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

#		G20/FSB RECOMMENDATIONS		DEAD-LINE	PROGRESS TO DATE Explanatory notes: In addition to information on progress to date, specifying steps taken, please address the following questions: 1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? Also, please provide links to the relevant documents that are published.	PLANNED NEXT STEPS Explanatory notes: Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?) Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps? What are the key challenges that your jurisdiction faces in implementing the recommendations?
I. Building high quality capital and mitigating procyclicality						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	1. no 2. implemented in all EU Member States via the Capital Requirements Directive[1]	
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2011. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	1. no 2. yes. Capital Requirements Directive (CRD3, adopted in 2010).[2]	Amendment of the Capital Requirements Directive (CRD 3) will enter into force end 2011.

[1] Directives 2006/48/EC and 2006/49/EC
[2] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:329:0003:0035:EN:PDF

3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	1. no 2. two consultations conducted in spring[3] and autumn 2010[4];	Implementation following the Basel agreement and G20 endorsement. Commission is currently in the process of finalising a legislative proposal due in summer 2011
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	1. no 2. yes. In August 2010, CEBS (now EBA) issued revised guidelines on stress testing[5] .	
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	1. no 2. Consultation on the leverage ratio in spring 2010[6]	Implementation following the Basel agreement and G20 endorsement. Commission is currently in the process of finalising a legislative proposal due in summer 2011

[3] http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#new_proposal
[4] http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#consultation
[5] http://www.eba.europa.eu/News--Communications/Year/2010/CEBS-today-publishes-its-revised-Guidelines-on-str.aspx
[6] http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#new_proposal

6	(Pitts) (Tor)	Development of international rules to improve quantity & quality of bank capital	We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.	End-2010, implement over a timeframe that is consistent with sustained recovery and limits market disruption	1. no 2. Public consultation in spring 2010[7]	Implementation following the Basel agreement and G20 endorsement. Commission is currently in the process of finalising a legislative proposal due in summer 2011
7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.	Ongoing	1. no 2. CRD2 introduces guidance on liquidity management (into force Jan 2011).[8]	

[7] http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#new_proposal
[8] [8] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:302:0097:0119:EN:PDF

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	1. no 2. Public consultation in spring 2010[9]	Implementation following the Basel agreement and G20 endorsement. Commission is currently in the process of finalising a legislative proposal due in summer 2011
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	N/A	
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	N/A	
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	N/A	

[9] http://ec.europa.eu/internal_market/bank/regcapital/index_en.htm#new_proposal

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	Completion of new IFRS accounting standards and interpretations: On 31st October 2008, the IASB issued guidance on fair value measurement in illiquid market. On 9 April 2009, US FASB issued final staff Positions (FSPs) intended to provide additional application guidance and enhance disclosure regarding fair value measurement. The IASB assessed the US guidance in its meeting on 22 April 2009 and confirmed that the two sets of guidance are consistent with each other. On 28 May 2009, IASB issued an Exposure Draft on fair value measurement (public comment concluded in September 2009). Further work underway by the IASB and also in collaboration with US FASB	Final IFRS standard on fair value measurement is expected to be published in Q1 2011.

13	(FSF 2009)	Dampening of dynamics associated with Fair Value Accounting.	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: (i) 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 2011	The IASB's project to revise accounting standard for financial instruments (IAS 39) was divided in 3 phases: First phase (classification and measurement): IASB issued the standard relating to financial assets in November 2009 and the new rules relating to financial liabilities in October 2010. The standard retains a mixed-measurement model, under which financial instruments will be measured either at fair value or at amortized cost, depending on the business model of the reporting entity and on the characteristics of the financial instruments. Reclassification will be required when the business model changes. The new rules applicable to financial liabilities address the own-credit risk issues. Second phase (impairment methodology): IASB published a proposal –Exposure Draft- in November 2009. The consultation period concluded in June 2010. In parallel, IASB and the US FASB set up an Expert Advisory Panel to work on operational/implementation issues. The IASB issued on 31 January 2011 a supplement to the Exposure Draft for comments until 1 April, in order to address the concerns raised by the initial Exposure Draft Third phase (hedge accounting): The third phase is split in two parts. The ED relating to general hedge accounting principles was published on 9 December 2010 for comments until 9 March 2011. . The US FASB issued in May 2010 a proposal addressing measurement, classification, and impairment of financial instruments, as well as hedge accounting,. The FASB and the IASB hold joint meetings to discuss their proposed models.	Second phase (impairment methodology): Project completion (final standard) expected in Q2 2011. Third phase (hedge accounting): Project completion (final standard) expected in Q2 2011 for the general principles and by the end of 2011 for portfolio hedge accounting.
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	1. no 2. not yet – under consideration	1. Under consideration for Amendments to Prospectus Regulation

III. Reforming compensation practices to support financial stability		

15	(Lon) (Pitts) (Tor)	Implementation of FSB/FSF compensation principles	National supervisors should ensure significant progress in the implementation of FSF sound practice principles for compensation by financial institutions by the 2009 remuneration round. We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. 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. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end, We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.	End-2010	1. Some of the rules at European level are more stringent than FSB requirements. The modified CRD3 strengthens the FSB principles and implementing standards and puts in place clear ratios and rules on the structure of remuneration for risk-taking staff regarding in particular deferral period and cash to equity ratio. There are also specific and precise rules on disclosure of remuneration policies that go further than the FSB principles and standards. The Commission did: - AIFM directive requires remuneration policies, which are mirroring the CRD rules. . (agreed by European Parliament and Council in November 2010).– Strengthen its 2004 Recommendation on remuneration of directors (April 2009) – Bring forward a new Recommendation on remuneration in the financial services sector (April 2009) - Publish a report on the implementation by Member States of the new Recommendation on remuneration in financial services (June 2010) 3. The EP and the Council adopted on 24 Nov 2010 –a modification of the (CRD 3) which tackles perverse pay incentives by requiring banks and investment firms to have sound remuneration policies that do not encourage or reward excessive risk-taking. The amendment legally brings remuneration policies within the scope of the supervisory review so that supervisors are able to require the credit institution to take measures to rectify any problems that they might identify, including capital add-on. - The new rules entered into force on 1 January 2011. - Member States and the EP have reached an agreement on remuneration provisions based on FSB principles and standards for Alternative Investment Fund Managers- AIFM or "Hedge Funds" in the context of the EU proposed AIFM Directive. European Parliament has adopted the text in November 2010. The text has still to be adopted by the Council. /8/	In line with the 30th April Commission Communication, the Commission is also currently working on additional legislative measures on remuneration in non-banking financial services (Insurance sector and Undertakings for Collective Investment in Transferable Securities-UCITS) (Expected time of delivery for non banking sectors: in the course of 2011) Key challenge is alignment of implementation amongst the G20, global implementation is crucial.

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	Yes See above, Capital Requirements Directive, Art. 22. European Banking Authority has issued end 2010 the guidelines on remuneration policies and practices which give clear guidance to credit institutions and investment firms on what are the supervisory expectations with regard to the implementation of the rules in CRD 3.	See above
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	Industry commitment of February 2009 to clear by July 2009 European referenced credit default swaps. New European convention for coupon standardisation. New Protocol (Small Bang) to address the problem of restructuring. Commitment fulfilled.	Legislative measures (see no.18)

18	(Pitts)	Central clearing, trading and reporting of standardized OTC derivatives.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs) 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	Commission Communication of 3 July on ensuring efficient, safe and sound derivatives (http://ec.europa.eu/internal_market/consultations/docs/2009/derivatives/derivatives_consultation.pdf. Describing the necessary tools to address the risks characterizing these markets. Commission Communication of 20 October on future policy actions in the area of derivatives (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0563:FIN:EN:PDF). These actions include: 1) an harmonized legal framework for CCPs; 2) mandatory requirement to clear standardised contracts; 3) mandatory supply of initial and variation marigins;4) substantial differentiation of bilaterally cleared and CCP cleared transactions; 5) possible revision of the operational risks requirements in the CRD to foster standardisation; 6) legislation on trade repositories (TRs); 7) mandatory registration of transactions in trade repositories; 8) increased transparency requirements, and 9) extension of scope for the market abuse directive. Commission adoption of a proposal for the Regulation of OTC derivatives, central counterparties and trade repositories (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0484:FIN:EN:PDF). This proposal would require: 1) stringent standards for CCPs and TRs 2) mandatory clearing central clearing and reporting of standardised OTC derivatives 3) risk mitigation standards for OTC derivatives not cleared centrally (Sept 2011).	The proposal for a Regulation of OTC derivatives, central counterparties and trade repositories is currently being negotiated with the Council (Member States of the European Union) and the European Parliament). It is expected that the proposal for a Regulation will be adopted by the Parliament and the Council and come into force in the summer of 2011. This Regulation will be supplemented by more detailed rules. European Securities Market Authority (ESMA) will provide drafts of these more detailed rules called technical regulatory standards by June 2012. All rules should therefore be in place by the end of 2012. Discussion with Member State on technical details of the legislative proposal on post-trading market infrastructures (ongoing).Review of counterparty credit risk (capitalisation of exposures arising from derivatives): Implementation of the Basel agreement and G20 endorsement. The Commission is currently in the process of finalising a legislative proposal due in summer 2011.MiFID review to cover trading on organised trading venues, enhanced trade and price transparency, verify exemptions for commodity firms, introduce the possibility to set position limits (Spring 2011). Extension of Market Abuse Directive to OTC derivatives (beg. Feb 2011). Extension of Market abuse directive to OTC derivatives (February 2011).

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	1. no 2. yes, in place since 2006	Key challenge is alignment of implementation amongst the G20, global implementation is crucial.
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	1. no 2. Consultation finished end of January 2010. Conference on resolution tools and crisis management took place on 7 March	Key challenge is alignment of implementation amongst the G20, global implementation is crucial.
VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas. We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing	September 2009 European Council endorsed common EU language to prepare the G20 summit. Leaders ask that the approach to non-cooperative jurisdictions agreed at the London Summit must be fully implemented. The G-20 should agree on a programme of peer review (as has already been agreed in the field of tax transparency), capacity building and counter-measures for jurisdictions that have not effectively implemented standards.	The FATF adopted in February 2010 a list of non-cooperative jurisdictions or jurisdictions that present significantly weak Anti-Money Laundering/Counter-terrorist Financing systems.

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	1. no 2. EC supports and actively participates in the Standing Committee of Standard Implementation to promote and further develop this policy strand. EC ensures that the EU regulatory financial framework is coherent with international regulatory standards and follows this up by monitoring its implementation.	Key challenge is alignment of implementation amongst the G20, global implementation is crucial.
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	1. no 2. Yes. All EU Member States have been subject to an FSAP assessment. .	Key challenge is alignment of implementation amongst the G20, global implementation is crucial.
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	N/A	

VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
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	1. no 2. Following the conclusion of the legislative process in autumn 2010, the European Systemic Risk Board became operational as of 1 January 2011. In April 2009, the Commission adopted a proposal for a comprehensive legislative instrument establishing regulatory and supervisory standards for hedge funds, private equity and other systemically important market players. The identification and mitigation of macro-prudential risks arising from this sector is at the core of this proposal. The proposal is in line with the declaration of the G20, the IOSCO principles of Hedge Fund Oversight and the recommendations of the recent Joint Forum report on the Differentiated Nature and Scope of Financial Regulation. . (Agreed by European Parliament and Council in November 2010).	The proposal is currently under consideration in the Council of Ministers and European Parliament (ongoing). Once political agreement is reached at European level, the Directive will require transposition into the national legal systems of the Member States before entering into force. Key challenge is alignment of implementation amongst the G20, global implementation is crucial. The Commission I intends to adopt implementing measures for AIFMD are mid 2012.
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	The Commission is looking into the consistency of supervisory powers and possible equivalence. The AIFM Directive will provide such a system for AIFM in the EU.	

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	N/A	
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	1. no 2. not yet – under consideration See point 6 AIFM Directive will empower authorities to limit leverage in situations threatening the stability of financial markets.	
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	European Systemic Risk Board has been tasked with this	
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	European Systemic Risk Board can possibly look into this	

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	1. no 2. legal backing available Pillar 2 of Basel II.	Exercising and applying the powers of supervisors and regulators remains challenging in a day-to-day practice.
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	1. no 2. possible under Capital Requirements Directive and Financial Conglomerates Directive (2002) and Insurance Groups Directive (1998)	See point 31
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	In April 2009, the Commission adopted a legislative proposal to ensure appropriate oversight and regulation of hedge funds, private equity and other important market players. The proposal requires all managers above a certain threshold to be authorised, to disclose appropriate information to regulators and to comply with a set of ongoing organisational and operational requirements, including on risk management. The proposals are in line with the declaration of the G20, the IOSCO principles of Hedge Fund Oversight and the recommendations of the recent Joint Forum report on the Differentiated Nature and Scope of Financial Regulation. Agreed by the European Parliament and Council in November 2010.	The Directive will require transposition into the national legal systems of the Member States. The Commission I intends to adopt implementing measures for AIFMD are mid 2012.

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	See above	
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	CRD reform - this will cover the prime brokers.	
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	N/A	
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	1. No 2. EU Regulation on credit rating agencies introducing oversight and supervision of CRAs formally adopted by the Council in July 2009, and by the European Parliament in September 2009.	Assessment of equivalence of the regulatory and supervisory framework of certain third countries (Japan, US, Canada, Australia). Commission Decision on equivalence of Japan adopted in September 2010.

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	A legislative proposal modifying the CRA regulation in order to entrust the European Securities and Markets Authority (ESMA) with supervisory powers over CRAs has been adopted by the Commission on 2 June 2010. The negotiation in the EP and Council has finalized. Formal adoption scheduled for April 2011. ESMA would be entrusted with these powers in July 2011.	In addition, the Commission issued on 2 June 2010 a Communication ("Regulating Financial Services for Sustainable Growth") (COM(2010) 301 final) announcing that it will examine the issues of overreliance, sovereign debt ratings and the lack of competition in the rating industry including the need for a European credit rating agency in order to assess whether further regulatory measures are needed. Further measures could be proposed by Q22011. Between 5 November 2010 and 7 January 2011, the European Commission conducted a public consultation with respect to the overreliance on external credit ratings, sovereign debt ratings, competition in the rating industry, civil liability of credit rating agencies and conflicts of interest due to the "issue-pays" model. Further measures could be proposed byQ32011.
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	N/A	

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	N/A	The Commission issued on 2 June 2010 a Communication ("Regulating Financial Services for Sustainable Growth") (COM(2010) 301 final) announcing that it will examine the issues of overreliance. Between 5 November 2010 and 7 January 2011, the European Commission conducted a public consultation with respect to the overreliance on external credit ratings. Further measures could be proposed by Q32011
Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	1. no 2. almost achieved by Committee of European Banking Supervisors/EBA, 36 biggest groups all European Economic Area cross border banking groups had a college of supervisors in place by the end of 2010	
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	1. no 2. legally possible	Introducing insights and alerts into day-to-day supervisory programs.

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	Colleges, provision introducing this in Capital Requirements Directive II, colleges being set up	See below
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	1. no 2. legally possible as governance is a requirement and information exchange is required by Capital Requirements Directive and Financial Conglomerates Directive	EU Commission legislative proposal for a crisis management directive(scheduled for Spring 2011) will seek to put in place a legal framework for crisis management in the EU, including a range of resolution powers which must be available to authorities in all EU member States. The proposal will include requirements for (i) drawing up of recovery and resolution plans by institutions and resolution authorities; and (ii) crisis management groups ('resolution colleges') to be established for cross-border banking groups. The proposal will confer functions on resolution colleges, provide for rules for their operation and impose enhanced information sharing requirements.

45	(Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.	Ongoing		See above. These recommendations, in so far as they concern resolution regimes, will be put into effect in the proposal for an EU crisis management framework. The EU Commission will consider, in conjunction with a group of legal experts on insolvency, the extent to which measures on bank insolvency are required at EU to permit an orderly wind down of cross-border institutions. Any legislative proposals in this regard will be made from 2012.
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	1. no 2. public consultation has now finished. Conference planned on 7 March	Key challenge is alignment of implementation amongst the G20, global implementation is crucial.

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	1. no 2. Capital Requirements Directive + CEBS/EBA guidelines[10]	
48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	1. no 2. Capital Requirements Directive; 2 EU-wide stress tests conducted in 2009 and 2010[11]	A new EU-wide stress test ongoing in the first half of 2011[12]
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	N/A	
50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • 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	1. no 2. Capital Requirements Directive (CRD 2 and CRD 3), Adopted in 2008 and 2009; CRD 2 entered into force in Jan 2010	CRD 3 will enter into force end 2011 Key challenge is alignment of implementation amongst the G20, global implementation is crucial.

[10] http://www.eba.europa.eu/Publications/Compendium-of-guidelines.aspx
[11] http://www.eba.europa.eu/EuWideStressTesting.aspx
[12] http://www.eba.europa.eu/News--Communications/Year/2011/The-European-Banking-Authority-up-and-running-and-.aspx

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	1. no 2. Capital Requirements Directive (CRD 2 and CRD 3), Adopted in 2009 [13]and 2010; CRD 2 entered into force in Jan 2010 3. AIFM Directive requires the Commission to adopt delegated act specifying requirements (i) that need to be met by the originator, in order for an AIFM to be allowed to invest in such instruments issued after 1 January 2011, including requirements that ensure that the originator, the sponsor or the original lender, retains a net economic interest of not less than 5 per cent. (ii) qualitative requirements that must be met by AIFM which invest in such instruments	CRD 3 will enter into force end 2011 Key challenge is alignment of implementation amongst the G20, global implementation is crucial. The Commission I intends to adopt implementing measures for AIFMD are mid 2012.
52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing	1. no 2. Capital Requirements Directive (CRD 2 and CRD 3) 3. see also bullet 3. of point 51	CRD 3 will enter into force end 2011 The Commission I intends to adopt implementing measures for AIFMD are mid 2012.
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	EU-wide stress test in 2010 provided for additional disclosures, esp regarding exposures to sovereign risk	
54	(FSF 2008)	Strengthening of supervisory requirements or best practices fir 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	AIFM directive: see point 52	

[13] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:302:0097:0119:EN:PDF

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	Current forecasts indicate that these conditions should prevail from 2011 at the latest. Ambitious fiscal consolidation lasting several years when necessary Exit, both its formulation and implementation, should be co-ordinated to avoid negative spill-over effects. The timing of exit should consider macroeconomic and financial sector stability, the functioning of credit channels, a systemic risk assessment, and the pace of natural phasing out by banks. Exit should start with government guarantees, as the other forms of support (recapitalisation, impaired asset reliefs) have an inherent longer-term character.	

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)