

FSB- G20 - MONITORING PROGRESS – Argentina September 2010 [For Publication in March 2011]

The following are Argentina's responses to the survey with progress made by September 2010. Some changes to the original responses were made in view of the issuance of the Basel III rules text and of a Decree by the Argentine Executive enlarging the powers of the UIF, both in December 2010. Links to background legislation were added.

Abbreviat ion	Name of body or authority	Web link
ART	Labour Risk Insurance Company (<i>Aseguradora de Riesgos de Trabajo</i>)	
BCRA	Central Bank of Argentina (<i>Banco Central de la República Argentina</i>)	http://www.bcra.gov.ar
CNV	National Securities Commission (<i>Comisión Nacional de Valores</i>)	http://www.cnv.gob.ar/
FGD	Deposit Guarantee Fund (<i>Fondo de Garantía de los Depósitos</i>)	
SEDESA	Insurance Deposit Corporation (<i>Seguro de Depósitos Sociedad Anónima</i>)	http://www.sedesa.com.ar/
SEFyC	Superintendence of Financial and Exchange Institutions (<i>Superintendencia de Entidades Financieras y Cambiarias</i>)	http://www.bcra.gov.ar
SSN	National Insurance Superintendence (<i>Superintendencia de Seguros de la Nación</i>)	http://www.ssn.gov.ar
UIF	Financial Information Unit (<i>Unidad de Información Financiera</i>)	http://www.uif.gov.ar/

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3	(Pitts)	Build-up of capital by banks to support lending	<p>We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.</p>	Ongoing	<p>Bank supervision in Argentina is carried out by the SEFyC (a semi-autonomous body that works under the regulations issued by the Board of Governors of the BCRA, the Head and Deputy head of the SEFyC being full members of the Board). Financial institutions may distribute earnings on condition that they are neither under processes of regularization—for deficiencies in either liquidity or solvency—or restructuring, nor assisted by the BCRA for temporary shortages of liquidity. If not impeded, they may distribute retained earnings net of items such as:</p> <ul style="list-style-type: none"> i) positive difference between book and market value of government bonds and BCRA debt instruments not marked to market; ii) adjustments to asset values required by the SEFyC or their external auditors; iii) valuation forbearances individually granted by the SEFyC; iv) sum of unrealized gains arising out of the revaluation of available-for-sale assets. <p>Payment of dividends cannot affect liquidity and solvency ratios: liquid assets and equity (after computing the abovementioned adjustments) must be enough to absorb subordinated-debt interest payments, the minimum notional income tax and the projected dividends. In addition, a capital conservation buffer has been introduced in May 2010 (Communication “A” 5072) requiring banks, in order to be able to distribute dividends, to maintain an excess of 30% over the minimum capital requirement, which in practice is equivalent to slightly more than an additional 2.5% of risk-weighted assets. Dividend distribution must be authorized by the SEFyC. The request must be made not less than 30 days prior to the shareholder’s meeting that decides on profit distribution.</p> <p>http://www.bcra.gov.ar/pdfs/texord/t-disres.pdf</p>	<p>On the basis of the Law on Financial Institutions and the regulatory standards issued by the Basel Committee in December 2010, the BCRA will assess the way of implementing bank capital adequacy and liquidity requirements.</p>
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4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	End-2009 and ongoing	<p>In recent years the BCRA and the SEFyC have been performing stress testing exercises to assess the soundness and resilience of the banking sector, particularly with a view to improving bank supervision and safeguarding financial stability.</p> <p>All major risks are stress tested: credit, liquidity, interest rate (in the banking book) and market risk (namely price and exchange rate risk). For all financial intermediaries (on a standalone basis) they are performed twice a year involving all material exposures and with a 12-month stress horizon.</p> <p>Obtained potential losses are compared with each bank's loss absorbing capacity, defined as regulatory capital, and with existing capital buffers in excess of the regulatory minimum. The result of the liquidity stress test is used to measure banks ability to withstand extremely illiquid scenarios.</p>	<p>Following the 2009 BCBS guidance, the SEFyC and the area of the BCRA in charge of prudential regulation are studying—subject to the BCRA Board's final approval—a regulation regarding sound practices on stress testing, as part of a comprehensive regulation on risk management. A preliminary draft of that regulation was released to the industry for comments.</p> <p>The BCRA is also working on the rules relating to Pillar 2, where the implementation of stress testing practices by banks is going to be considered.</p>
5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing		<p>On the basis of the Law on Financial Institutions and the regulatory standards issued by the Basel Committee in December 2010, the BCRA will assess the way of implementing bank capital adequacy and liquidity requirements.</p>

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8	(Lon)	Development of liquidity framework	The BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.	By 2010	Beyond the commitments at international level, the BCRA has in place stringent requirements on liquidity. These are determined on the basis of the monthly average of daily balances of demand and time deposits, other liabilities arising from financial intermediation and standby overdrafts facilities, in pesos and foreign currencies. Requirements range between 0% and 20% depending on the currency, residual maturity and type of liability. Reserves must be held in the currency of the liability to mitigate pressures on the FX market during crises. Although originally microprudential, during the last financial crisis these requirements were part of the macroprudential framework of the BCRA and helped to avoid a systemic liquidity crunch.	On the basis of the Law on Financial Institutions and the regulatory standards issued by the Basel Committee in December 2010, the BCRA will assess the way of implementing bank capital adequacy and liquidity requirements.
9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	The BCRA regulation on currency mismatches establishes that the lending capacity from foreign currency deposits can only fund loans denominated in the same currency and granted to companies with revenues tied to such foreign currencies. In addition to the market risk capital requirement, there are specific limits applicable to a bank's short positions in foreign currencies. Ordered texts on Credit Policy and Foreign currency net global position available on: http://www.bcra.gov.ar/pdfs/texord/t-polcre.pdf http://www.bcra.gov.ar/pdfs/texord/t-pognme.pdf	
10	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	In Argentina credit insurance (a sort of guarantee) can be provided by multiline insurers. These companies are regulated by the SSN. The market is relatively small and mostly limited to export credit guarantees.	

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II. Strengthening accounting standards						
11	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	<p>The SEFyC has powers to set information and accounting rules for financial institutions. Although the standards in force are considered to be of high-quality, the SEFyC and the BCRA permanently follow international discussions on this subject and make efforts to harmonise their rules with international guidance. In that sense, the BCRA has recently issued Communication “A” 5180, by which only two categories will be available for the measurement of government and BCRA securities: fair value and amortised cost.</p> <p>http://www.bcra.gov.ar/pdfs/comytexord/A5180.pdf</p> <p>The national organization of public accountants has published a rule for the full adoption of IFRSs by certain business organizations. The CNV has published its Regulation N° 562/09 adopting the IFRSs for companies listing their stock or bonds (except banks and insurance companies). The IFRSs will be applicable for fiscal years starting in January 2012 or later.</p> <p>http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC562-09.htm</p>	<p>The BCRA and the SEFyC are working on a technical proposal for the adoption of an accounting framework for financial institutions in line with the decisions already adopted by the national organization of public accountants and the CNV.</p> <p>On May 6, 2010, the SSN published Regulation N° 35,058 by which it summons insurance companies and their associations to actively participate, during a 180-day period, in the analysis, discussion and submission of proposals to revise, and in turn, establish: a) new criteria for capital and liquidity requirements, necessary to protect insurance companies from financial, technical and operational risks, and b) a single code of sound practices on corporate governance based on corporate governance core principles.</p>
12	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	<p>Unlisted bonds are initially measured at cost and their value is subsequently increased according to their internal rate of return. This treatment is applicable to government and BCRA bonds as well as to private unlisted bonds, such as corporate bonds, subordinated debt instruments and debt securities issued by financial trusts.</p> <p>Since the issuance of Communication “A” 5180, financial institutions will be allowed to build a provision of up to 10% of their position in fair valued instruments to absorb fluctuations in prices. In addition, financial institutions with liquid assets exceeding 40% of their deposits—and therefore capable of sustaining a business model based on contractual cash flows—will be allowed to assign instruments otherwise eligible to be measured at fair value to the amortised cost category for an amount equivalent to the excess in liquid assets.</p>	

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13	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009		
14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	<p>With the enactment of General Resolution 555/09 (dated May 28, 2009) the CNV deepened the content of prospectuses for the issuance of financial trusts required until then. Detailed legal, accounting, financial and operational information is required on all the participants in financial trusts and not only on the trustee and trustor and also on the trust assets. GR 555/09 expanded the documentation and reports to be submitted by the participants to the structure (eg. report by the trustee or anyone performing delegated functions of control and review of trust assets, indicating the tasks performed and their results). The requirements aim to attract investors to financial trusts, offering through the prospectuses complete and accurate information about trust assets, the various types of participants, their risks, terms and conditions.</p> <p>http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC555-09.htm</p>	

III. Reforming compensation practices to support financial stability

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16	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing		There is a draft regulation on sound corporate governance practices, following BCBS guidelines (at the moment, under consideration by the Board of Directors of the BCRA), where the disclosure of compensation policies and practices for directors and senior managers is considered a sound practice. There is also a preliminary draft—which is being internally discussed and will be subject to the approval of the Board—on sound compensation practices, following FSF/FSB Principles.
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IV. Improving OTC derivatives markets

17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	Autumn 2009	Structured products and credit derivatives are seldom negotiated in the local market, and only by a few banks, that must fulfil the BCRA requirements. Usually their counterparty is a foreign bank. At the moment, there is no guidance or requirements for investing in these products.	
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18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.	By end-2012 at the latest		
V. Addressing cross-border resolutions and systemically important financial institutions						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	Argentina is not the home supervisor of internationally-active large-size financial institutions. Argentine authorities have signed MoUs with many other financial institutions supervisors, for consolidated supervision and information sharing. All of these MoUs have been effectively implemented in practice. Supervision in Argentina is risk based, and significance is considered when assessing a bank.	Additional measures will be analyzed if standard setters issue additional guidance on this subject.

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20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010	<p>Our legal framework clearly establishes resolution procedures for all the financial institutions taking deposits (art. 34, 35 bis, 35 ter and 43 to 53 of Law of Financial Institutions, Law 21,526) and for insurance companies (art. 31 and 48 to 54 Law of Insurance Companies and their control, Law 20,091) in Argentina.</p> <p>http://www.infoleg.gov.ar/infolegInternet/anexos/15000-19999/16071/texact.htm</p> <p>http://www.infoleg.gov.ar/infolegInternet/anexos/20000-24999/20965/norma.htm</p> <p>When a broker is declared insolvent or bankrupt stock markets ensure compliance and settlement of pending transactions and can suspend the intermediary that does not meet the amounts owed to the market.</p> <p>Markets must create a guarantee fund, with fifty percent or more of liquid and realized annual profits, in order to address unfulfilled commitments by the intermediaries in secured transactions.</p> <p>http://www.cnv.gob.ar/LeyesReg/CNV/esp/TOC2001.pdf</p>	The CNV is working on initiatives in order to improve the bankruptcy process in futures and derivative markets.
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VI. Strengthening adherence to international supervisory and regulatory standards.					
21	(Lon)	Adherence to international prudential regulatory and supervisory standards			<p>The BCRA adheres to the international prudential standards in prudential and AML/CFT areas. http://www.bcra.gov.ar/index_i.htm</p> <p>The CNV has recently adopted General Resolution No. 554/09 (dated May 8th, 2009) that imposes restrictions to all entities under its jurisdiction when undertaking operations with counterparties that are located in jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented it, that have not committed to the internationally agreed tax standard, or that are considered non cooperative. The CNV also established that if the counterparty is a foreign intermediary of any country that has implemented the internationally agreed tax standard, operations could be done only if regulators of that country have signed a memorandum of understanding with the CNV. http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC554-09.htm</p> <p>The SSN adheres in essence to the international supervisory and control standards (IAIS) by adjusting its own rules to the international framework. The transition is gradual so as not to cause unwanted effects on the internal market. As regards AML/CFT the SSN is assessed by both FATF and GAFISUD and it is working to comply with the applicable recommendations.</p> <p>On December 14, 2010, President Cristina Fernandez de Kirchner issued Decree 1936/2010, which assigned to the UIF the National Representation before the Financial Action Task Force (FATF), the Financial Action Task Force of South America (GAFISUD) and the Inter American Drug Abuse Control Commission of the Organization of American States (CICAD-OAS-LAVEX) and the coordination at national, provincial and municipal levels of the Argentine system for combating the laundering of assets and the financing of terrorism. This Decree also recognized the powers of the UIF to establish and conduct monitoring procedures, audit and inspection to monitor compliance with AML regulations. http://www.infoleg.gov.ar/infolegInternet/anexos/175000-179999/176447/norma.htm</p>
			<p>We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas.</p> <p>We are committed to strengthened adherence to international prudential regulatory and supervisory standards.</p>		<p>Considering Presidential Decree 1936/2010 and recommendations provided by the Mutual Evaluation Report, the UIF is conducting an in-depth review of its Resolutions and is issuing the Resolutions for the sectors that were not regulated.</p> <p>Twenty two new Resolutions have been issued, and sixteen of them were published in the Official Gazette, including those regulations involving Supervision, Guidance, Monitoring and Sanctions. With the assistance of the specific regulatory agencies (BCRA, CNV, SSN and AFIP), the UIF will systematically implement on-site supervision procedures for verifying compliance with ML and TF prevention rules.</p> <p>All regulators will review their procedures in order to be well aware of the ML/TF risks of individual institutions. BCRA, CNV, SSN and AFIP will review their inspection procedures to ensure they are in accordance with those adopted by the UIF.</p>

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22	(Lon)	Periodic peer reviews	FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing		
23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	The BCRA has already performed a self-assessment of the degree of compliance with the Revised "Core Principles for Effective Banking Supervision" (BCBS 2006) by October 2010. Documents containing the assessment and supporting analysis were sent to the chairmanship of the FSB on November 19 th 2010. As a result, an action plan was developed to address the identified weaknesses. The CNV and the SSN have also conducted self-assessments of the degree of compliance with the Objectives and Principles of Securities Regulation and the Insurance Core Principles respectively. Moreover, in December 2010, the Ministry of Economy and Public Finances has requested the World Bank to perform detailed ROSCs on the three key standards of financial regulation and supervision.	

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24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing		<p>A draft Bill designed to amend Law 17,811, the main law regulating the Argentine Capital Market, is currently under analysis by the CNV. It contains proposed amendments to strengthen CNV functions and powers in the field of regulation, supervision, and enforcement in line with international standards.</p> <p>As regards cooperation with other regulatory bodies, the draft Bill includes several proposals to improve an effective coordination of plans, practices, compliance inspections, and work teams in furtherance of verifying the existence of financial conglomerates and/or other issues that are common topics among different regulators.</p> <p>Another proposed change is the removal of secrecy concerning data on regulated entities among the different regulatory agencies upon specific requests made by a regulated entity as a result of concrete investigations. This pertains particularly to information requests about money laundering and terrorist financing activities.</p> <p>The draft Bill designed to amend Law 17,811 would also empower the CNV to directly authorize or refuse to authorize the operation of Self-Regulatory Organizations (SROs).</p> <p>Additionally, the draft Bill would empower the CNV to set the rules that must be observed by all market intermediaries and those acting for their account, including the duty to set minimum requirements to be met by all SRO intermediaries.</p> <p>It would also broaden the CNV power to take disciplinary action against market intermediaries. Notwithstanding the above mentioned powers, the CNV might delegate to SROs the exercise of certain powers relating to registration, authorization, and disciplinary action, where it deems it appropriate; the CNV remaining empowered to reverse such delegation of powers.</p> <p>Pursuant to the draft Bill designed to amend Law 17,811, the CNV would be empowered to set capital adequacy standards to be met by Securities Markets. Nevertheless, the CNV may delegate this power, where it deems it appropriate; the CNV remaining empowered to reverse such delegation of powers.</p>
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VII. Other issues

Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision

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25	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	<p>Any institution, public or privately owned, as long as it intermediates financial resources may fall under the scope of the Law of Financial Institutions, if advisable because of the importance of its activity or because of monetary or credit policy reasons, at the sole discretion of the BCRA.</p> <p>Systemic risks originating in foreign trade and operations with world financial markets have been addressed through measures regarding capital flows as well as currency mismatches.</p> <p>From an emerging market economy (EME) perspective, there is a positive relation between international capital flows due to greater integration and vulnerability to sudden stops or capital reversal events. The more open and integrated a country is, the deeper are the channels through which a capital flow reversal will impact on both the real economy and the financial stability. Capital reversals can trigger currency depreciations, large balance sheet effects in the private and public sector because of currency mismatches between revenues and liabilities and large swings in financial market volumes and prices with a clear repercussion on domestic economic activity, employment and wealth. Exposure to sudden capital outflows is relevant to Argentina since the economy is still subject to some degree of financial dollarisation and because of its small size relative to international capital movements.</p> <p>Complementing its managed floating exchange rate regime and international reserves accumulation policy, in June 2005 Argentina implemented a set of measures to discourage and neutralise short term financial capital inflows. There is a minimum holding period of 1 year and a 30% non remunerated deposit with a domestic bank. The requirements apply only to borrowing and portfolio investments but do not interfere with firms' investment projects. Agents can access the FX market to pay imports, repay principal and interest coupons, transfer dividends and—in the case of residents—increase foreign asset holdings.</p> <p>Currency mismatches take place when an agent is not adequately hedged against nominal exchange rate fluctuations. This is particularly relevant in EMEs, where lack of confidence in the domestic currency has resulted in financial dollarisation.</p> <p>At the end of the currency board in Argentina, the amounts of dollar-denominated assets and liabilities were equivalent and thus the banking system did not seem to be exposed to a currency mismatch. However, the dollarisation of banks' portfolios (including loans to households) created a potential solvency risk in case the hard peg had to be abandoned. This dimension of the currency mismatch refers to the impact of large exchange rate depreciations on the income of borrowers of the non-tradable sector. If borrowers are not adequately hedged, depreciation may result in large write-offs and bank solvency problems. The Basel III regulatory framework does not fully addresses currency mismatches in financial institutions operating in partially dollarised economies. While open foreign currency net positions are subject to capital requirements, an explicit treatment for hidden currency mismatches is still missing. As this is a problem that bank supervisors need to address, the prudential regulation set by the BCRA includes market risk capital requirements and a limit to the foreign currency net global position (to address classical currency mismatches) as well as requirements for the lending capacity in foreign currencies (to address hidden currency mismatches). These loans can only be granted to firms with revenues in foreign currencies (or denominated in the local currency but closely linked to the evolution of the exchange rate); such as exporters or their suppliers.</p>	A CNV's draft bill that proposes reforms to the Law 17,811 to provide the capital market with a more sound and safe regulation is under consideration by the Ministry of Economy.
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26	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	<p>As the Argentine financial system is relatively simple, banks are the institutions with the most systemic relevance. The BCRA regularly receives information on systemic as well as on prudential matters that is shared under the terms of the memoranda of understanding signed with regulators from other countries.</p> <p>The CNV possesses the powers for gathering relevant information on all material institutions, markets and instruments that it shares under the terms of the memoranda of understanding signed with regulators from other countries.</p> <p>The SSN has powers to require information from the insurance market, which is received on a regular basis.</p>	<p>There still are some legal obstacles for the BCRA to demand information from institutions supervised by the CNV. These limitations arise out of Law 17,811, under revision. See answers to 24 and 25 above.</p> <p>MoUs are being drafted by both GAFISUD financial institutions supervisors and ASSAL (<i>Asociación de Supervisores de Seguros de América Latina</i>) peer members.</p>
27	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing		<p>Draft bills to amend the present Law of Financial Institutions (Law 21,526) have been presented to the National Congress. The boundaries of the regulatory framework and the agencies in charge will be reviewed during parliamentary debate.</p>

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28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	See item 25.	Leverage in the Argentine banking sector is low when compared to industrialized countries (ratio capital to assets = 12%). The adoption of a leverage ratio will be analyzed once the complete BCBS reforms package is approved by the G20.
29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	The BCRA monitors changes in asset prices as part of its surveillance of the macro economy and the financial system. There are two areas within its structure in charge of tracking these changes, one within the SEFyC (a semi-autonomous body that works under the regulations issued by the Board of Governors of BCRA, the Head and Deputy head of SEFyC being full members of the Board) more directly involved with specific banking issues and direct relation with supervisors; and the other in charge of dealing with financial stability analysis and macroeconomic and capital markets issues.	

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30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	<p>The SEFyC has a qualified staff, with a wide expertise to oversee the risks of a moderately complex market. In view of the permanent nature of financial innovation, the BCRA has implemented a training program that is periodically reviewed in order to keep pace with financial developments.</p> <p>The CNV has recently changed its organizational chart and has created a new division in charge of the implementation of training programs for its staff in order to keep pace with financial developments.</p> <p>The staff of the SSN receives permanent training to be able to assess the rules framework against new risks and practices in the market, especially when they arise out of new products offered to the public and submitted for supervisory approval.</p>	
31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	<p>Both supervisory procedure and practice require that supervisors communicate their concerns to institutions' boards and management at an early stage. It is customary for the staff of the BCRA and the SEFyC to meet regularly with directors and managers to discuss institutions' performance and the conditions of the financial system.</p>	
32	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	<p>The SEFyC, although a semi-autonomous body, is part of the BCRA and depends on it for its budget. The BCRA regularly receives information on systemic as well as on prudential matters that is shared under the terms of the memoranda of understanding signed with regulators from other countries.</p> <p>The CNV possesses the powers for gathering relevant information on all material institutions, markets and instruments that it shares under the terms of the memoranda of understanding signed with regulators from other countries.</p> <p>The SSN has powers to require information from the insurance market, which is received on a regular basis.</p>	<p>There still are some legal obstacles for the BCRA to demand information from institutions supervised by the CNV. These limitations arise out of Law 17,811, under revision.</p>

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Hedge funds					
33	(Lon)	Registration of hedge funds	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	Hedge funds are not systemically important in Argentina. As of today, they are not directly regulated by a specific body. However, there are prudential regulations in place for banks that operate with them.
34	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	

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35	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	Banks operating with hedge funds, as well as with any other counterparty, have to comply with regulations on liquidity, capital requirements, diversification and, to a certain extent, leverage (graduation).	Following the BCBS guidance, the BCRA is working to issue regulations regarding sound practices on risk management.
36	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	Leveraged counterparties are not systemically important in Argentina but, as with hedge funds, there are some prudential regulations in place for banks operating with them. The CNV has established some regulation applicable to the acquisition of derivatives by mutual funds (operations must be in accordance with mutual funds' investing objectives, requirements on expertise to manage derivatives instruments, information to the CNV on the types of derivatives in the portfolio, their risk and measurement methods, etc.)—CNV N.T. 2001, CHAPTER XI, section 41, item c— http://www.cnv.gov.ar/LeyesReg/CNV/esp/TOC2001.pdf	
Credit rating agencies						
37	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	Those CRAs interested in rating securities listed on domestic public exchanges have to be registered with the CNV. The CNV rules (Book 4, Chapter XVI) require that the rating process follow a procedure described in a manual—also registered with the CNV—and that the CRA's reports be properly distributed over the period covered by the rating (at least four reports per year). If these rules are infringed, besides eventual civil or criminal responsibilities, CRAs are subject to the administrative sanctions that may be imposed by the CNV. The CNV maintains a continuous monitoring of the adequacy of the performance of the CRAs and the applicable rules, in accordance with the IOSCO Code of Conduct fundamentals. http://www.cnv.gov.ar/LeyesReg/CNV/esp/TOC2001.pdf	

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38	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	Decree 656/1992, which initiated the system of credit rating, establishes prohibitions and incompatibilities for the CRAs and its members to avoid conflict of interest. Their compliance must be demonstrated before the CNV. http://www.cnv.gob.ar/leyesyreg/decretos/esp/dec656-92.htm	
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010		

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40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	<p>External ratings are scarcely used by the Argentine banking system. The BCRA only requires certain minimum ratings for debtors and financial institutions to be eligible for some more favourable treatments as regards limits on lending. Notwithstanding, there is a department within the SEFyC in charge of overseeing the work of those CRAs registered with the BCRA.</p> <p>Investment grade ratings by two certified CRAs were required for pension fund investments. From the pension system reform in December 2008, only one rating is required and, for investments in production and infrastructure projects, the only requirement is two viability reports, one by the Ministry of Economy and Public Finances and the other by a national university. This reform greatly reduced pension fund regulators' reliance on external credit ratings, particularly for productive investments that contribute to long-term growth.</p>	
Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	The BCRA has been invited to take part in the supervisory colleges for some of the cross-border banks that are important to the Argentine financial sector. For the BCRA it is a priority to take part in supervisory colleges for all of the institutions with activities that are materially important to our banking system, even if such institutions—as affiliates or branches—are not significant at the whole banking group level.	
42	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing		

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Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Immediate	Argentina is not the home supervisor of any systemically important international banking group. See also item 41.	
44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	End-2010		

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46	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	<p>In 1995 Argentina implemented a deposit insurance scheme that includes many of the characteristics that today are considered desirable. The system includes mechanisms to mitigate moral hazard, both from depositors (limited coverage) and banks (risk based premium). Deposits subject to insurance can be clearly identified. A privately owned firm, SEDESA, operates the deposit insurance fund (FGD) and its functions are clearly defined in the legal framework.</p> <p>The SSN administers a Reserve Fund to pay workers' compensations due by labour risk insurance companies (ART) in liquidation.</p>	In January 2011 the nominal amount covered by the deposit insurance was raised from AR\$ 30,000 to AR\$ 120,000.
Risk management						
47	(WAP)	Development of enhanced guidance for banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	<p>The CNV continually reviews business conduct rules to protect markets and investors. During 2007 and 2008, the CNV has taken new actions in this sense, and established new requirements to be met by all the entities under its jurisdiction. By General Resolution No. 516/07 the CNV required companies listed on domestic stock exchanges to submit a code of corporate governance. By General Resolutions No. 529/08 and 542/08 the CNV required self-regulated institutions and other entities under its authority (e.g.: stock exchanges, futures and options markets, clearing and depository institutions, credit rating agencies, asset management entities, etc.) to submit and make public a code for the protection of investors, to be applicable to those firms doing business in their respective areas. The codes must contain specific rules for the prevention, monitoring and punishment of market manipulation and conducts contrary to the duty of loyalty towards investors or that may affect transparency and confidentiality.</p> <p>http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC516-07.htm</p> <p>http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC529-08.htm</p> <p>http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC542-08.htm</p>	The SEFyC and the area of the BCRA in charge of prudential regulation are studying—subject to the BCRA Board's final approval—a regulation regarding sound practices on risk management. A preliminary draft of that regulation was released to the industry for comments.

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48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	<p>In recent years the BCRA and the SEFyC have been performing stress testing exercises to assess the soundness and resilience of the banking sector, particularly with a view to improving bank supervision and safeguarding financial stability.</p> <p>All major risks are stress tested: credit, liquidity, interest rate (in the banking book) and market risk (namely price and exchange rate risk). For all financial intermediaries (on a standalone way) they are performed on a semi-annual basis involving all material exposures and with a 12-month stress horizon.</p> <p>Obtained potential losses are compared with each bank's loss absorbing capacity, defined as regulatory capital, and with existing capital buffers in excess of the regulatory minimum. The result of the liquidity stress test is used to measure banks ability to withstand extremely illiquid scenarios.</p>	<p>Following the 2009 BCBS guidance, the SEFyC and the area of the BCRA in charge of prudential regulation are studying—subject to the BCRA Board's final approval—a regulation regarding sound practices on stress testing, as part of a comprehensive regulation on risk management. A preliminary draft of that regulation was released to the industry for comments.</p>
49	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing		

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50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets. 	During 2010	<p>In addition to the explanation provided in Item 14 referred to requirements set forth in General Resolution 555, the CNV issued rules applicable to the creation of Global Programs for Financial Trusts, evaluating that, as a consequence of the international financial crisis, it had become necessary to request truthful, accurate, effective and sufficient information about those parties that are essential components of financial trust agreements, in order to exclude the possibility of wrong interpretations being made by financial investors.</p> <p>In order to secure a correct identification, the CNV issued General Resolution 552, by which it requests that in the prospectuses of global programs for the issuance of debt securities and/or participation certificates there be only one financial trustee participating in the program and that the settler(s) that can act in the series to be created as part of the program be properly identified. According to this regulation, the initial identification of the trustee and the settler(s) cannot be modified.</p> <p>http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC552-09.htm http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC555-09.htm</p>	
51	(Lon)	Improvement in the risk management of securitisation	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.	By 2010		
52	(Pitts)	Retention of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitisation sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing		

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53	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	<p>The SEFyC has powers to set information and accounting rules for financial institutions. Although the standards in force are considered to be of high-quality, the SEFyC and the BCRA permanently follow international discussions on this subject and make efforts to harmonise their rules with international guidance.</p> <p>The national organization of public accountants has published a rule for the full adoption of IFRSs by certain business organizations. The CNV has published its Regulation N° 562/09 adopting the IFRSs for companies listing their stock or bonds (except banks and insurance companies). The IFRSs will be applicable for fiscal years starting in January 2012 or later.</p> <p>http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC562-09.htm</p>	<p>The BCRA and the SEFyC are working on a technical proposal for the adoption of an accounting framework for financial institutions in line with the decisions already adopted by the national organization of public accountants and the CNV.</p> <p>On May 6, 2010, the SSN published Regulation N° 35,058 by which it summons insurance companies and their associations to actively participate, during a 180-day period, in the analysis, discussion and submission of proposals to revise, and in turn, establish: a) new criteria for capital and liquidity requirements, necessary to protect insurance companies from financial, technical and operational risks, and b) a single code of sound practices on corporate governance based on corporate governance core principles.</p>
54	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	Structured products and credit derivatives are seldom negotiated in the local market, and only by a few banks, that must fulfil the BCRA requirements. Usually their counterparty is a foreign bank. At the moment, there is no guidance or requirements for investing in these products.	

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Others						
55	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing		

Origin of recommendations:

- Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
- Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
- Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
- WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
- FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
- FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
- FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)