and technological resources to model their financial positions using fair value accounting principles under illiquid market conditions. The Technical Committee Standing Committees on Regulation of Market Intermediaries and Investment Management will explore whether, as a matter of internal control, registered intermediaries and investment advisors avail themselves of practitioners who are skilled or trained enough to model fair valuation adequately in illiquid market conditions.

5. *Structured Finance Product Market Transparency* (IOSCO, pages 53-54)

As a result of the findings presented in the *Report on the Subprime Crisis*, the IOSCO Technical Committee asked its Standing Committee on the Regulation of Secondary Markets (TCSC2) to work with the financial service industry to examine the viability of a secondary market reporting system for different types of structured finance products. In particular, they will focus on whether the nature of structured finance products lends itself to such reporting and the cost and benefits such a system might entail. TCSC2 has begun soliciting input from the financial service industry.

6. *Exchange Traded Funds* (IOSCO, page 56)

Given the growing interest in exchange traded funds (ETFs) worldwide, the Technical Committee Standing Committee on Investment Management (TCSC5) initiated preliminary work on regulatory approaches in the area in order to identify the issues associated with such products. In March 2008, TCSC5 organized a hearing with ETFs experts in order to have a global picture of the ETFs market. TCSC5 intends to pursue the work it initially conducted in this area, and from mid/end 2009, prepare an issues paper for the purpose of discussion with the industry.

IV. Prudential Regulation and Supervision

1. *Refinements to the Basel II Framework* (BCBS, page 59)

The Basel Committee has formed new workstreams to strengthen each of the three pillars of the Basel II framework. For example, it will establish higher capital requirements for certain complex structured credit products, such as so-called “resecuritisations” or CDOs of ABS. It will also strengthen the capital treatment of liquidity facilities extended to support off-balance sheet vehicles such as ABCP conduits. In addition, it will issue Pillar 2 guidance in a number of areas to help strengthen risk management and supervisory practices. Moreover, the Committee will promote enhanced disclosures relating to complex securitisation exposures, ABCP conduits and the sponsorship of off-balance sheet vehicles. The Committee intends to issue proposals for public consultation by year-end.

2. *Market Conduct of Insurers* (IAIS, pages 66-67)

In June 2008, the IAIS announced the formation of a new Market Conduct Subcommittee, charged with developing international supervisory standards on insurers’ behaviour in the marketplace. The subcommittee will build on existing work on market conduct and consider the market conduct of insurers and intermediaries in the selling and handling of insurance products and services and in disclosure of information to customers.

IASB Leases - MOU project													P.C. planned for DP
BCBS Revision of Sound Practices for Managing Liquidity in Banking Organisations						P.C. until July 29	T.D.						
BCBS Due Diligence and Transparency Regarding Cover Payment Messages Related to Cross-border Wire Transfers							P.C. from mid July - Comments due by 15 September						T.D.
Other international regulatory initiatives under development													
	2007				2008				2009				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
BCBS Guidelines for Computing Capital for Incremental Risk in the Trading Book								T.D.					
BCBS Review of Trends in Regulatory Capital Instruments										T.D.			
IAIS Insurers' Solvency: Standards and Guidance - Structure of Capital Requirements, Enterprise Risk Management, Internal Models (*)								T.D.					
IAIS Insurers' Solvency: Standard on the Valuation of Assets and Liabilities Including Technical Provisions (*)												T.D.	
IAIS Insurers' Solvency: Standard and Guidance on Capital Resources (*)												T.D.	
IAIS Insurance Groups: Principles Paper on Group-wide Supervision (*)								T.D.					
IAIS Insurance Groups: Guidance Paper on the Role and Responsibilities of Group-wide Supervisor (*)								T.D.					
IAIS Reinsurance: Guidance paper on Mutual Recognition of Reinsurance Supervision (*)								T.D.					
IAIS Reinsurance: Revision of the Standard on the Evaluation of Ceded Reinsurance (*)								T.D.					
IAIS Reinsurance: Revision of the Guidance and Upgrade to a Standard, Risk Transfer, Disclosure and Analysis of Finite Reinsurance (*)												T.D.	
IAIS Reinsurance: Guidance Paper on Regulation and Supervision of Captive Insurance Companies (*)								T.D.					
IAIS Reinsurance: Guidance Paper on Contract Certainty (*)													T.D. Q4 2010
IAIS Reinsurance: Global Reinsurance Market Report Annual Edition				2007 report complete				T.D.					T.D.
IAIS Life Insurance Securitisation: Review of Issues Paper and Upgrade to a Standard													T.D.
IAIS Non-life Insurance Securitisation: Review of Issues Paper and Upgrade to a Standard													T.D.
IAIS Revision of Insurance Core Principles (*)													T.D.
IAIS Microinsurance: Guidance Paper on Regulation and Supervision of Microinsurance (*)													T.D.
IAIS Harmonised International Glossary(*)													T.D.
IAIS Corporate Governance: Standard (*)													T.D. Q4 2010
IOSCO Viability-Secondary Market Reporting System for Structured Products								Consultation with the Industry					
IOSCO Due Diligence of Asset Managers regarding Structured Finance Products								Survey of regulators and industry regarding due diligence practices					
IOSCO Funds of Hedge Funds								T.D. to be followed by a phase of public consultation					

Agreed international implementation date

P.C.

T.D.

Agreed international implementation date

Period of public comment on consultation documents

Target date for finalisation of initiatives

Note 1: (*) In consultation with IAIS Members and Observers including insurance industry and professionals

Note 2: For IASB projects, DP means Discussion Paper. ED means Exposure Draft, public comment of which is normally 120 days.

Note 3: 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>).

Note 4: 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 28-29 March 2008)**

I.	Work Completed Since the Last FSF Meeting	2
	(i) Macroeconomic Management, Surveillance and Transparency	2
	(ii) Identifying Financial System Strengths and Weaknesses.....	2
	(iii) Market Infrastructure	3
	(iv) Accounting, Auditing and Public Disclosure.....	4
	(v) Financial Globalisation, Market Functioning/Conduct and Transparency.....	4
	(vi) Prudential Regulation and Supervision	7
II.	Ongoing Work	10
	(i) Macroeconomic Management, Surveillance and Transparency	10
	(ii) Identifying Financial System Strengths and Weaknesses.....	16
	(iii) Market Infrastructure	24
	(iv) Accounting, Auditing and Public Disclosure.....	36
	(v) Financial Globalisation, Market Functioning/Conduct and Transparency	43
	(vi) Prudential Regulation and Supervision.....	58
	(vii) Combating Money Laundering, Terrorist Financing and Other Market Abuses	71
	(viii) Offshore Financial Centres (OFCs)	74
	(ix) E-Finance	76
III.	Glossary of Agencies and Web Addresses	77

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. The Governance of Sovereign Wealth Funds

Agency: OECD

Contact Information: mats.isaksson@oecd.org

Completion Date: March 2008

Brief Description: The Working Group on Privatisation and Corporate Governance of State-Owned Assets has reviewed the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* with regard to sovereign wealth funds. In its meeting in March, the Working Group identified those provisions in the Guidelines that it considered of particular relevance to the governance of sovereign wealth funds, including provisions that separate the government's regulatory and ownership functions and ensure disclosure of any special obligations. The work will contribute to ongoing OECD-IMF work to respond to a request by G7 Finance ministers and their respective memberships. Members agreed to the related report in March and it will be published on the OECD website before the end of the year.

(ii) Identifying Financial System Strengths and Weaknesses

1. Report on the Subprime Crisis

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: May 2008

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>

Brief Description: The IOSCO Technical Committee published the final report of its Task Force on the Subprime Crisis (Subprime Crisis Report) in May 2008. The Subprime Crisis Report contains an analysis of the underlying causes of the subprime crisis, the implications for international capital markets and recommendations that address the issues facing securities regulators. The Subprime Crisis Report focuses on the market for structured finance products and the specific areas where failings were identified in November 2007. It contains a comprehensive analysis of the particular problems encountered in four key areas (issuer and market transparency and investor due diligence; firm risk management and prudential supervision; valuation and accounting issues; and credit rating agencies), and contains recommendations of the Technical Committee for future IOSCO work to address these issues. Such ongoing work is addressed in Section II of this Note.

2. Central Bank Operations in Response to the Financial Turmoil

Agency: CGFS

FINANCIAL STABILITY FORUM

Contact Information: Corrinne Ho (corrinne.ho@bis.org)

Completion Date: July 2008

Website Locator: <http://www.bis.org/publ/cgfs31.pdf?noframes=1>

Brief Description: The credit market turmoil that began in mid-2007 spilled over into a number of major currency money markets in early August 2007. This in turn triggered a variety of responses from central banks. Against this backdrop, the CGFS, in cooperation with the Markets Committee, convened a study group to examine how central banks adapted their liquidity operations in response to the emergence of money market tensions and how effective those responses were. Under the chairmanship of Francesco Papadia of the European Central Bank, the study group documented in this report the various central bank measures taken, assessed their outcomes, and set out recommendations for central bank liquidity operations.

(iii) Market Infrastructure

1. Progress in Reducing Foreign Exchange Settlement Risk

Agency: CPSS

Contact Information: cpss@bis.org

Completion Date: May 2008

Website Locator: <http://www.bis.org/publ/cpss83.htm>

Brief Description: This CPSS report, first published for consultation in July 2007, analyses the degree of progress made over the last ten years in reducing foreign exchange settlement risk. It concludes that the G10 central banks' 1996 strategy to reduce FX settlement risk has achieved significant success, evidenced most visibly by the establishment and growth of Continuous Linked Settlement (CLS) Bank. It also finds that a notable share of FX transactions is settled in ways that still generate significant potential risk, however. The report therefore recommends specific actions by individual institutions, industry groups and central banks to reduce and control remaining large and long-lasting exposures and to guard against a risk of reversing the important progress already made.

2. Interdependencies of Payment and Settlement Systems

Agency: CPSS

Contact Information: cpss@bis.org

Completion Date: June 2008

Website Locator: <http://www.bis.org/publ/cpss84.htm>

Brief Description: This CPSS report identifies the various interdependencies that exist among the systems of CPSS countries, analyses the risk implications of these interdependencies, and assesses the associated risk management challenges. The report concludes that tighter interdependencies among systems have contributed to strengthen the global infrastructure by reducing several sources of settlement costs and risks. At the same time, interdependencies have also increased the potential for disruptions to

spread quickly and widely across multiple systems. To address this potential, the report suggests that system operators, financial institutions, and service providers adapt their existing risk management practices to the more complex, integrated settlement infrastructure, underlining the importance of broad risk management perspectives, of risk management controls that are commensurate with the role played in the global payment and settlement infrastructure, and of wide coordination among interdependent stakeholders. It also suggests that central banks and other authorities review, and where necessary, adjust their policies, including the CPSS standards, in light of the challenges of interdependencies.

(iv) Accounting, Auditing and Public Disclosure

1. Contingency Planning for Events and Conditions Affecting Availability of Audit Services

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: May 2008

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD269.pdf>

Brief Description: The IOSCO Technical Committee released a paper prepared by its Audit Services Task Force in May 2008 intended to assist IOSCO members in considering and preparing for potential contingencies involving audit firms that may affect the delivery of audit services in the global capital markets, *Contingency Planning For Events and Conditions Affecting Availability of Audit Services*. The paper presents a collection of information about issues and experiences encountered in past events and conditions that affected the auditing of financial statements of public companies. This information is meant to help regulators anticipate and prepare for unforeseen events and conditions that may affect the delivery of audit services in the capital markets. The paper sets forth suggested matters for consideration, rather than specific principles or prescriptions, as the legal frameworks, powers and responsibilities of securities regulators differ among IOSCO member jurisdictions.

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

1. Private Equity and Leveraged Finance Markets

Agency: CGFS

Contact Information: Srichander Ramaswamy (srichander.ramaswamy@bis.org)

Completion Date: July 2008

Website Locator: <http://www.bis.org/publ/cgfs30.pdf?noframes=1>

Brief Description: The credit market turmoil since mid-2007 has substantially affected the terms and conditions of funding in leveraged finance markets. Rising investor risk aversion, growing pressure on bank balance sheets and a loss of confidence in structured credit products have sharply reduced demand for leveraged loans. The materialisation of warehouse risks from failed leveraged loan syndications contributed to unwanted expansion of bank balance sheets and has affected credit supply. The knock-on effects

FINANCIAL STABILITY FORUM

from deteriorating conditions in leveraged loan markets have also affected private equity financing. Against the background of these developments, the working group report on private equity and leveraged finance markets under the chairmanship of Henk Brouwer of the Netherlands Bank addresses two broad questions. First, what have been the important trends during the period of rapid growth in the markets for leveraged finance, private equity and leveraged buyouts, and how has market growth affected incentives and corporate structures? Second, how have leveraged finance markets performed since mid-2007, which risks have surfaced, and what preliminary lessons can be drawn for financial stability?

2. Funds of Hedge Funds

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: June 2008

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD276.pdf>

Brief Description: The IOSCO Technical Committee is working on a mandate on funds of hedge funds. In June 2008, it published a final report, *Report on Funds of Hedge Funds*. The report examines the existing and proposed regulation of funds of hedge funds offered to retail investors in jurisdictions represented in the Technical Committee's Standing Committee on Investment Management, and identifies, with the help of industry representatives, present issues of concern to regulators in this area. Input for the final report was received through comments provided on a consultation report on funds of hedge funds published in April 2007 and in three roundtable discussions with experts on funds of hedge funds in Asia, Europe and America in 2007. The final report proposes to consider the potential development in specific areas of elements of international regulatory standards for funds of hedge funds based on best market practices.

This recent work on funds of hedge funds was undertaken with a view to assessing whether the regulatory principles in the 2003 IOSCO report, *Regulatory and Investor Protection Issues Arising from the Participation by Retail Investors in (Funds-of) Hedge Funds* needed to be amended and/or completed in consideration of the increasing popularity of funds of hedge funds among retail investors and of the important regulatory developments made in this area in various jurisdictions.

3. Private Equity

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: May 2008

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD274.pdf>

Brief Description: In February 2007, the IOSCO Technical Committee launched a fact finding exercise on the theme of private equity, given its increasing

importance as a component of capital markets, and created a Task Force on Private Equity (TFPE). As a result of its work, the TFPE identified seven specific issues relating to private equity markets that have been raised as potential risks to financial markets, of which six are relevant to IOSCO's objectives. In considering further work, to avoid duplication, due regard has been given to work that has already taken place in IOSCO and other international fora. The issues were outlined in detail in the Technical Committee report on *Private Equity*, which was published for public comment in November 2007. After assessing the comments received, the Technical Committee did not make changes to its original report. As noted in the final report on *Private Equity*, the Technical Committee identified two workstreams for future work programs. One piece of work is a survey of the complexity and leverage of capital structures employed in leveraged buyout transactions across relevant IOSCO jurisdictions. The other piece of work is an analysis of conflicts of interest that arise during the course of private equity business and the controls utilized across relevant IOSCO member jurisdictions that aim to provide appropriate levels of investor protection. Key areas of focus will be public-to-private transactions and the listing (or subsequent re-listing) of private equity portfolio companies. These situations potentially have a heightened impact on public securities markets and investors. This work will incorporate both private equity firms and market intermediaries and will focus on identifying conflicts which are present, or are unique, within the context of private equity transactions as they relate to public markets. In completing this work, consideration will be given to participation by industry and investors.

4. The Role of Credit Rating Agencies in Structured Finance Markets and Code of Conduct Fundamentals for Credit Rating Agencies

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: May 2008

Website locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf>
<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf>

Brief Description: In view of the recent market turmoil, in April 2007 the IOSCO Technical Committee asked its Task Force on Credit Rating Agencies (TFCRA) to analyze the role credit rating agencies (CRAs) play in structured finance markets and make recommendations if the TFCRA concluded that the *Code of Conduct Fundamentals for Credit Rating Agencies* (CRA Code of Conduct) published in 2004 should be modified to better address issues relating to CRA activities in the structured finance market. Following a public consultation process, in May 2008, the Technical Committee published the final report, *The Role of Credit Rating Agencies in Structured Finance Markets* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf>), which contains amendments to the CRA Code of Conduct (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf>). Changes were made to the CRA Code of Conduct in the areas of quality and

FINANCIAL STABILITY FORUM

integrity of the rating process, CRA independence and avoidance of conflicts of interest, CRA responsibilities to the investing public and issuers, and disclosure of the code of conduct and communication with market participants. The revised CRA Code of Conduct will assist CRAs in strengthening their processes and procedures to protect the integrity of the ratings process, help ensure that investors and issuers are treated fairly and safeguard confidential material provided.

5. Ratings in Structured Finance: what went wrong and what can be done to address shortcomings?

Agency: CGFS

Contact Information: Srichander Ramaswamy (srichander.ramaswamy@bis.org)

Completion Date: July 2008

Website Locator: <http://www.bis.org/publ/cgfs32.pdf?noframes=1>

Brief Description: The credit market turmoil has raised questions about the effectiveness of credit rating agencies' assessments of risks in rating structured finance products. The study group report on ratings in structured finance under the chairmanship of Nigel Jenkinson of Bank of England draws on the lessons that have been learnt during the credit turmoil on vulnerabilities of ratings of structured finance products. The report then explores ways to improve the credibility of ratings of structured finance products while highlighting the inevitable uncertainties attached to them and sets out a number of recommendations to address weaknesses that were identified. The report also incorporates a summary of feedback received during a consultation process with credit rating agencies and investors.

6. Regulatory Issues Relating to Real Estate Funds

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: June 2008

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD275.pdf>

Brief Description: IOSCO has undertaken initial work on the regulatory issues related to real estate funds by surveying the legal regimes applicable in the jurisdictions of members of the Technical Committee's Standing Committee on Investment Management (TCSC5). As a result of this preliminary work, the main issues identified relate to conflicts of interest, liquidity management and valuation. In June 2008, the Technical Committee published a report, *Review of the Regulatory Issues Relating to Real Estate Funds*. TCSC5 determined that the real estate funds subject was an important one to be kept under watch and will consider whether to undertake further work in this area beginning/end of 2009.

(vi) Prudential Regulation and Supervision

1. Review of Risks Related to Customer Suitability Issues

FINANCIAL STABILITY FORUM

Agency: Joint Forum
Contact Information: Joint.Forum@bis.org
Completion Date: April 2008
Website Locator: <http://www.bis.org/publ/joint20.htm>
Brief Description: The report was published on 30 April 2008. It describes the existing practice in firms for managing the risks of potential mis-selling of financial products and services and the basic tenets of conduct of business rules across sectors. The report deals only with requirements in respect of retail customers and products with a significant investment component. It therefore includes investment-based or investment-linked insurance products, but not those insurance contracts that only insure against risk. Credit products sold by banks in retail settings were not part of this review.

2. Supervision and Assessment of Insurer's Solvency

Agency: IAIS
Contact Information: iais@bis.org
Completion Date: Approved in June 2008 pending final adoption in October 2008
Website Locator:
1) http://www.iaisweb.org/temp/Pending_final_standard_on_capital_requirements.pdf
2) http://www.iaisweb.org/temp/Pending_final_guidance_paper_on_capital_requirements.pdf
3) http://www.iaisweb.org/temp/Pending_final_standard_on_ERM.pdf
4) http://www.iaisweb.org/temp/Pending_final_guidance_paper_on_ERM.pdf
5) http://www.iaisweb.org/temp/Pending_final_standard_on_internal_models.pdf
6) http://www.iaisweb.org/temp/Pending_final_guidance_paper_on_internal_models.pdf

Brief Description: In June 2008, the IAIS Executive and Technical Committees approved six solvency related papers pending presentation and adoption at the October 2008 General Meeting. The papers consist of three solvency Standards and three corresponding Guidance papers. The Guidance papers released in 2007 were enhanced and reissued to take into account financial stability issues. The papers include:

Standard and Guidance on the Structure of Regulatory Capital Requirements

These papers focus on the principles-based requirements for a solvency regime in relation to regulatory capital requirements. They outline the key features expected in a solvency regime, with the objective of facilitating greater comparability and convergence in the assessment of insurer solvency internationally.

Standard and Guidance on Enterprise Risk Management for Capital Adequacy and Solvency Purposes

These papers stress the importance, from an operational and supervisory perspective, of enterprise risk management frameworks. Insurers are encouraged to establish risk and capital management policies, practices and structures, to apply them consistently across their organisations and to use them in their management and solvency assessment processes.

Standard and Guidance on the Use of Internal Models for Risk and Capital Management Purposes by Insurers

These papers set out a high-level framework for supervisors to use in reviewing insurers' internal models. Internal models can be used to assess risk, both quantitatively and qualitatively, and manage capital. The papers consider the use of internal models in the dual contexts of determining the insurer's own economic capital needs and assessing the insurer's regulatory capital requirements.

3. Insurance Groups

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: Approved in June 2008 pending final adoption in October 2008

Website Locator: http://www.iaisweb.org/_temp/Pending_final_principles_on_group-wide_supervision.pdf

Brief Description: In June 2008, the IAIS Executive and Technical Committees approved a *Principles paper on Group-Wide Supervision* pending presentation and adoption at the October 2008 General Meeting. The Principles paper is designed to establish an internationally acceptable framework that contributes to ensuring appropriate streamlining, consistency, efficiency and effectiveness of supervision on a group-wide basis.

II. Ongoing Work

(i) Macroeconomic Management, Surveillance and Transparency

1. External Vulnerability Assessments

Agency: IMF

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

Target Date: Ongoing

Brief Description: In light of the emphasis of surveillance on external stability, 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, a greater focus on balance sheet linkages and the sources of financing, and more emphasis on risk-based scenario analysis.¹

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 balance sheet analysis.

The work of the Consultative Group on Exchange Rates, which involves estimating multilaterally-consistent equilibrium exchange rates, has been refined and expanded to cover emerging market countries, and current work is focusing on expanding it further to oil-exporting and low-income countries. On exchange rate regime classification, IMF staff expects to complete an update of its *de facto* exchange rate regime classification system soon. This work will propose measures to improve existing *de facto* classifications. Looking ahead, staff will thus be provided with better guidance on the description and analysis of *de facto* and *de jure* exchange rate regimes to be reflected candidly in future surveillance reports. Finally, the Board has supported, if feasible, a comprehensive review of the system of exchange rates in 2009. This review will provide an opportunity to distill practical guidance and collect cross-country experience in the area of exchange rate regime choice.

2. Transparency of IMF Policies and Assessments

Agency: IMF

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.

FINANCIAL STABILITY FORUM

Contact Information: IMF Surveillance Review Division (imateosylago@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. An amended Transparency Decision was issued with the last review by the Executive Board of the transparency policy in August 2005; the main changes aim 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/2008/013108.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>).

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

FINANCIAL STABILITY FORUM

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; the World Bank Treasury and the Economic Policy and Debt Department, World Bank
Udaibir S. Das (udas@imf.org); Phillip R. D. Anderson (prdanderson@worldbank.org); and Carlos Alberto Primo Braga (cbraga@worldbank.org)

Target Date: Ongoing

Brief Description: The *Guidelines for Public Debt Management*, developed by the IMF and the World Bank in 2001, are 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 management practices, including strategy development 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>). One item on the agenda was the development and implementation of the *Debt Management Performance Assessment* (DeMPA) tool. Building on the Guidelines and modeled on the Public Expenditure and Financial Accountability Framework (PEFA), DeMPA is a methodology for identifying strengths and weaknesses in debt management operations through a comprehensive set of indicators. DeMPA assessments are ongoing and are coordinated with wider capacity building efforts related to strengthening debt management within the context of a broader asset-liability management framework.

5. Methodological Framework for Medium-Term Debt Management Strategies

Agency: IMF and World Bank

Contact Information: Udaibir S. Das (udas@imf.org); Carlos Alberto Primo Braga (cbraga@worldbank.org); and Philip R. D. Anderson (prdanderson@worldbank.org)

Target Date: Ongoing

Brief Description: The Boards of the two institutions in May 2007 endorsed the development of a methodological framework for the design of *Medium-Term Debt Management Strategies* (MTDS) in low-income countries

FINANCIAL STABILITY FORUM

(LICs). A joint Bank-Fund technical working group is developing an MTDS toolkit including a guidance note on the process of designing and implementing a debt management strategy in a LIC context, a template for strategy documentation, and a quantitative cost-risk analysis tool. The objective of the program is to help LICs make well-informed decisions about public debt and its management that is consistent with maintaining debt sustainability and limiting portfolio and default risk over the medium term (see <http://www.imf.org/external/np/mae/pdebt/2000/eng/index.htm>). The MTDS toolkit has been field-tested in Bangladesh, Cameroon, Ghana and Nicaragua and two additional tests are expected this year. The work has been undertaken in close cooperation with various stakeholders - including other technical assistance providers and donors. Staff of both institutions will report on this program and the *Debt Management Performance Assessment* (DeMPA) program's progress to their respective Boards in early 2009.

6. Debt Sustainability Framework for Low Income Countries

Agency: IMF and World Bank

Contact Information: Official Financing Operations Division, IMF and PRMED, World Bank
Martine Guerguil (mguerguil@imf.org) and Carlos Alberto Primo Braga (cbraga@worldbank.org)

Target Date: Ongoing

Brief description: The apparent borrowing space created by debt relief to low income countries (LICs) - and the extent to which it should be filled - has raised new policy challenges. Debt relief frees up resources that LICs may wish to use to make faster progress toward achieving the MDGs. Meanwhile, the emergence of potential new lenders, both public and private, presents new opportunities. Such lending, however, if in excessive volumes or on unfavorable terms, could contribute to the re-emergence of debt vulnerabilities in these countries and create risks to financial and macroeconomic stability. The increasing tendency of some governments to borrow domestically - and the impact on overall debt risks - adds to the complexity of assessing these risks. The ultimate objective of the IMF-WB's Debt Sustainability Framework is to help LICs themselves identify debt-related vulnerabilities so that they can be adequately taken into account in policy formulation. Ongoing work consists of outreach to debtors and creditors so that they can use debt sustainability analyses to inform their borrowing and lending decisions, and refining the framework as a direct input for the formulation of medium-term debt strategies. To that end, the Export Credit Group of the OECD has adopted *The Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to LICs*.

7. Sovereign Liability Management: Leading Practices in Debt Management and Government Securities Markets

Agency: OECD

Contact Information: Hans J. Blommestein (hans.blommestein@oecd.org)

FINANCIAL STABILITY FORUM

Target Date:	Ongoing
Brief description	<p>The OECD provides authoritative information on technical and policy issues in the area of public debt management and government securities markets through its Working Party on Public Debt Management (WPDM). The WPDM formulates leading practices based on discussions among OECD debt managers. A recent report <i>Advances in Risk Management of Government Debt</i> deals with practices on market, credit, and operational risk as well as guarantees. Other reports are in preparation, including on liquidity and on electronic systems.</p> <p>The WPDM has achieved a singular international status in the international community of debt managers, while its activities have resulted in a set of leading practices that function de facto as global standards. (Some of them are reflected in the IMF-WB <i>Guidelines for Public Debt Management</i>.) Ongoing work includes policy challenges related to primary systems, electronic markets, auction systems, cash management and risk management. The <i>Annual OECD Global Forum on Public Debt Management</i> brings together debt managers from all over the world to discuss viewpoints and experiences relating to policies, techniques, and experiences in the field of government debt management. The focus of the <i>Annual OECD/World Bank/IMF Global Bond Market Forum</i> is on the latest developments in worldwide bond markets and to share and learn from country cases and leading practices in developing efficient public and corporate bond markets. Conclusions from the last forum are incorporated in the OECD/WB/IMF report <i>Use of Derivatives for Debt Management and Domestic Debt Market Development</i>.</p>

8. Public Debt Management and Bond Markets in Africa

Agency:	OECD
Contact Information:	Hans J. Blommestein (hans.blommestein@oecd.org)
Target Date:	Ongoing
Brief description	<p>The project, organised under the aegis of the OECD Working Party on Public Debt Management, has two principal pillars. The OECD Forum on African Public Debt Management constitutes the <i>first</i>, and the Regional Workshops on African Debt Management and Bond Markets, the <i>second</i>. Both seek to promote frank and open policy discussions between African and OECD debt managers on the one hand, and African market participants like banks, exchanges and rating agencies, on the other. The regional workshops focus on market infrastructure issues. Forum meetings address specific problems, issues, and public debt management policies of particular relevance to African countries. Forum meetings also function as an efficient clearing house to share and exchange information on the activities by the various international and regional players involved in different aspects of African debt management, including the IMF, World Bank, African Development Bank, NEPAD, MEFMI, WAIFEM and BCEAO/BEAC.</p>

9. Sovereign Wealth Funds

Agency: IMF and World Bank

Contact Information: Udaibir S. Das (udas@imf.org); Alison M. Stuart (astuart@imf.org)

Target Date: October 2008

Brief Description: Sovereign wealth funds (SWFs) are becoming an increasingly important part of the global financial system. SWFs can play a positive role in financial markets, but have also created concerns, including about their impact on global financial stability, their relative transparency, and their investment motives. SWFs have been a part of Fund surveillance, both bilateral and global, and the International Monetary and Financial Committee has welcomed expanded work by the Fund to analyze issues for investors and recipients of such flows. In coordination with International Working Group of Sovereign Wealth Funds, the Fund is facilitating the development of Generally Accepted Principles and Practices for SWFs. This aims at improving transparency and reducing the risk of a protectionist backlash in countries in which they invest. It is expected that the Generally Accepted Principles and Practices will be finalized ahead of the IMF/World Bank Annual Meetings in October 2008.

10. Sovereign Wealth Funds and Recipient Country Policies

Agency: OECD

Contact Information: kathryn.gordon@oecd.org

Target Date: End 2008 for adoption by OECD Investment Committee

Brief Description: The OECD Investment Committee is treating the issue of recipient country policies toward sovereign wealth funds (SWFs) and other government-controlled investment entities as an integral part of ongoing cooperation on building open and fair international investment markets. A report by the Investment Committee recognises the benefits of SWFs' investments and confirms that the OECD's established principles for investment policy apply equally well to investments by SWFs. The OECD project complements the work, described in item 9 above, by SWFs, assisted by the IMF, on developing guidance for their own transparency and governance practices. The two projects, taken together, will contribute to building a policy framework that will reinforce mutual confidence and trust between recipient countries and SWFs

11. Sovereign Wealth Funds and Government Bond Markets

Agency: OECD

Contact Information: hans.blommestein@oecd.org

Target Date: Ongoing

Brief Description: The Working Party on Public Debt Management assesses the impact of the investment strategies of sovereign wealth funds (SWFs) on domestic government bond markets. This includes a quantification of the effect on yields. The work also focuses on the potential influence of SWFs on the

FINANCIAL STABILITY FORUM

global bond market. A related joint project with the IMF focuses on work related to debt management within the context of a broader sovereign asset-liability management framework.

(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/mas/mcm/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>)
- 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

FINANCIAL STABILITY FORUM

Contact Information: IMF, Monetary and Capital Markets Department, Financial Sector Policy Division, Mark Swinburne (mswinburne@imf.org, + 1 202 623 4777); World Bank, Financial Systems Department, FSAP Unit, 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 <http://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). In the future, OFCs will be assessed under the FSAP. The IMF/World Bank work on anti-money laundering and combating terrorist financing continues to be undertaken in connection with the FSAP.

In all, 145 countries and economies, including all G-20 member countries except Indonesia, and three regional supervisory bodies have undergone, or have 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). 54 countries, including some G-20 countries, have undergone or requested an update of their initial assessment. A few countries have requested further updates.

The IMF and World Bank Boards last reviewed the FSAP in March 2005 (see <http://www.imf.org/external/np/sec/pn/2005/pn0547.htm>; http://www1.worldbank.org/finance/html/policy_fsap.html); the next review 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 (imateosylago@imf.org); World Bank, Financial Systems Department, Consulate Rusagara (crusagara@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 FSAP can be accessed at <http://www.imf.org/external/standards/index.htm> and <http://www.worldbank.org/ifa>.

As of end-April 2008, 1,004 ROSC modules and updates (for 144 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/index.htm>.

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=566>). 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. In the period 2004-2007, the IMF conducted a coordinated compilation exercise (CCE), which aimed to support efforts by 62 participating countries to compile and disseminate cross-country comparable FSIs. Along with FSAP and other IMF surveillance work, the CCE was to lead to an increasing number of countries compiling FSIs on an ongoing basis. The data and metadata compiled under the CCE for 58 countries were disseminated by the IMF on its website. The data and metadata for the remaining CCE-participating countries will be posted on the IMF website as these countries finalize their submissions.

In November 2007, the Executive Board of the IMF reviewed the experience with the work program on FSIs, and in particular the CCE, and discussed proposals for taking forward the work on FSIs. The Executive Board discussion was based on a paper entitled *Financial Soundness Indicators: Experience with the Coordinated Compilation Exercise and Next Steps*, and on supporting information provided in a background paper. The paper, among others, reflected the CCE participating countries' views on and experience with compiling FSIs.

In the November 2007 Board meeting, Executive Directors had a positive assessment of the CCE and underscored the importance of continued IMF engagement with regard to FSIs. In this context, Directors saw clear value in the regular collection and dissemination of FSIs by the IMF, with the creation of a centralized public FSI database that would be

available to member countries, international institutions, and markets. Directors agreed that countries should be encouraged - but not required - to report FSIs to the IMF. Many Directors supported the voluntary provision of FSIs with quarterly periodicity and with a one quarter lag, while many others felt that semiannual or annual reporting would be sufficient. The IMF Statistics Department, in coordination with other IMF departments, is in the process of preparing for the implementation of the regular collection and dissemination of FSIs by the IMF, which is currently envisaged to start in the first quarter of 2009 with countries that participated in the CCE.

In the CCE, the recommendations of the *Compilation Guide on Financial Soundness Indicators* were used as a reference in compiling FSIs and producing the metadata for the indicators. This Guide had been posted on the IMF's external website and was published as an IMF document in 2006. In the November 2007 Board meeting, Directors noted that the Guide had been helpful during the CCE, and acknowledged the need for some amendments to the Guide in light of experience. The amendments were presented in the papers discussed at that IMF Board meeting. These amendments are also outlined in a note labelled "*Amendments to the Financial Soundness Indicators: Compilation Guide*" posted on the IMF's external website (www.imf.org) in July 2008.

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 BIS, 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 (from the Quarterly External Debt Statistics (QEDS) database, see below) 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. A major enhancement, made possible by ongoing work with the Berne Union (the International Union of Credit & Investment Insurers), was the availability from end-January 2008 of data collected from its members on export credit exposures, as an alternative source following the discontinuation of the collection of data on official and officially-supported trade credits at the OECD. The JEDH will also benefit at a later stage in 2008 from a joint project between the IMF and World Bank aimed at extending their QEDS database 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 in line with the GDDS data category (see below, Point 6). The data will also be available from the JEDH in the coming months.

6. Expansion of Debtor Data Coverage in QEDS

- Agency: IMF and World Bank
- Contact Information: Robert Heath (rheath@imf.org);
Eric Swanson (eswanson@worldbank.org); Ibrahim Levent (Ilevent@worldbank.org)
- Target Date: Early 2009
- Brief description: The IMF and the World Bank have developed a project to improve the availability of developing countries' quarterly external debt data to the public (<http://www.worldbank.org/qeds>). The project aims to extend the Special Data Dissemination Standards-based Quarterly External Debt Statistics (QEDS) to participants 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 first results of the project were made available with the publication of data for nine low-income countries in the QEDS database in February 2008. The intention is to expand the number of GDDS participating countries in the coming months.

7. International Reserves and Foreign Currency Liquidity

- Agency: IMF
- Contact Information: Robert Heath (rheath@imf.org, +1 202 623 7904)
- Target Date: Ongoing
- 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

FINANCIAL STABILITY FORUM

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. 63 economies (inclusive of the ECB and the Eurosystem) currently transmit their template data to the IMF for re-dissemination. Countries' template data are to be compiled under an internationally agreed framework set out in the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template (Guidelines)*. The Guidelines will be reviewed in the context of the new *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*.

8. Coordinated Portfolio Investment Survey

Agency: IMF

Contact Information: Emmanuel Kumah (ekumah@imf.org, +1 202 623 7981); John Joice (jjoice@imf.org, +1 202 623 6136)

Target Date: Ongoing

Brief Description: The annual Coordinated Portfolio Investment Survey (CPIS) provides information on reporting countries' end-of-year holdings of portfolio investment securities (equities, bonds, and money market instruments) valued at market prices and allocated by country of issuer. Seventy-four economies participated in the 2006 survey. The partner country information permits the derivation of the partner countries' portfolio investment liabilities, valued at market prices and allocated by country of investor. The coverage of the CPIS is augmented by a survey of securities held as foreign exchange reserves assets. CPIS information and data are available on <http://www.imf.org/external/np/sta/pi/cpis.htm>

9. Database on African Central Government Debt

Agency: OECD

Contact Information: Hans J. Blommestein (hans.blommestein@oecd.org)

Target Date: Ongoing

Brief description: A *Database on African debt statistics* is being developed. This new data project responds to a statement by the G-7 meeting of May 2007. The OECD is collecting structural statistics on sovereign debt according to the methodology as set out in the OECD publication "*Central Government Debt: Statistical Yearbook*". The new database will give a comprehensive and detailed view of African public debt and that will be on par with the best practices used among OECD member countries.

10. Effectiveness and Efficiency of Financial Regulation

Agency: OECD

FINANCIAL STABILITY FORUM

Contact Information: André Laboul (andre.laboul@oecd.org, +33 145 24 91 27)

Target Date: Ongoing

Brief Description: The OECD Committee on Financial Markets and the OECD Insurance and Private Pensions Committee are 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. Selected good practices will be identified, including on preconditions for regulatory effectiveness and efficiency.

11. 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: The OECD has established an International Network and a High Level Advisory Board 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 Network promotes the exchange of information regarding the mitigation and financial management of large-scale natural and man-made disasters, reviews the tools and schemes implemented in OECD and non-OECD countries, and develops 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. A policy handbook on risk awareness for catastrophic risks has been prepared for review by OECD members. Other current studies include the analysis of alternative financial instruments. A conference 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. A high level seminar will be held in September 2008 in Beijing, in cooperation with the Chinese authorities.

12. Financial Sector Capacity Enhancement Program

Agency: World Bank

Contact Information: ssmith7@worldbank.org; Afleming@worldbank.org (learning); lmerican@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,

FINANCIAL STABILITY FORUM

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.

The AML/CFT capacity enhancement program has been rolled out in all regions except Central Asia (in the pipeline). It has been customized by countries as training modules to build up a cadre of experts on AML/CFT. In recent months, the risk assessment templates in the program have been updated under a joint project with the Asian Pacific Group.

13. Dialogue with Financial Market Stakeholders

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD278.pdf>

Brief Description: IOSCO is continuing to enhance its dialogue with financial market stakeholders. As a follow on to its November 2007 meeting with stakeholders, IOSCO met with a group of stakeholders in March 2008 to discuss recent market events, the Technical Committee work program, *An Overview of the Work of the IOSCO Technical Committee*, that was published for consultation in 2007, and stakeholders' feedback on the work program.

Most comments on the work program and suggested projects were driven by an emphasis on cost benefit analysis and were seeking to move regulators towards convergence in order to minimize industry expenses particularly in the areas of disclosure of significant shareholding, the definition of professional investors and mutual recognition. While minimizing costs is a legitimate consideration from an industry perspective, it is clearly not the sole priority for regulators, which are primarily concerned with market integrity and investor protection. The stakeholders are eager to continue engagement with IOSCO and desire frequent and regular contact with IOSCO. IOSCO continues to encourage informal contact between stakeholders and the IOSCO Secretary General, Technical Committee Standing Committee and Task Force chairpersons on specific projects in which there is interest.

IOSCO reviewed its work program taking into account comments of and discussion with stakeholders and new work to be undertaken in view of the subprime crisis. The current work program, *An Overview of the Work of the IOSCO Technical Committee*, was published in July 2008 (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD278.pdf>). IOSCO plans to organize once a year a high-level meeting with representatives of

FINANCIAL STABILITY FORUM

financial market stakeholders on an informal basis to exchange views on topics of mutual interest. Additionally, the Technical Committee plans to schedule an annual meeting with stakeholders specifically on its work program.

14. Working Group on Market and Institutional Resilience

Agency: FSF

Contact Information: fsforum@bis.org

Target Date: Ongoing

Brief Description: Following a request by the G7, the FSF has established a Working Group on Market and Institutional Resilience. The Group comprises national authorities, the chairs of international supervisory, regulatory and central bank bodies and the relevant international institutions as members. The Group has worked to develop a diagnosis of the causes of the current turmoil, identify the weaknesses that merit attention for policymakers, and recommend actions needed to enhance market discipline and institutional resilience.

After presenting to the G7 a preliminary report in October 2007 (http://www.fsforum.org/publications/r_0710a.pdf?noframes=1), and an interim report in February 2008 (http://www.fsforum.org/publications/r_0802.pdf?noframes=1), the FSF delivered in April 2008 specific recommendations in its Report to the G7 on Enhancing Market and Institutional Resilience (http://www.fsforum.org/publications/r_0804.pdf).

Since the publication of the April report, the FSF and its Working Group have been conducting follow-up of the implementation process of the recommendations. The FSF Chairman presented to the G8 Finance Ministers meeting in June 2008 an update report on the implementation of the recommendations (http://www.fsforum.org/publications/r_0806.pdf), and the FSF will submit a comprehensive follow-up report at the G7 meeting in October 2008.

15. Study Group on Central Bank Operations in Response to the Financial Turmoil

Agency: CGFS

Contact Information: Corrinne Ho (corrinne.ho@bis.org)

Target Date: Ongoing

Brief Description: The Study Group published a report in July 2008 (<http://www.bis.org/publ/cgfs32.pdf?noframes=1>). The Group is examining how the cross-border provision of liquidity by central banks can be enhanced.

(iii) Market Infrastructure

1. Principles of Corporate Governance

Agency: OECD and World Bank

Contact Information: mats.isaksson@oecd.org

FINANCIAL STABILITY FORUM

Target Date: Ongoing

Brief Description: Having completed the review of the OECD *Principles of Corporate Governance* and the OECD's *Methodology for Assessing the Implementation of the OECD Principles on Corporate Governance*, the Steering Group on Corporate Governance is analysing current corporate governance issues in order to provide policy guidance based on interpreting the Principles. The first study in the new series concerns the proportionality debate (i.e. one-share-one-vote, and control enhancing mechanisms). At its meeting in April 2008, the Steering Group considered takeover arrangements, especially where there is an insider involved, and rules governing cooperation between shareholders. The latter report is being developed further prior to a broader consultation. At its next meeting in November, the Group will also consider the financial market turmoil and the relevance of the Principles.

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. As of end-December 2007, 64 corporate governance ROSCs have been completed or were underway for 53 countries, including 12 updates; 59 assessments have been published. The World Bank assisted in the development of the OECD's Methodology, and has now incorporated the Methodology into the ROSC process. The OECD will also use the Methodology and its State-Owned Enterprises Guidelines as a basis for carrying out corporate governance reviews of Chile, Estonia, Israel, Russia and Slovenia during 2008 and 2009 as part of its accession review process of candidates for OECD membership.

The OECD and World Bank Group regularly organize Regional Roundtable meetings in key emerging and developing markets. These are also supported by the IFC-administered multi-donor funded Global Corporate Governance Forum. The Roundtables are working to implement priorities agreed to in White Papers on Corporate Governance issued for Asia and Latin America, and a Comparative Overview for Eurasia. This has led to the establishment of a new task force in Asia to study related party transaction and to the preparation of a report in Latin America focused on institutional investors. The OECD also has corporate governance programmes in China, Russia, the Middle East North Africa (MENA), and in southern Africa (see <http://www.oecd.org/daf/corporate-affairs/roundtables>).

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: The OECD promotes the active use and implementation of the OECD *Guidelines on Corporate Governance of State-Owned Enterprises* (SOEs). Regional Roundtables on governance of SOEs were held in 2006

and 2007 in China, Russia, Latin America and the MENA regions, Southeast Europe and Eurasia. A specific Network on the corporate governance of SOEs met in Singapore in May 2006 and in the Philippines in April 2007. It is developing recommendations and priorities for reforms in this region, and will complete this work later in 2008. A regional policy dialogue is developing in southern Africa as well as a focused task force in Russia. The strong global interest in this work has led to the launching of an OECD global network on corporate governance of SOEs which held its first meeting in March 2008. This network advanced the work on the *Accountability and Transparency Guide* for the state as a shareholder that will be completed by the Working Group on Privatisation and Corporate Governance of State-Owned Assets by end-2008. The next meeting of the global network is planned for spring 2009. The Working Group is also in the midst of an analysis of best practices in recent privatisations in OECD countries.

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 SOEs 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 SOEs, 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 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. 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.

FINANCIAL STABILITY FORUM

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: Ongoing

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 market failure analysis and case studies was discussed by the Steering Group at its November 2007 meeting and a publication is planned for the second half of 2008. The activity will be extended in 2009 to include regular updates of experience in OECD countries.

5. Corporate Governance of Listed Companies

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2008/2009

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. TFCG is concentrating on Principle III A.2 as applied to listed companies in major securities markets. The focus is on minority shareholders

FINANCIAL STABILITY FORUM

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. The structure/table of contents of a preliminary report has been completed. TFCG circulated a questionnaire to TFCG members that is intended to broadly capture all protections afforded to minority shareholders in listed issuers. TFCG is in the process of compiling the responses to the survey questionnaires. TFCG has prepared corresponding amended draft terms of reference. The aim of the report 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 and OECD

Contact information: iais@bis.org; andre.laboul@oecd.org

Target Date: Ongoing

Brief Description: The IAIS established a Governance and Compliance Subcommittee in 2007 to develop high level corporate governance principles and guidance applicable to the insurance industry and provide input to the revision of the Insurance Core Principles, specifically on those elements relating to corporate governance. The OECD is reviewing its 2005 guidelines on governance of insurers, which were developed based on the *OECD Principles of Corporate Governance*. Together, the two organisations are conducting a survey of corporate governance practices and preparing a joint issues paper. The survey findings will aid the standard development process by identifying and explaining best practices for corporate governance.

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

Agency: World Bank

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

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 45 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: The revised version of the World Bank's *Principles and Guidelines for Effective Insolvency and Creditor Rights Systems* (Revised Principles 2005) and the *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, 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 have completed the *ICR ROSC Assessment Methodology* (ICR ROSC Methodology). The ICR ROSC Methodology is based on the World Bank's Principles, as well as UNCITRAL's Legislative Guide on Insolvency.

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 2009.

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 currently undergoing a major overhaul to serve as a global hub for comparative insolvency information. Phase 1 of this overhaul is expected to be completed in 2008.

FINANCIAL STABILITY FORUM

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, established in 2007. The FAIR plans to reconvene in 2009. 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 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 and was hailed as a huge success. This represented the first such joint effort and the first major international insolvency conference to ever be held on the African continent. The next such event is scheduled for 2009.

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. In addition, the World Bank continues to

FINANCIAL STABILITY FORUM

facilitate knowledge sharing and policy dialogue *within* countries and, in particular, between policy-makers, judges, academics and private-sector actors (most recently in Honduras, 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.

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 was completed. It is expected that an updated version of the Main Document would be presented at the IMF Board of Directors.

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

FINANCIAL STABILITY FORUM

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); IMF Sovereign Asset and Liability Management Division (jroaf@imf.org)

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 for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets*. 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 most recent crisis related work has focused on analysing the possible channels of future financial crises, and the new challenges they pose for the Fund. Looking ahead, work in the area of crisis resolution will include a review of the IMF's lending into arrears policy. The IMF's efforts on crisis resolution also remain supportive of initiatives to improve the process of restructuring sovereign debt within the existing legal framework, including through (i) the inclusion of collective action clauses in international sovereign bonds; (ii) the acceptance of 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 analyse cross-country experience with debt

FINANCIAL STABILITY FORUM

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 examined issues related to the restoration of international capital market access following crises, and studied factors that help explain the duration of capital account crises (<http://www.imf.org/external/pubs/ft/wp/2007/wp07258.pdf>). It is also reexamining policy responses to surges and reversals in capital flows to emerging markets.

15. Foreign Exchange Settlement Risk Management

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 2nd half of 2009

Brief Description: Following the publication of the May 2008 CPSS report “*Progress in reducing foreign exchange settlement risk*”, the CPSS will be working with the Basel Committee to engage market participants on the development of best practices for managing FX settlement risk, and to revise the Basel Committee’s *Supervisory guidance for managing settlement risk in foreign exchange transactions*.

16. Operational Resilience of Major Payment and Settlement Organisations

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 2nd half of 2009

Brief Description: Following its fact-finding effort on the operational resilience of major settlement organisations in early 2008, the CPSS has established a small task force to work with major payment and settlement organisations, national authorities, and other international bodies to develop lessons learned in adopting stronger business continuity planning (BCP) arrangements and engender support for further improvements. Potential actions include preparing a report and multilateral workshop and identifying sound practices for cross-border BCP testing and information sharing related to operational outages.

17. Standards for Payment and Settlement Systems

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 2nd half of 2009

Brief Description: The CPSS is reviewing a number of aspects of the CPSS *Core Principles for Systemically Important Payment Systems*, CPSS/IOSCO *Recommendations for Securities Settlement Systems*, and CPSS/IOSCO *Recommendations for Central Counterparties*. Among other considerations, the working group on standards will be updating the implementation guidance provided in these standards with respect to

FINANCIAL STABILITY FORUM

operational risk management and reviewing whether the standards need to be adapted to reflect issues addressed in the CPSS report “*The interdependencies of payment and settlement systems*”.

18. 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: Late 2008

Brief Description: The IMF and the World Bank are leading efforts to improve data on remittances in the balance of payments statistics framework. This project is being carried out mainly in response to the outcome of the G8 summit on Sea Island in 2004 which emphasized the importance of remittances and called for better data. The Luxembourg Group (a consultative group formed to develop proposals for improved compilation guidance) held its final meeting in Brazil, where a draft of the compilation guide on remittances statistics was discussed. Publication of the compilation guide is planned for late 2008.

19. 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 research guideline that allows for consistency, quality, and comparability of results from the different corridor analyses. The guideline is continuously revised to reflect lessons from new BRCA studies. Seven corridor studies have been completed and published: US-Mexico, Canada-Vietnam, Germany-Serbia, Italy-Albania, Malaysia-Indonesia, US-Guatemala, and UK-Nigeria. Two reports were initiated and financed by a third party and conducted employing the BCRA guideline compiled by the Bank: Netherlands-Suriname and Netherlands-Morocco. Currently, reports on other 8 corridors are being finalized: Canada and the Caribbean (Haiti and Jamaica), US and Honduras, UK/US/South Africa-Uganda, South Korea-Mongolia and Qatar-Nepal. It is expected that all these studies will be published by early 2009. In addition, the World Bank will hold workshops to share the findings from the BRCA studies in 2008-09. By the end of 2008, results from studies of these 15 corridors 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. For more information, visit www.amlcft.org.

20. Enhancing Information Exchange among Securities Regulators

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD126.pdf>

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 Multilateral Memorandum of Understanding (MOU) during its May 2002 annual meeting (http://www.iosco.org/library/index.cfm?section=mou_main). The MOU builds on the many previously existing IOSCO Resolutions and Principles to establish an international benchmark for cooperation and information sharing. Prior to signing the MOU, 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 MOU provides incentives for members that do not have the legal capacity to sign the MOU to raise their respective national standards. Currently, 48 IOSCO members have completed the application process and have become signatories to the MOU. Also, 15 IOSCO members have expressed their commitment to become signatories and are currently listed on Appendix B of the MOU.

Part of the IOSCO strategic direction involves giving greater prominence to the MOU. At its April 2005 Annual Conference, IOSCO adopted a timetable by which all member regulators, which are not already signatories to the MOU, 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, through its MOU Assistance Program, IOSCO is currently providing additional assistance to members, including technical support.

21. Dealing with Uncooperative Jurisdictions in Cross-border Cooperation

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/news/pdf/IOSCONEWS80.pdf>

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 2008 Annual Conference, IOSCO noted that good progress has been made with a number of previously unresponsive jurisdictions. A number of

jurisdictions with which IOSCO has been engaged in a dialogue are expected to apply to join the IOSCO Multilateral Memorandum of Understanding soon. While some contacts have been constructive, there still remain a number of jurisdictions that require further attention.

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.

22. Cross-border Collateral Arrangements

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 2nd half of 2008

Brief Description: The working group on cross-border collateral arrangements (CBCA) was established to follow up on a report published by the CPSS in January 2006, entitled *Cross-border collateral arrangements* (<http://www.bis.org/publ/cpss71.htm>). In particular, the group is updating and enriching the information included in the 2006 CBCA report through a detailed description of the existing central bank collateral policies, the existing central bank cross-border collateral arrangements, and other services provided by central banks or market infrastructure that can be used for mobilising foreign collateral. The functioning of the existing arrangements is analysed with the aim to identify potential operational constraints to the use of foreign collateral in both routine and in emergency situations, and to identify some practical issues for central banks, including possible ways to increase the efficiency and flexibility in the use of foreign collateral by market participants. In addition, the CPSS asked the group to study arrangements that would need to be in place to support those central banks that want to address problems of liquidity in foreign and domestic currencies with policy responses such as establishing standing swap lines among themselves and accepting foreign government collateral for their monetary policy operations.

(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 (IFRS). Particular emphasis will be on convergence projects underway with a number of countries, including China, India, Japan, and the United States.

FINANCIAL STABILITY FORUM

The IASB and the United States Financial Accounting Standards Board (FASB) have a Memorandum of Understanding (MoU) which sets out a roadmap of projects designed to eliminate major differences between IFRS and US GAAP. Projects include major conceptual accounting issues such as insurance, performance reporting, a re-examination of financial instruments accounting, consolidations, leases and the conceptual framework. In addressing convergence projects, the IASB will balance the desire of many for stability with the need to progress these projects.

The successful achievement of the MoU project milestones led to the removal, in 2007, of the US reconciliation requirements for non-US companies using IFRSs that are registered with the US Securities and Exchange Commission (SEC).

The IASB and FASB updated the MoU in April 2008, setting new milestones to eliminate remaining differences by 2011. In August 2008 the SEC proposed a roadmap for possible mandatory adoption of IFRSs by US companies from 2014, with earlier adoption permitted for some qualifying companies from 2009.

As part of its convergence efforts and other activities, the IASB is also responding to issues raised by the Financial Stability Forum as a result of the credit crisis.

The IASB has prioritised and accelerated two of the projects that were under way before the credit crisis and that relate directly to off balance sheet vehicles. The Consolidation project identifies when an entity should be brought on to another entity's balance sheet, whilst the Derecognition project examines when assets should be removed from the balance sheet. In July 2008 the IASB published a staff draft of a proposed new IFRS to address Consolidation. The proposals are being discussed at a public roundtable in London on 17 September 2008. The IASB expects to release the draft for public comment during the second half of 2008. A draft of a proposed derecognition standard should follow shortly thereafter. The full Boards of the IASB and FASB are meeting together in October 2008 to discuss a strategy to converge their consolidation and derecognition requirements.

In May 2008, and as part of its Fair Value Measurement project, the IASB announced plans to form an expert advisory panel to identify valuation and disclosure issues encountered in practice in the current market environment. The outcome of the meetings will assist the IASB in deciding whether additional guidance might be necessary. The panel has met five times and the IASB expects to publish on its website a draft document detailing the panel's discussions on fair value measurement and related disclosures in September 2008.

The IASB has reviewed its existing disclosure requirements to assess their effectiveness in ensuring that entities disclose information that reflects their exposure to risk and any potential losses arising from financial instruments and the off balance sheet entities with which they are involved. The IASB has consulted with preparers and users of IFRS compliant financial statements, analysed good disclosure practice

FINANCIAL STABILITY FORUM

observed in financial reports and reviewed good practice suggestions made by regulatory bodies. Proposed improvements to the disclosure requirements are being discussed by the IASB in public meetings in September 2008.

b) Banking

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Accounting Task Force (ATF) 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: Throughout the IASB project on accounting for insurance contracts, the IAIS will continue to be actively involved. In establishing a close working relationship with the IASB, the IAIS's goal is to facilitate as much consistency as possible between the general purpose accounting model and the approach used for prudential purposes. It is important that the accounting model recognises the specific characteristics of insurance in order to avoid accounting rules that lead to misleading information being provided.

The IAIS also continues to monitor and comment on the international standards on auditing (ISAs) issued by the International Federation of Accountants (IFAC).

Fair Value Measurement

The IAIS participates in the expert advisory panel established by the IASB in response to the FSF recommendations regarding fair value accounting in distressed or illiquid markets. The IAIS also participates in the IAASB task force considering fair value auditing and the need for additional guidance.

Public Disclosures

The IAIS completed three standards on public disclosures requirements by insurers (2004-2006). In the spring of 2008, the IAIS conducted a survey to assess implementation of these standards, and in relation to the recommendation on risk disclosures from the FSF *Report on Enhancing Market and Institutional Resilience*, the IAIS also encouraged its

FINANCIAL STABILITY FORUM

members to implement the FSF risk disclosure template. The IAIS is in the process of analysing the responses to the survey and will produce a report on the findings by the end of 2008. The results are expected to provide valuable feedback on the degree of implementation and implementation difficulties and will inform the future standard-setting work by the IAIS in the area of disclosure. Consideration is being given to a review or update of existing IAIS standards.

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: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

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

Brief Description: The IOSCO Technical Committee 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 IFRS. 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 IFRS, which was made operational in January 2007. 50 members have up to now agreed to participate in the IOSCO IFRS Interpretation Database, which is now fully operational. The Technical Committee team is communicating and coordinating with CESR-FIN regarding a similar project in the EU.

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 the groups responsible for these activities, including the Consultative Advisory Groups constituted to provide ongoing input to each of the three standard setting boards. This activity is supplemented by regular dialogue with the Chairs of these groups and other IFAC

FINANCIAL STABILITY FORUM

leaders and by additional staff assessments and recommendations regarding the completeness of related due process. Furthermore, the PIOB oversees and continuously assesses all elements of the annual due process used by IFAC to recruit and select members for these groups and approves all final nominees. Finally, the PIOB has recently completed its first review of the future strategic plans and work programs of the three standard-setting boards.

The PIOB's key oversight task in 2008 is to complete its evaluation of whether each of the remaining standards in the Clarity project has been developed in accordance with approved due process and can therefore be published. This task is expected to be completed during the first quarter of 2009. The PIOB will also be asked in the first half of 2009 to approve due process completion of the project to redraft the IFAC Code of Ethics.

In addition to its oversight tasks, the PIOB maintains ongoing relations with various external stakeholder groups having a common interest in the improvement of audit quality. Over the near term, the PIOB's activities are expected to incorporate engagement with legislative and other decision-making bodies in jurisdictions considering the adoption of International Standards on Auditing (ISAs).

3. Auditing Standards

Agency: IFAC

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

Target Date: 4th quarter of 2008

Brief Description: In response to calls from regulatory groups and others, the International Auditing and Assurance Standards Board (IAASB) has been working on a program to issue a set of clarified ISAs (International Standards on Auditing). The Board has now published 15 final ISAs and the remaining 20 will be completed by the end of 2008.

The IAASB has confirmed that the effective date for the ISAs will be for audits of financial statements for periods beginning on or after December 15, 2009.

Responding to calls from the FSF and other bodies, the IAASB is considering whether additional guidance can be provided to auditors considering fair value measurements. The IAASB intends to recommend what actions can be undertaken and within what timeframe before October 2008.

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

FINANCIAL STABILITY FORUM

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

Target Date: 2nd quarter of 2009

Brief Description: The existing provisions of the IFAC Code of Ethics were issued in 2005 and became effective in June 2006. Responding to changes in expectations of auditor independence over the last 3-4 years, the IFAC International Ethics Standards Board for Accountants (IESBA) commenced a project to revise certain of the independence requirements. The IESBA has agreed changes to the exposure drafts and has issued for public comment a redrafted Code with clarified wording. It is expected the final Code will be issued in 2009 Q2.

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: The World Bank has increased its efforts for assisting member countries to strengthen institutional capacity for improving observance of internationally recognized accounting and auditing standards. In this regard, the Bank works with the government and key stakeholders of member countries to develop and implement ROSC Accounting and Auditing (ROSC A&A) follow-up country action plans. As of end-August 2008, 86 ROSC A&A have been completed, of which 65 have been published. Additionally, the Bank has been supporting project work to strengthen the pillars of corporate financial reporting infrastructures across the world. The most important pillars are: statutory framework, accounting profession and professional body, education and training, accounting and auditing standards, and monitoring and enforcement of standards.

6. Issues on Audit Services of Auditors

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD269.pdf>
<http://www.iosco.org/library/index.cfm?section=pubvids&pubvidID=1>
<http://www.iosco.org/news/pdf/IOSCONEWS119.pdf>

Brief Description: The Technical Committee created a Task Force on Audit Services (TFAS) in June 2006. TFAS has undertaken work in two areas: (i) development of

FINANCIAL STABILITY FORUM

a regulator's contingency plan in the event of an audit crisis or the demise or suspension of a major audit firm; and (ii) exploring the possible drivers of audit quality. The paper, *Contingency Planning for Events and Conditions Affecting Availability of Audit Services* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD269.pdf>) was published in May 2008. In connection with exploring the possible drivers of audit quality, TFAS organized a roundtable discussion on *Quality of Public Company Audits from a Regulatory Perspective*, in June 2007 (Roundtable). A written transcript and video of the Roundtable are available on the IOSCO website. TFAS has prepared a comprehensive list of issues raised during the Roundtable and will consider these issues. In May 2008, it was agreed that TFAS would focus its future work on transparency and governance of audit firms, including the intersection of governance with both firm viability and audit quality, the scope of audit reports, including varying levels of assurance in different circumstances, the possibility of enhanced disclosure of the bases for different levels of assurance, and the potential role of joint audits; and potential expansion of allowable organizational structures and forms to allow for greater firm viability and industry competition.

7. Periodic Disclosure by Listed Issuers

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: (1) 2009 (2) Linked to IASB work

Brief Description: (1) The Technical Committee's Standing Committee on Multinational Disclosure and Accounting (TCSC1) is developing principles for the disclosure that listed issuers provide in their periodic reports. These principles should facilitate an international consensus on minimum standards for disclosures to be included in periodic reports, particularly annual reports.

(2) As a result of the work in connection with the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), the Technical Committee will consider whether additional guidance and disclosure relating to (i) off-balance sheet entities and (ii) measurement at fair value would be valuable in meeting the needs of investors. TCSC1 will provide related input to the IASB in connection with the IASB's work in this area.

8. Disclosure Practices and Requirements for Asset Backed Securities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that the recent market turmoil had relatively less effect on publicly traded structured finance products in some markets. Given this finding, the

FINANCIAL STABILITY FORUM

Technical Committee Standing Committee on Multinational Disclosure and Accounting (TCSC1) will consult with market participants about the typical structures and disclosure practices (including disclosure practices for the risks associated with underlying assets) for private placements of asset backed securities (ABS), using disclosure requirements pertaining to public offerings and trading of ABS as a point of comparison.

TCSC1 also will review the degree to which existing IOSCO issuer disclosure standards and principles are applicable to public issuance of ABS, and will develop international principles regarding disclosure requirements for public offerings of ABS if it finds that existing standards and principles are inapplicable to such offerings.

9. Internal Controls

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As a result of the findings presented in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, the Technical Committee Standing Committee on Multinational Disclosure and Accounting will review the degree to which existing internal controls and due diligence documentation procedures regarding the ownership rights attached to the assets underlying publicly traded securitized products protect the interests of investors in such products.

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

1. Hedge Funds

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 was 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. Funds of Hedge Funds

Agency: IOSCO

Contact information: Greg Tanzer (g.tanzer@iosco.org)

FINANCIAL STABILITY FORUM

Target Date: End 2008/Early 2009

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD276.pdf>

Brief Description: The Technical Committee Standing Committee on Investment Management (TCSC5) is working on a mandate on funds of hedge funds: to review the content of the February 2003 report *Regulatory and Investor Protection Issues Arising from the Participation by Retail Investors in (Funds-of) Hedge Funds* (February 2003 Report) in light of the tremendous increase in the volume of traded funds of hedge funds and significant regulatory developments that had taken place in several jurisdictions; in particular, to assess whether the regulatory principles presented in the February 2003 Report need to be amended and/or completed. In June 2008, the Technical Committee published a final report, *Report on Funds of Hedge Funds* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD276.pdf>) (Final Report). The Final Report examines the existing and proposed regulation of funds of hedge funds offered to retail investors in jurisdictions represented in TCSC5, and identifies, with the help of industry representatives, present issues of concern to regulators in this area. Input for the Final Report was received through comments provided on a consultation report on funds of hedge funds published in April 2007 and in three roundtable discussions with experts on funds of hedge funds in Asia, Europe and America in 2007. The Final Report proposes to consider the potential development in specific areas of elements of international regulatory standards for funds of hedge funds based on best market practices in areas where additional investor protection regulatory issues are identified, namely the methods by which funds of hedge funds' managers deal with liquidity risk, and the nature and conditions of the due diligence process conducted by funds of hedge funds prior to and during investment.

3. The Role of Alternative Investment Vehicles in Corporate Governance

Agency: OECD

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

Target Date: End 2008

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 April 2008 meeting it discussed specific policy areas such as rules governing shareholder cooperation and takeover arrangements. The papers are being made available on the website <http://www.oecd.org/dataoecd/21/13/40037983.pdf>. The paper on shareholder cooperation will be developed further.

4. Aspects of Global Asset Allocation

Agency: IMF

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

FINANCIAL STABILITY FORUM

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: November 2008

Brief Description: 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 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. Foreign Direct Investment Flows and Stocks: Revised World Standards to Measure FDI

Agency: OECD

Contact Information: Ayse Bertrand (ayse.bertrand@oecd.org, +33 145 24 91 24)

Target Date: 2009

Brief Description: OECD revised its *Benchmark Definition of Foreign Direct Investment* (BMD4) which sets the world standards to measure FDI and includes, for the first time, globalisation indicators. The technical work was conducted by the Working Group on International Investment Statistics (WGIIS) of the Investment Committee which also has the responsibility of overseeing OECD's regular FDI statistics by partner country and by industry for FDI financial and income flows and stocks. These data provide detailed information on equity financing and intercompany loans separately. The implementation of revised BMD4 standards will improve the quality, the comparability and analytical coverage of FDI statistics of OECD countries. The BRICS and other non-member countries cooperate with WGIIS to improve their FDI statistics in light of BMD4. In addition, WGIIS started work on its research agenda with the main focus on globalisation.

7. Coordinated Direct Investment Survey

Agency: IMF

FINANCIAL STABILITY FORUM

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

Target Date: End 2010 to early 2011 (disseminate initial results)

Brief Description: With its interagency partners, the IMF is undertaking a Coordinated Direct Investment Survey (CDIS) in respect of end-2009. As of the beginning of 2008, more than 130 economies responded positively to the IMF's invitation to participate in the CDIS. The IMF formed a Task Force, comprising 6 international organizations and 10 economies, to provide advice and content for a survey guide, and a draft survey guide has been released on the IMF CDIS Home Page (www.imf.org/cdis). The CDIS will collect data on inward direct investment positions for all participating economies and outward direct investment positions for major investing economies and for other economies that can provide these data.

8. Local Capital Market 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: A work is ongoing on local capital market development in emerging market countries (EM) and development of the investor base for EM debt instruments. It examines trends in local market development and broadening of 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.

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

Agency: IMF

Contact Information: Armida San Jose (contact: asanjose@imf.org, +1 202 623 6327); 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.

FINANCIAL STABILITY FORUM

10. 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 November 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.

11. Global Emerging Markets Local Currency Bond (Gemloc) program

Agency: WBG

Contact Information: Shidan Derakhshani (sderakhshani@ifc.org);
Alison Harwood (aharwood@ifc.org)

Completion date: Ongoing

Website locator: <http://www.gemloc.org>

Brief Description: The Gemloc Program represents a new initiative by the World Bank Group to promote development of local currency bond markets in emerging market countries and enhance financial stability through market-based incentives. The focus is on middle and low income countries. This initiative is closely aligned to priorities on local bond market development as expressed by the G-8. The Gemloc Program consists of three separate but complementary pillars: (i) investment strategies developed and managed by a private investment manager to promote investment in emerging market local currency bonds; (ii) an index (“GEMX”) developed in cooperation with IFC that will serve as a benchmark for this asset class (inclusion in the index is based on a country’s bond market size and “investability” as determined by key

FINANCIAL STABILITY FORUM

market features such as regulation, taxation, infrastructure, and liquidity); and (iii) advisory services provided by the World Bank Group, paid for from fees generated by the investment strategies, to support country efforts to strengthen their local markets and improve their investability. The three pillars will operate separately but are expected to complement one another and generate positive externalities. The investment manager (PIMCO) and index provider (Markit) were announced on February 19, 2008. 20 countries were included in the first phase of the GEMX index. Additional 14 are being considered for inclusion. The Advisory Services program was officially launched at the end of May 2008.

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: hshah@imf.org, +1 202 623 9831 or cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date November 2008

Brief Description: The IMF is preparing an Occasional Paper on developments in asset-backed securities (ABS) markets in emerging market countries. Based on brief country studies of 6–8 emerging ABS markets, as well as lessons from more mature markets, the paper will outline some of the 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. At the same time, it would assess some of the systemic stability implications of asset-backed securitization underscored by the recent financial market turmoil. The paper will facilitate more refined bilateral surveillance and advice on developing ABS markets in emerging economies.

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 November 2008

Brief Description: The IMF is working on 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. More specifically, the Occasional Paper will review the current state of derivative markets in emerging market countries and identify linkages between derivatives and the development

FINANCIAL STABILITY FORUM

of local capital markets based on prominent cases of emerging derivative markets in selected countries.

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: Ongoing work to produce a Capital Markets Assessment tool that provides a methodology for conducting a thorough diagnostic of an emerging market country's level of capital market development (e.g. as part of an FSAP). The methodology is intended to serve several purposes: (1) to provide a disciplined and objective framework for assessing major obstacles to a market's development and a more consistent basis for recommending and implementing strategies to help develop individual markets; (2) to provide a methodology for evaluating, in the early stages, a country's potential for developing capital markets to support private-sector financing; and (3) to help formulate a sequenced capital markets development strategy in countries with differing economic and legal infrastructure conditions. The methodology is intended for use in countries that have, or have the 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 long term capital should be considered.

15. Financial Education

Agency: OECD

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

Target Date: Ongoing

Website locator: www.financial-education.org

Brief Description: In 2003 the OECD launched a comprehensive project on financial education, conducted by the Committee on Financial Markets, the Insurance and Private Pensions Committee and the Working Party on Private Pensions.

A key milestone was the 2005 publication, *Improving Financial Literacy: Analysis of Issues and Policies*. Current analytical work focuses on financial education in selected sectors (credit and pensions), locations (schools, workplace), institutions (financial intermediaries), as well as more fundamental issues related to risk transfer to households and a new methodology to assess financial education and literacy.

In 2005, the OECD Council agreed the *Recommendation on Principles and Good Practices for Financial Education and Awareness*. In 2006, G8 Finance Ministers called on the OECD for "further development of financial literacy guidelines based on best practices". Recommendations

FINANCIAL STABILITY FORUM

on good practices for financial awareness and education in the areas of pensions and insurance were issued in 2008; the related publication will be released later this year. The OECD committees are currently developing financial education guidelines and good practices in the fields of credit, school, annuities, financial intermediaries and pension information. A policy handbook to enhance risk awareness and education on natural catastrophes, and a set of good practices on financial education relating to credit will be completed in 2008.

High-level international events on financial education have been held in India, Russia, Turkey, and jointly with the US Treasury in Washington in May 2008. A further international conference will be held in Indonesia in October 2008. The OECD has recently established the International Network on Financial Education, bringing together officials from over 50 OECD and non-OECD countries for discussion, and to provide input to OECD guidelines and principles. Another important new component is the *International Gateway for Financial Education*, www.financial-education.org, which was launched in 2008. The gateway serves as an international clearinghouse for exchange of information on financial education programs, issues and good practices.

16. Longevity Risks, Annuities 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). This project will also include work on annuities and more generally the payout phase, to begin soon in several countries. A high level conference will be organized in November 2008.

17. Private Equity

Agency: IOSCO
Contact Information: Greg Tanzer (g.tanzer@iosco.org)
Target Date: Ongoing
Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD274.pdf>
Brief Description: In February 2007, the Technical Committee created a Task Force on Private Equity (TFPE). The Technical Committee released in June 2008 a final report, *Private Equity*, based on the work of the TFPE (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD274.pdf>) (Private Equity Report). The Private Equity Report identified two workstreams for the future. One workstream is a survey of the complexity and leverage of capital structures employed in leveraged buyout transactions across relevant IOSCO jurisdictions. No work is being undertaken in this

FINANCIAL STABILITY FORUM

area in the immediate future. The other workstream is an analysis of conflicts of interest that arise during the course of private equity business and the controls utilized across relevant IOSCO member jurisdictions that aim to provide appropriate levels of investor protection. Key areas of focus will be public-to-private transactions and the listing (or subsequent re-listing) of private equity portfolio companies. These situations potentially have a heightened impact on public securities markets and investors. This work will incorporate both private equity firms and market intermediaries and will focus on identifying conflicts which are present, or are unique, within the context of private equity transactions as they relate to public markets. In completing this work, consideration will be given to participation by industry and investors and to work already done within IOSCO and in other international fora. The Technical Committee Standing Committee on Investment Management intends to start work in fall 2008 focusing on conflicts of interest faced by private equity firms in their interaction with public markets and expects to finalize its work by mid-2009.

18. Code of Conduct for Credit Rating Agencies

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: September 2008

Website Locator <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf>
<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf>

Brief Description In May 2008, the Technical Committee published the final report, *The Role of Credit Rating Agencies in Structured Finance Markets* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf>), which results from the work of the Task Force on Credit Rating Agencies (TFCRA) and contains amendments to the Code of Conduct Fundamentals for Credit Rating Agencies (CRA Code of Conduct) (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf>). The changes to the CRA Code of Conduct were adopted following a public consultation process. IOSCO's members expect credit rating agencies to give full effect to the CRA Code of Conduct and to demonstrate to regulators and market participants how they implement the CRA Code of Conduct through their own codes of conduct. TFCRA will continue to discuss the manner in which regulators should check for compliance with the CRA Code of Conduct. TFCRA is expected to report to the Technical Committee on this topic in September 2008.

19. The Use of Ratings in Structured Finance Products

Agency: CGFS

Contact Information: Srichander Ramaswamy (srichander.ramaswamy@bis.org)

Target Date: Ongoing

Brief Description: The Study Group on "Ratings in structured finance: what went wrong and what can be done to address shortcomings?" published a report in July 2008 (<http://www.bis.org/publ/cgfs32.pdf?noframes=1>). The Group

FINANCIAL STABILITY FORUM

is planning further consultations with credit rating agencies and investors in order to follow up the specific actions they have taken to improve the rating information on structured finance products, and how they are responding to the recommendations made in the report.

20. Asset Managers Due Diligence Relating to Structured Finance Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: End 2009

Brief Description: As a result of the findings regarding investor due diligence presented in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, the Technical Committee Standing Committee on Investment Management (TCSC5) will review the degree to which investment managers who offer collective investment scheme to retail investors have invested in structured finance products; the type of due diligence typically conducted when making these investments; the degree to which these investment managers have been affected by the current market turmoil; and if and how investment managers may have shielded retail investors from the effects of their exposure to losses from structured finance products and any broader market implications such activity may have. As an initial step, TCSC5 intends to prepare two questionnaires. It will submit one questionnaire to TCSC5 members in order to obtain the regulators' perspective and identify the key regulatory aspects. TCSC5 intends to submit the other questionnaire to market practitioners, through their trade associations, in order to identify the industry's best practices in this area. TCSC5 has established a subgroup for the purpose of discussing the responses to the two questionnaires and determining the scope, method and timetable of the group's work. The subgroup plans to meet in October 2008. It is anticipated that TCSC5 will finalize its review by the end of 2009.

21. Due Diligence/Risk Management Practices of Sponsors of Structured Finance Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As a result of the findings regarding due diligence presented in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, the Technical Committee will ask originators and sponsors of securitization programs to develop best practices to reinforce their due diligence and risk management practices such that the assets originated for transfer off their balance sheets is of the same quality and subject to the same evaluations as for those kept on their balance sheet. This work will be reviewed by the Technical Committee Standing Committee on Regulation of Market Intermediaries, which will report to the Technical Committee on its opinion of the adequacy of these best practices.

FINANCIAL STABILITY FORUM

22. Financial Firm Internal Controls Relating to Structured Finance Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that many institutional investors and investment banking firms had inadequate risk modeling and internal controls in place to understand and address the risks they were assuming when buying many types of structured finance products. Given this finding, the Technical Committee Standing Committees on Regulation of Market Intermediaries and Investment Management will undertake a study of the internal control systems of financial firms, including asset managers, in different IOSCO jurisdictions and develop principles to address any concerns identified.

23. Human and Technological Resources for Asset Valuation

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that some financial firms appear to have inadequate human and technological resources to model their financial positions using fair value accounting principles under illiquid market conditions. The Technical Committee Standing Committees on Regulation of Market Intermediaries and Investment Management will explore whether, as a matter of internal control, registered intermediaries and investment advisors avail themselves of practitioners who are skilled or trained enough to model fair valuation adequately in illiquid market conditions.

24. Structured Finance Product Market Transparency

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: Given that among other things, the Technical Committee's Task Force on the Subprime Crisis found, in its *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), that secondary trading of structured finance products, for a variety of reasons, is opaque, the Technical Committee asked its Standing Committee on the Regulation of Secondary Markets (TCSC2) to work with the financial service industry to examine the viability of a secondary market reporting system for different types of structured finance products. In particular, they will focus on whether the nature of structured finance products lends

FINANCIAL STABILITY FORUM

itself to such reporting and the cost and benefits such a system might entail. TCSC2 has begun soliciting input from the financial service industry.

25. Point of Sale Disclosure to Retail Investors

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: Many retail investors who buy investment products, particularly interests in a collective investment scheme (CIS) 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 investors should receive prior to or at the point of sale in order to support sound investment decision-making. The Technical Committee Standing Committees on the Regulation of Market Intermediaries and Investment Management (Standing Committees) prepared an issues paper that builds upon a review of 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, and a questionnaire regarding the related regulatory requirements and initiatives in the jurisdictions of members of the Standing Committees. The issues paper was distributed in July 2008 to representative industry and investors associations for the purpose of informing the industry and investors of the work in progress, as well as the issues identified at this stage and receiving any comments in relation thereto. The Standing Committees will consider any comments they receive in assessing whether and how relevant general principles in this area should be developed, which would be published for consultation.

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

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: Although the IOSCO 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. In November 2006, the Technical Committee approved a

FINANCIAL STABILITY FORUM

project for examining the methods used by its members to oversee market intermediaries' compliance with rules of conduct and potentially developing principles to assist IOSCO member regulators in improving their oversight programs regarding firms' compliance with rules of conduct. The Technical Committee Standing Committee on the Regulation of Market Intermediaries (TCSC3) has surveyed the approaches and methods used by its members and regulators not represented in TCSC3 to oversee market intermediaries' compliance with rules of conduct. TCSC3 is preparing a draft report that focuses on the oversight issues of supervisory methods, follow-up reviews, costs of supervisory activities, and frequency and nature of examinations. TCSC3 intends to finalise its report in fall 2008, and present it for consideration by the Technical Committee thereafter. However, it is intended that this report would be available only to the IOSCO members.

27. Direct Access to Exchanges and Other Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: With electronic trading, intermediaries are able to transmit orders electronically and markets are able to offer "direct" electronic access to clients of the intermediaries. In this way, intermediaries' clients could be given access to markets through either a registered intermediary's system (or system provided by a third party, but effectively branded as the system of the intermediary) or via an arrangement set up by the intermediary whereby the intermediary provides or requires few controls, but allows its client to access the market utilizing the intermediary's exchange identification. Some derivatives exchanges also permit intermediated access through registered intermediaries and, in addition, direct access by "non-intermediaries" may be granted. Such non-intermediary entities are permitted to become members or participants on an exchange, if they meet certain eligibility requirements. The various permutations of "direct" market access (DMA) raise 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. Pursuant to mandates approved by the Technical Committee, the Technical Committee Standing Committees on the Regulation of Secondary Markets and Regulation of Market Intermediaries (Standing Committees) have conducted fact-finding surveys to identify DMA models used in markets and of practices of intermediaries in jurisdictions of the Standing Committees' members. A report will be presented to the Technical Committee.

28. Recordkeeping

Agency: IOSCO

FINANCIAL STABILITY FORUM

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: The increased use of new communication technologies raises challenges with regard to recordkeeping, particularly the retention, retrieval and form of electronic records, privacy concerns and how easily and cost-efficiently market intermediaries can make electronic records available to regulators. Regulators need to have a clear understanding of the technological resources available to market intermediaries, and the cost of such resources, when seeking to gain access to electronic records that a regulator requires to be maintained. The Technical Committee Standing Committee on the Regulation of Market Intermediaries (TCSC3) completed three regional consultations (Asia, Europe and North America) with intermediaries and technology service providers to discuss the challenges, opportunities and solutions to issues surrounding recordkeeping of unstructured data. Based on these consultations, TCSC3 will draft a report for consideration by the Technical Committee.

29. Exchange Traded Funds

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: Given the growing interest in exchange traded funds (ETFs) worldwide as evidenced by the amount of money invested in ETFs, the Technical Committee Standing Committee on Investment Management (TCSC5) initiated preliminary work on regulatory approaches in the area in order to identify the issues associated with such products. In March 2008, TCSC5 organized a hearing with ETFs experts in order to have a global picture of the ETFs market. TCSC5 intends to pursue the work it initially conducted in this area, and from mid/end 2009, prepare an issues paper for the purpose of discussion with the industry.

30. Mutual Recognition

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: In the course of the ongoing dialogue with financial market stakeholders, stakeholders suggested that IOSCO should start working on the issue of mutual recognition. The IOSCO General Secretariat will survey the work done within IOSCO that could provide an infrastructure for potential multilateral regulatory recognition. For example, for jurisdictions undertaking a recognition assessment process, the IOSCO

Principles² would be relevant, and may provide a framework for such assessment process. Further, whether the jurisdictions involved in such a process are signatories to the IOSCO Multilateral Memorandum of Understanding would likely be considered in such a recognition assessment. Additionally, the IOSCO General Secretariat will survey the work of IOSCO members regarding principles for recognition. IOSCO will continue to assess developments in a bilateral context.

31. 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.

32. Outsourcing Arrangements for Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: Market operators are increasingly using third party service providers to perform processes, services or activities (regulated or not) that would otherwise be undertaken by the market operators themselves (outsourcing arrangements). This may bring benefits for market operators, in particular cost reductions resulting from the use of specialized expertise and improved technology. However, an increased reliance on outsourcing of activities may impact the ability of markets to manage risks and monitor compliance with regulatory requirements. This may have an impact on market integrity and on the ability of regulators to fulfil their missions. The Technical Committee report entitled *Principles on Outsourcing of Financial Services for Market Intermediaries*, the February 2005 Joint Forum report entitled

² *IOSCO Objectives and Principles of Securities Regulation*, March 2008, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD265.pdf>.

Outsourcing in Financial Services and the November 2006 Technical Committee report entitled *Regulatory Issues Arising from Exchange Evolution* do not assess risks nor identify principles related to outsourcing arrangements made by markets. The Technical Committee Standing Committee on the Regulation of Secondary Markets (TCSC2) is currently surveying markets and regulators in the jurisdictions of the members of TCSC2 to identify different regulatory regimes in place regarding outsourcing by exchanges and operators of exchanges. TCSC2 expects to have its survey completed in late 2008. The mandate also involves assessing the impact of various types of outsourcing arrangements, and evaluating the main challenges faced by regulators arising from such arrangements. TCSC2 will also assess related risks and determine whether non-prescriptive guidance on outsourcing specifically applicable to markets should be developed.

(vi) Prudential Regulation and Supervision

1. 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. A final report will be available in November 2008.

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

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Accord Implementation Group (AIG) 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 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 devoting significant resources to the Pillar 2 implementation process, including better understanding supervisory approaches to implementation of Pillar 2 for non-complex banks. In May 2008, the AIG conducted a

FINANCIAL STABILITY FORUM

workshop on this topic together with the International Liaison Group's Working Group on Capital (ILGC). The AIG has also begun assessing banks' Pillar 3 disclosures.

The AIG has two 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 Basel II.

Lastly, the Basel Committee has established a Basel II Capital Monitoring Group that will analyse the level and cyclicality of capital requirements based on data collected through the reporting systems of national supervisory agencies. Periodic reports will be provided to the Basel Committee starting in the first quarter of 2009.

3. Refinements to the Basel II Framework

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: End 2008 and ongoing

Brief Description: The Basel Committee has formed new workstreams to strengthen each of the three pillars of the Basel II framework. The Committee intends to issue proposals for public consultation by year-end. For example, it will establish higher capital requirements for certain complex structured credit products, such as so-called "resecuritisations" or CDOs of ABS. It will also strengthen the capital treatment of liquidity facilities extended to support off-balance sheet vehicles such as ABCP conduits. In addition, it will issue Pillar 2 guidance in a number of areas to help strengthen risk management and supervisory practices. These relate to the management of firm-wide risks; banks' stress testing practices and capital planning processes; the management of off-balance sheet exposures and associated reputational risks; risk management practices relating to securitisation activities; and supervisory assessment of banks' valuation practices. Moreover, the Committee will promote enhanced disclosures relating to complex securitisation exposures, ABCP conduits and the sponsorship of off-balance sheet vehicles.

4. Supervision of Bank Liquidity Risk Management

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Fall 2008 and ongoing

Brief Description: The Basel Committee's Working Group on Liquidity issued its *Principles for Sound Liquidity Risk Management and Supervision* in June for public consultation until July 29. This guidance built off of a fundamental review of the BCBS's 2000 *Principles for Sound Liquidity Risk Management and Supervision* and incorporates lessons learned from

FINANCIAL STABILITY FORUM

recent events. Areas where the guidance raises the bar on liquidity risk management highlight the importance of an adequate liquidity buffer, internal transfer pricing of liquidity risk, competent governance, monitoring of intraday exposures and collateral, enhanced stress testing and contingency funding plans, and public disclosures of liquidity positions and risk management. The document also expands the guidance for supervisors regarding both periodic and continuous monitoring, the use of remedial action, and communication with other supervisors and public authorities. The revised principles are expected to be finalized in fall 2008.

In February 2008, the group published a report reviewing different jurisdictions' approaches to supervising and regulating funding liquidity risk. It also assessed preliminary lessons and implications arising from the market turmoil.

5. Liquidity Risk Management

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Fall 2008

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that many institutional investors and investment banking firms had inadequate balance sheet liquidity even when adequately capitalized. Given this finding, the Technical Committee has asked its Standing Committee on the Regulation of Market Intermediaries (TCSC3) to survey members' experience on liquidity risk management and liquidity standards to assist and supplement the work being undertaken jointly with BCBS. In this regard, TCSC3 has submitted comments on the BCBS consultation paper, *Principles for Sound Liquidity Risk Management and Supervision*.

6. Review of Trends in Regulatory Capital Instruments

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Mid 2009

Brief Description: The Basel Committee has launched an initiative to review the definition of regulatory capital across jurisdictions. The Definition of Capital subgroup has undertaken 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 has evaluated 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 has also reviewed the role of accounting in the calculation of regulatory capital.

7. Computation of Capital for Incremental Risk in the Trading Book

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: December 2008

Brief Description: The Basel Committee's Trading Book Group (TBG) was set up to provide further clarification for computing an incremental default risk charge in the trading book as required in the Basel/IOSCO Agreement reached in July 2005³, as well as to share experience in overseeing banks' implementation of the trading book capital regime. A consultative document was published in October 2007. After the consultative period, the Basel Committee reviewed comments received and decided to expand the scope of the capital charge to capture not only price changes due to defaults but also other sources of price risk, such as those reflecting credit migrations and significant moves of credit spreads and equity prices. In July 2008, it issued two consultative documents, *Proposed Revisions to the Basel II Market Risk Framework* and *Guidelines for Computing Capital for Incremental Risk in the Trading Book*, in July 2008. During the consultation period, the TBG will conduct an impact assessment. The Basel Committee aims to finalise both documents around year-end 2008.

8. Risk Management Practices at Securities Firms

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: As a result of the findings regarding firm risk management and prudential supervision of firm operations during the subprime market turmoil presented in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, the Technical Committee Standing Committee on the Regulation of Market Intermediaries (TCSC3) will monitor the work of the Senior Supervisors Group (SSG) and review any report of the SSG and determine whether further work is warranted by IOSCO.

9. Initiatives on Risk-based Supervision and Microfinance

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee 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

³ Basel Committee on Banking Supervision, *The Application of Basel II to Trading Activities and the Treatment of Double Default Effects*, July 2005.

FINANCIAL STABILITY FORUM

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 ILG's current projects is risk-based supervision as a shift to a more principles- and judgmentally-based approach to supervision has been witnessed over the last decade or so. The ILG has undertaken a survey on issues related to risk-based approaches among its members which may result in a document on current practices. An additional workstream of the ILG 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.

10. Valuation Practices

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: End 2008

Brief Description: The Basel Committee's Accounting Task Force and Risk Management and Modelling Group jointly conducted a review of banks' model-based valuation practices, particularly for complex and illiquid products. This work was conducted from February 2007 through February 2008. Committee representatives surveyed around 30 banks late in 2007 and gained additional perspectives from meetings with bankers, banking industry groups, and accounting and auditing standard setters. The findings of this work were presented to the FSF in March 2008 and were released to the public in June 2008. Supervisory guidance will be provided later in 2008.

11. Stress Testing

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Basel Committee's Risk Management and Modelling Group has begun work to assess the industry range of stress testing practices, including an examination of how banks' stress testing practices have held up under the recent market turmoil, where key challenges lie, and where the industry plans to make enhancements. It also aims to determine where industry practices and supervisory guidance could be strengthened.

12. Bank Resolution

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Early 2009

FINANCIAL STABILITY FORUM

Brief Description: The Basel Committee's Cross-border Bank Resolution Group is reviewing and analysing issues relating to the resolution of large banks with cross-border operations, building on the work already conducted in this area. The working group is comparing various national policies, allocation of responsibilities and legal frameworks in place for dealing with a resolution of a bank having significant cross-border operations. The Cross-border Bank Resolution Group will also work with the International Association of Deposit Insurers on Core Principles for Effective Deposit Insurance Systems.

13. Supervision and Assessment of Insurers' Solvency

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS has a strong commitment to the development of a cohesive set of standards and guidance on solvency assessment – with an overall objective of facilitating greater comparability and improved convergence over the long term of supervisory practice towards a risk based solvency regime.

Supervisory papers on the structure of capital requirements, enterprise risk management and internal models will be presented for adoption at the General Meeting in October 2008. Work will continue in expanding and improving the suite of solvency assessment papers. The next priority is to develop supervisory papers on capital resources and the valuation of assets and liabilities for solvency purposes. In addition, the IAIS is undertaking a review of existing IAIS papers on solvency assessment to ensure consistency and continued relevance.

14. Regulatory Framework for Monolines and Financial Guarantors

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: In relation to the recommendation on monoline insurers from the FSF *Report on Enhancing Market and Institutional Resilience*, the IAIS undertook and completed a survey identifying existing regulatory requirements and planned changes in the relevant jurisdictions. Work in this area is ongoing.

15. Reinsurance

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

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

FINANCIAL STABILITY FORUM

In June 2008, the IAIS released two draft reinsurance related supervisory papers for consultation with Members and Observers:

- *Guidance paper on Mutual Recognition of Reinsurance Supervision.* The paper provides guidance on cross-border recognition of reinsurance supervision. It identifies criteria that supervisors should consider when making judgements as to whether to recognise supervision of reinsurers by other jurisdictions and aspects to be evaluated in the course of creating any supervisory recognition arrangement
- *Standard on the Evaluation of Ceded Reinsurance.* The existing standard was updated and includes guidance to supervisors in assessing how insurers manage their reinsurance arrangements, discusses policies and procedures that insurers should have in place and supervisory approaches to the evaluation of each company's reinsurance cover.

The IAIS plans to amend these papers, as required, based on comments received and finalise the papers for adoption at the October 2008 General Meeting.

During the year, the IAIS consulted with Members and Observers on a guidance paper on the regulation and supervision of captive insurers. The paper is intended to provide guidance to insurance supervisors on the aspects of regulation and supervision that are specifically relevant to captive insurers or reinsurers. The IAIS plans to finalise the paper for adoption at the October 2008 General Meeting.

Over the next year, the IAIS will review and upgrade the current guidance on risk transfer, disclosure and analysis of finite reinsurance to a standard. In addition, the issues papers on life insurance and non-life insurance securitisation will be reviewed and upgraded to guidance papers. Over the longer term, the IAIS will develop guidance on contract certainty.

ii) IAIS Global Reinsurance Market Report 2008

In 2008, the IAIS will publish its fifth annual global reinsurance market report based on 2007 data provided by supervisors of the largest global reinsurers in Bermuda, France, Germany, Japan, Spain, Switzerland, the UK and the US. The report aims to improve the transparency of the global reinsurance industry by providing analysis of financial position, monitoring trends and considering risks and challenges for the reinsurance industry. The 2008 report will be enhanced to include additional information regarding financial stability.

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

Agency: IAIS
Contact Information: iais@bis.org
Target Date: Ongoing

FINANCIAL STABILITY FORUM

Brief Description: The increasing integration of financial markets and the growing number of internationally active insurers and reinsurers has made the need for mutual cooperation and information exchange more urgent. In response to members' desire for more concrete arrangements, the Multilateral Memorandum of Understanding (MMOU) framework was adopted in February 2007 as an important step towards broadening contacts and creating mutual trust and confidence amongst insurance supervisory authorities. The framework establishes a formal basis for facilitating cross-border communication between supervisors, regarding the supervision of both insurance companies and insurance groups, where cross-border matters arise. The IAIS is currently validating applicants for accession to the MMOU.

17. International Colleges of Supervisors for Insurers and Reinsurers

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: In relation to the recommendations on international colleges of supervisors from the *FSF Report on Enhancing Market and Institutional Resilience*, the IAIS conducted a stock-take exercise which indicated well-established practices of supervisory coordination meetings for all internationally active, large insurers and reinsurers. In that respect, the IAIS is:

- developing an issues paper for group solvency assessment for February 2009;
- implementing its 2007 MMOU on Cooperation and Information Exchange;
- developing a guidance paper on the role of a supervisory college for October 2009; and
- advancing two guidance papers respectively on the role of a group-wide supervisor, which makes significant reference to supervisory colleges, and on mutual recognition in reinsurance supervision, both for October 2008.

18. 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: The IAIS organizes, in collaboration with the FSI and national insurance supervisory authorities and other bodies, about 10-15 regional seminars and workshops annually to assist insurance supervisors to 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, the IAIS undertook a survey on the role of mutuals and cooperatives in microinsurance. The survey findings along with issues identified in developing the issues paper will form the basis for the development of principles and guidance on the regulation and supervision of microinsurance. In addition, an issues paper will be completed on the regulation and supervision of mutual organizations, in relation to microinsurance in emerging markets.

19. Insurance Groups

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Groups are the most common organisational structure of international active insurers. As a result, the IAIS aims to establish a comprehensive framework for streamlining group supervision. The main goal is to achieve efficient group supervision which preserves the level of policyholders' protection while avoiding unnecessary supervisory burden.

In June 2008, the IAIS released a *Guidance Paper on the Role and Responsibilities of a Group-Wide Supervisor* for consultation with Members and Observers. The Paper discusses the factors to consider in the identification of a group-wide supervisor and describes the range of tasks and responsibilities that a group-wide supervisor may undertake. Subject to the extent of comments received through the consultation process, the Paper is targeted for adoption at the October 2008 General Meeting.

20. 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 principles to ensure they remain appropriate, comprehensive and current. In 2007, the IAIS established a task force to review and revise the ICPs with the goal to finalise revised ICPs for adoption at the October 2009 General Meeting.

21. Market Conduct of Insurers

Agency: IAIS

Contact information: iais@bis.org

Target Date: Ongoing

Brief Description: In June 2008, the IAIS announced the formation of a new Market Conduct Subcommittee, charged with developing international supervisory standards on insurers' behaviour in the marketplace. The subcommittee will build on existing work on market conduct and consider the market conduct of insurers and intermediaries in the selling and handling of insurance products and services and in disclosure of information to customers.

22. Harmonized International Glossary

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS Glossary provides definitions of the main terms used by IAIS working parties in their work. A project to develop a harmonized international glossary of insurance terminology is being undertaken jointly between the IAIS, IAA, CEA and Groupe Consultatif, based on their respective existing glossaries. The partnership agreement has been finalised, and the editorial group, comprising member representatives of the four organizations, established. The priority area of focus will be solvency issues. It is anticipated that the first outputs from the project could be expected during 2009.

23. Strategic Direction of IOSCO Activities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2010

Brief Description: IOSCO formally endorsed in April 2005 a range of operational priorities that will further strengthen its effectiveness 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 *Objectives and Principles of Securities Regulation* (Principles) and *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* (Methodology) to take into account emerging regulatory issues and to protect this key international standard setting responsibility. In this regard, the Executive Committee authorized the Task Force on

the Implementation of the Principles to initiate a substantive review of the Principles.

IOSCO recently approved an updated version of both its Principles and Methodology to take into account Technical Committee, Emerging Markets Committee and Executive Committee documents, and other relevant documents, issued since the Principles were last updated in 2003. The updated versions uses footnotes to reference those more current IOSCO and related organization (e.g., Joint Forum) publications, which are consistent with the existing Principles and Methodology. The updated versions of the Principles and Methodology are available on the IOSCO website at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD265.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD266.pdf>, respectively.

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 Multilateral Memorandum of Understanding 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 20 in section (iii)).

c) Implementing the Principles

Now that IOSCO has endorsed a full set of Principles and has an operational Methodology to practically assess the level of implementation of the Principles, IOSCO is focusing on the systematic assessment of the level of implementation of the 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 regarding the IOSCO Principles Assessment and Implementation Program).

In this respect, in February 2008, the Executive Committee adopted an action plan for the period 2008-2010, that includes among other things a work program to improve awareness of the Principles and to encourage members to work towards their full implementation. This has involved and will continue to involve making related focused presentations at 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 to 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

FINANCIAL STABILITY FORUM

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.

24. The IOSCO Principles Assessment and Implementation Program

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: IOSCO is increasingly focusing its efforts on promoting the implementation of its *Objectives and Principles of Securities Regulation* (Principles) by its members. To assist its members in this task, the Executive Committee approved in February 2003 a pilot program to assist its members in the completion of an assessment of their level of implementation of the Principles. Pursuant to this pilot program, experts selected by IOSCO from among its membership assist each participating jurisdiction in an assessment of its level of implementation of the Principles using an innovative *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* (Methodology) and in the development of an action plan to correct identified deficiencies. This program was extended 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 connection with the detailed action plan for the implementation of the Principles for 2008-2010, the IOSCO General Secretariat has begun a process by which IOSCO members' requests for technical assistance will be prioritized. In addition to providing direct assistance to members, the General Secretariat is 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 Principles and Methodology. In order to increase the number of trained assessors available for such assessments and assistance missions, a second Principles assessors workshop is under development and is scheduled to take place in Mumbai on 2-4 December 2008, hosted by Securities and Exchange Board of India. Funding related to individual assistance missions are currently being sought through various channels.

25. Securities Regional Seminars and Training & Assistance Programs

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

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

FINANCIAL STABILITY FORUM

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 2008 include: <http://www.iosco.org/events/>

- A seminar on Market and Liquidity Risk jointly sponsored by IOSCO and the Financial Stability Institute, which will take place at IOSCO headquarters in Madrid from 30 September to 2 October 2008.
- A regional Seminar on “Cooperation and Exchange of Information between Securities Supervisors from Eastern and Southern Europe – how to join and effectively use IOSCO Multilateral Memorandum of Understanding”, which took place in Warsaw on 27-28 March 2008 and was hosted by the Polish FSA.
- A regional Seminar on “Enforcement Aspects of Takeover Regulation”, which took place on 11-14 June 2008 in Istanbul.

26. 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 and the *Guidelines on the Protection of the Rights of Members and Beneficiaries*, the OECD Working Party on private pensions developed further *Guidelines on Pension Fund Asset Management*, *Guidelines on Funding and Benefit Security in Occupational Pension Plans*, and *Guidelines on the Licensing of Pension Entities*, the latter of which was developed and finalised jointly with the International Organisation of Pension Supervisors (IOPS). These guidelines have been released for public consultation and subsequently approved by the OECD Council. The Core Principles have been revised in 2008 to include the updated *Guidelines for Pension Fund Governance* while leaving out the Core Principle on Supervision, an area covered by the IOPS. A compendium of all OECD guidelines and the revised Core Principles will be published before December 2008, accompanied by a methodology for their implementation and an assessment of their use in OECD countries. The Core Principles will also be used as part of the assessment process for accession countries.

The OECD also continues its work to monitor the pension fund industry by publishing an annual review (Pension Markets in Focus). The data published is based on OECD’s Classification system and glossary on private pensions published in 2005.

The OECD and IOPS work in close cooperation, with the OECD leading the development of international standards on pension regulation, and IOPS focusing on supervisory issues and the development of

supervisory standards. 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 and on-site supervision in 2007. A set of good practices recommended by supervisors for alternative investment by pension funds was published in 2007. The IOPS ongoing work focuses on risk-based supervision, including the development of a toolkit. Providing practical guidance to supervisors is expected to be completed in 2010.

The IOPS and the World Bank have also entailed the examination of risk-based supervision of pensions in several countries through the Pensions Risk Management project.

(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

Brief Description: The FATF Forty Recommendations and Nine Special Recommendations on Terrorist Financing provide the international anti-money laundering and counter-terrorist financing (AML/CFT) standard. The FATF has developed interpretation and best practices to support the 40+9 Recommendations. This is also supplemented by the 2004 AML/CFT Methodology to assess compliance with the 40+9 Recommendations, which the FATF developed in collaboration with the IMF, the World Bank and the FATF-style regional bodies (FSRBs). This methodology underlies all FATF/FSRB/World Bank/IMF AML/CFT assessments.

In January 2005 the FATF commenced a third round of mutual evaluations of its members' compliance with the 40+9 Recommendations. Currently, reports on Australia, Belgium, Canada, China, Denmark, Finland, Greece, Hong Kong, Iceland, Ireland, Italy, Norway, Portugal, Russian Federation, Singapore, Spain, Sweden, Switzerland, Turkey, UK, and the United States have been completed and made publicly available. Ultimately, all FATF members will be assessed over a 5-6 year cycle. The reports of mutual evaluations of FATF members are available at http://www.fatf-gafi.org/document/32/0,2340,en_32250379_32236982_35128416_1_1_1_1,00.html. The FSRBs also assess their members' compliance with the 40+9 Recommendations and publish those reports on their websites.

An FATF Working Group continues to ensure that there is consistency of interpretation of the FATF standards and the AML/CFT Methodology 2004 in 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.

FINANCIAL STABILITY FORUM

The FATF has also significantly enhanced its dialogue and interaction with the private sector. In June 2007, based on joint public-private sector work, the FATF published guidance for the financial sector on the risk-based approach for addressing AML/CFT issues. This was followed up by further work with other sectors, resulting in further risk-based guidance issued in July 2008 covering the following business sectors: accountants, dealers in precious metals and precious stones, real estate agents and trust and company service providers. Importantly, the FATF also established a Consultative Forum as a venue to engage with the private sector and to discuss issues and ideas raised by private sector organisations and associations.

The FATF continues its longstanding work on “typologies” to gather information on and knowledge of methods and trends so as to ensure that the 40+9 Recommendations remain up to date and effective. These reports are published on the FATF website (www.fatf-gafi.org).

In June 2007, the FATF issued *Guidance Regarding the Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction* and in October 2007 complemented this with guidance regarding implementation of the activity-based financial prohibitions of UNSCR1737. This was followed by a new best practices paper on trade-based money laundering and terrorist financing issued in June 2008. This raises awareness and improves the ability of government authorities to collect and effectively utilise trade data, both domestically and internationally, for the purpose of detecting and investigating money laundering and terrorist financing through international trade.

In October 2007, FATF issued *Guidance on Capacity Building and Implementation of the FATF Standards within Low Capacity Countries*.

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

Agency: IMF and World Bank

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

Target Date: Ongoing

Brief Description: The IMF and the World Bank continue to deliver an intensive AML/CFT work program. To date, the Fund and the Bank have conducted 49 AML/CFT assessments using the 2004 Methodology⁴ and plan to conduct about 8 new assessments over the next 6 months.

⁴ Bahrain, Belarus, Bermuda, Botswana, Cambodia, Cameroon, Cape Verde, CEMAC, Denmark, Djibouti, Fiji, Gibraltar, Greece, Haiti, Honduras, Hungary, Italy, Latvia, Liechtenstein, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mexico, Namibia, Niger, Palau, Panama, Paraguay, Qatar, Rwanda, Senegal, Sierra Leone, Sudan, Tajikistan, Thailand, Tunisia, Uganda, United Arab Emirates, Uruguay, and WAEMU .

FINANCIAL STABILITY FORUM

- **Technical Assistance:** The two institutions have also continued a high level of AML/CFT technical assistance (TA) activity, carrying out 117 events and missions from 1 January to 30 June 2008, including 79 bilateral TA missions and 13 regional training events. These missions and events covered a wide range of topics and activities including legislative drafting, supervision, issues specific to institutional and regulatory frameworks, FIUs, and desk reviews of laws and regulations. Both the WB and the IMF also continue to conduct both training for assessors, and for countries that will undergo an assessment within six months, independently or in conjunction with FATF and FATF Style Regional Bodies (FSRBs). During the aforementioned period, the Bank and the Fund conducted or provided resource persons for 3 assessors and 7 pre-assessment training events.
- **Outreach:** Bank and Fund staff participated in 31 events during this period, including conferences, donor coordination meetings, global dialogues, outreach to the private sector, and FATF and FSRB plenary and working group meetings.
- **Coordination:** The IMF and the World Bank continue to work closely with each other, FATF, the FSRBs, and bilateral donors to coordinate assessment calendars, optimize the provision of TA, and to strengthen global understanding of AML/CFT issues. In addition, collaboration with the United Nations Office on Drugs and Crime (UNODC) is ongoing, with emphasis (for the Bank) on the joint work in Central Asia and in Cambodia, Vietnam, and Laos through the UNODC/WB mentors. Encouraged by the effectiveness of the mentor programs in facilitating capacity building, the program is being extended to West Africa, with a UNODC/WB mentor to be appointed in early fall of 2008.
- **Policy Development and Research:** The two institutions both work to identify and disseminate international best practices in the implementation of the AML/CFT standard and to improve global understanding of AML/CFT issues, also with the view to improve the effectiveness of TA. While the Fund and Bank collaborate and coordinate, their research and policy programs reflect their respective mandates as macroeconomic/financial sector and development institutions. Recently, the Bank published a paper on “*Mobile Phone Financial Services: Promoting Financial Integrity as a Gateway to Financial Inclusion*”, available on the Bank’s webpage (www.amlcft.org). This paper will assist countries to identify threats and risk mitigation measures in order to prevent mobile phone financial services from being abused by criminals. The Bank is finalising the report on FIU governance and implications of AML/CFT due diligence on access to and cost of trade financing, as well as the Handbook for Bank Supervisors. The Fund will be publishing a handbook on *Confiscating Criminal and Terrorist Assets: Issues and Solutions*, in the very near future. Going forward, policy and research work will focus on the continuation of two major projects: (1) the macro-economic significance of money-laundering, and (2) analysing and assessing money-laundering and terrorist financing risk.

- **Stolen Asset Recovery (StAR) Initiative:** Since September 2007, the Bank, jointly with the UNODC, began undertaking policy and technical assistance work on the StAR Initiative. The objective of the StAR Initiative is to build capacity in developing countries to recover assets stolen by corrupt officials, as well as work with developed countries to reduce barriers to asset recovery. To see more details on StAR, visit <http://go.worldbank.org/MJNCV8PJA0>.

3. AML/CFT Transparency in Payment Messages

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: 1st quarter of 2009

Brief Description: Cover payments are used in correspondent banking in particular to execute transfers ordered by customers in foreign currencies. The current messaging standards do not ensure full transparency for the intermediary banks on the transfers they are helping to execute, because of a lack on information on the originator and beneficiary of the transfer. The Committee has published in mid July 2008 a draft guidance on cover payments (*Due diligence and transparency regarding cover payment messages related to cross-border wire transfers*). The public consultation extends until 15 September 2008. The discussion with other standard setters (in particular FATF) will continue thereafter. The objective is to publish the final document in early 2009, ahead of the implementation by SWIFT of the revised messaging standards for Cover Payments on 14 November 2009.

(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 program was completed in 2005 with 42 of the 44 jurisdictions contacted having been assessed (two jurisdictions received technical assistance in lieu of assessment). Since 2005, the IMF has assessed 14 jurisdictions and 12 assessments are scheduled for 2008; 28 jurisdictions submitted data under the Information Framework Initiative. The fifth annual roundtable was held in January 2008 in Basel to discuss the program with onshore and offshore supervisors and standard setters.

FINANCIAL STABILITY FORUM

The Executive Board of the IMF recently reviewed the OFC assessment program and decided to integrate the OFC and FSAP programs.

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 in international statistical collections such as the Coordinated Portfolio Investment Survey (CPIS), but also by helping them to improve their national macroeconomic statistics. Selected OFCs have been invited to participate in the 2009 Coordinated Direct Investment Survey. 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 meeting in September 2007 (http://www.fsforum.org/meetings/pm_070925.htm), the FSF issued a separate press release on OFCs (http://www.fsforum.org/press/pr_070926b.pdf) in which it presented the results of the assessment of the OFC Review Group. In the press release, the FSF noted that, thanks importantly to the FSF initiative and the efforts of its members, significant progress had been observed in the assessments of OFCs' compliance with international standards and in cooperation and information exchange practices. However, it also recognized that a few concerns remained, and it committed to continue supporting the ongoing efforts of FSF members. It encouraged ongoing information exchange on the progress of these efforts and on specific risk concerns in the Review Group on a regular basis, and invited members to enhance their consultations and exchange information on a bilateral basis as well. It also restated the undiminished commitment of the FSF to fostering compliance with international standards in onshore

FINANCIAL STABILITY FORUM

and offshore jurisdictions, including better cooperation and information exchange, and its political support for the work of its members.

(ix) E-Finance

1. E-Finance and Debt Management

Agency: OECD

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

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. A recent report focused on the impact of electronic trading platforms on secondary market liquidity. Future work will analyse differences in architectures as well as the interface with primary dealers.

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.

III. Glossary of Agencies and Web Addresses

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.iasb.org)
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)