

**FSB- G20 - MONITORING PROGRESS – Argentina September 2011**

<p align="center">#</p> <p align="center"># in brackets are # from the 2010 template</p>	<p align="center"><b>G20/FSB RECOMMENDATIONS</b></p>		<p align="center"><b>DEADLINE</b></p>	<p align="center"><b>PROGRESS TO DATE</b></p> <p align="center"><i>Explanatory notes:</i></p> <p><i>In addition to information on progress to date, specifying steps taken, please address the following questions:</i></p> <p><i>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?</i></p> <p><i>2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?</i></p> <p><i>Also, please provide links to the relevant documents that are published.</i></p>	<p align="center"><b>PLANNED NEXT STEPS</b></p> <p align="center"><i>Explanatory notes:</i></p> <p><i>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</i></p> <p><i>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</i></p> <p><i>What are the key challenges that your jurisdiction faces in implementing the recommendations?</i></p>	
<p><b>I. Improving bank capital and liquidity standards</b></p>						
<p>1</p>	<p>(Pitts)</p>	<p>Basel II Adoption</p>	<p>All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.</p>	<p>By 2011</p>	<p>In 2007 the Banco Central de la República Argentina (BCRA) issued a roadmap for Basel II implementation where the simplified approaches for capital requirements were proposed. Although steps were taken for gradual implementation, the subsequent international crisis lengthened the terms that had originally been planned. Recently the BCRA established a new schedule according to which the Pillar 1 and 3 regulations are to be published during next year. It should however be noted that BCRA rules already include a capital requirement for market risk that is in line with the requirements of Basel II. Furthermore, existing capital requirements in Argentina include an explicit requirement for interest rate risk in the banking book, which is separate and apart from market risk and credit risk capital requirements. As from 2009, all financial institutions must report on a quarterly basis the operational risk events recorded during the period on an “Operational Risk Event” database administered by the BCRA. In addition, a draft has already been released to banks with alternatives for the computation of the Operational Risk Capital Requirements based on</p>	<p>Within the limits of our legislation and on the basis of 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, including the Basel II Capital Framework.</p>

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					<p>the simplest approaches (i.e. Basic Indicator Approach, Standardised and Alternative Standardised). The first surveys in relation to the credit risk requirements and the impact studies on the switch from Basel I to Basel II will be carried out in the last quarter of 2011.</p> <p><a href="http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III.pdf">http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III.pdf</a></p> <p><a href="http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III%20-%20%20ingles.pdf">http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III%20-%20%20ingles.pdf</a> (English version)</p> <p><a href="http://www.bcra.gov.ar/pdfs/texord/t-capmin.pdf">http://www.bcra.gov.ar/pdfs/texord/t-capmin.pdf</a></p>	
2	(FSB 2009)  (Tor)	Basel II trading book revision	<p>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-2010.</p> <p>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.</p>	By end-2011		Not applicable in principle, since internal methods are not allowed. It has to be mentioned that the "trading book" is a small portion of banks' assets.
3 (5, 6, 8)	(Seoul)	<p>Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios</p> <p>(Note) Please explain developments in i) capital standards, ii) liquidity</p>	<p>We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.</p>	January 1, 2013 and fully phased in by January 1, 2019.	<p>The BCRA established a schedule that plans for the adoption of the new standards within the terms foreseen by Basel III.</p> <p>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. During the last financial crisis these requirements were part of the macroprudential framework of the BCRA and helped to avoid a systemic liquidity crunch.</p>	

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		standards and iii) leverage ratios respectively.			In addition, a capital conservation buffer has already been introduced, 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 2.5% of risk-weighted assets. <a href="http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III.pdf">http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III.pdf</a> <a href="http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III%20-%20%20ingles.pdf">http://www.bcra.gov.ar/pdfs/marco/Hoja%20de%20Ruta%20Basilea%20III%20-%20%20ingles.pdf</a> (English version)	
4 (4, 7, 9, 48)	(WAP)  (FSF 2009)  (FSF 2008)	Strengthening supervision and guidelines on 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.  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.  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	Ongoing	In May 2011 the BCRA issued Communications "A" 5201 and "A" 5203 establishing guidelines on corporate governance and on risk management and stress testing. Effective as from January 2012, financial institutions will be required to have a code of corporate governance that encompasses the management of all significant risks in a way that is commensurate with the dimension, complexity and significance of the institution. On the basis of these regulations, the Superintendencia de Entidades Financieras y Cambiarias (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) has drafted the preliminary documents to update the supervisory procedures. Ordered texts on corporate governance and risk management available on: <a href="http://www.bcra.gov.ar/pdfs/textord/t-lingob.pdf">http://www.bcra.gov.ar/pdfs/textord/t-lingob.pdf</a> ; <a href="http://www.bcra.gov.ar/pdfs/textord/t-lingeef.pdf">http://www.bcra.gov.ar/pdfs/textord/t-lingeef.pdf</a> ; <a href="http://www.bcra.gov.ar/pdfs/textord/t-rieope.pdf">http://www.bcra.gov.ar/pdfs/textord/t-rieope.pdf</a> 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. All major risks are stress tested: credit, liquidity, interest rate (in the banking book), market risk (namely price and exchange rate risk) and business risk (net non-interest income and operating expenses). For all financial intermediaries (on a standalone basis) they are performed on an annual	In the last week of September 2011, as part of the training process for supervisors, the BCRA, together with ASBA, will hold a seminar entitled "Supervisor Practices and Basel Pillar II", to be delivered by officers from the Bank of Spain. The content of the seminar will make it possible to revise the draft regulations that have already been prepared on the process for capital self-assessment to be performed by financial institutions, and the supervisor's review process.  The CNV has published for public consultation purposes a project for the reform of the Code of Corporate Governance. The aim is to update the principles on the basis of experience and the changes that have taken place in recent years, in both Argentina and abroad. <a href="http://www.cnv.gob.ar/ProyectoEnConsulta/ProyectoGobiernoSocietario/">http://www.cnv.gob.ar/ProyectoEnConsulta/ProyectoGobiernoSocietario/</a>

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	(FSB 2009)		<p>practices.</p> <p>Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.</p>	<p>basis involving all material exposures and with a 24-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 a bank's ability to withstand extremely illiquid scenarios and their eventual need of financial assistance from the BCRA as lender of last resort.</p> <p>Liquidity is one of the most important items that supervisors assess in their work. Reasonableness of financial institutions' contingency plans is evaluated during on-site revisions. Besides, as part of the supervisory process, the SEFyC receives information on banks' financial condition and performance and monitors their business plans. This information is periodically submitted to the senior staff of the SEFyC and taken into account when formulating the BCRA's policies.</p> <p>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:</p> <p><a href="http://www.bcra.gov.ar/pdfs/texord/t-polcre.pdf">http://www.bcra.gov.ar/pdfs/texord/t-polcre.pdf</a> ;</p> <p><a href="http://www.bcra.gov.ar/pdfs/texord/t-pognme.pdf">http://www.bcra.gov.ar/pdfs/texord/t-pognme.pdf</a></p> <p>The Comisión Nacional de Valores (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.</p> <p>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,</p>	
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					<p>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><a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC516-07.htm">http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC516-07.htm</a> ;</p> <p><a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC529-08.htm">http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC529-08.htm</a> ;</p> <p><a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC542-08.htm">http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC542-08.htm</a></p>	
<b>II. Addressing systemically important financial institutions (SIFIs)</b>						
5 (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	<p>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.</p>	Additional measures will be analyzed if standard setters issue additional guidance on this subject.
6 (43, 44)	(Pitts)	Mandatory international recovery and resolution planning for G-SIFIs	<p>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.</p> <p>We agreed that G-SIFIs should be subject to a sustained process of mandatory international</p>	End-2010 (for setting up crisis management groups)	<p>Argentina is not the home supervisor of any systemically important international banking group. See also item 8.</p>	
	(Seoul)			Ongoing		

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	(Lon)		<p>recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups.</p> <p>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.</p>			
7 (45)	(Seoul)	Implementation of BCBS recommendations on the cross-border bank resolution	<p>We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations.</p>	Ongoing	<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><a href="http://www.infoleg.gov.ar/infolegInternet/anexos/15000-19999/16071/texact.htm">http://www.infoleg.gov.ar/infolegInternet/anexos/15000-19999/16071/texact.htm</a></p> <p><a href="http://www.infoleg.gov.ar/infolegInternet/anexos/20000-24999/20965/norma.htm">http://www.infoleg.gov.ar/infolegInternet/anexos/20000-24999/20965/norma.htm</a></p> <p>The banking sector is regulated and supervised only by the BCRA. Thus, the BCRA is the only agency with authority to decide when and how to effect the resolution of a problem bank. Apart from the control exerted by the Judicial Power, when taking remedial actions, the BCRA only interacts with SEDESA (Seguro de Depósitos S.A.), the corporation that manages the deposit insurance fund, exclusively on questions regarding the transfer of banking assets and the repayment of deposits.</p>	
	(Tor)		<p>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.</p>			
	(WAP)		<p>National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly</p>			

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	(FSF 2008)		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.			
8 (41)	(Lon)  (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.  We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...	June 2009 (for establishing supervisory colleges)  Ongoing	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.	
9 (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	The SEFyC plays an active role in the exchange of information and cooperation with other bodies, including: <ul style="list-style-type: none"> <li>• The Association of Supervisors of Banks of the Americas (ASBA), for which the SEFyC, through the Superintendent, is a member of the Management Board representing the countries of the Southern Cone. In addition, it presides over the Training Sub-Committee, responsible for the Continental Training Programme. Courses are held in Argentina delivered by internal and external instructors and attended by representatives from countries in the region, and courses and training activities abroad are also attended. In addition, committees are formed to discuss regulatory matters (consolidation, corporate governance, operational risk, stress</li> </ul>	

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					test, etc). • Technical cooperation with the supervisors of countries in the region.	
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing	As part of off-site supervision, specialised SEFyC analysts follow-up economic and financial variables, identify the risks to which banks are exposed, warn on the negative impacts on the financial system, and provide updated information to the supervisors. They also coordinate stress test exercises for the financial institutions, the preparation of which involves all internal areas with competence in the matter at both the SEFyC and the BCRA. See also item 4. Section 47 of the BCRA Charter empowers the Superintendent to order banks to cease or desist from lending policies that place their solvency at risk. <a href="http://www.bcra.gov.ar/pdfs/marco/Marco%20Legal%20completo.pdf">http://www.bcra.gov.ar/pdfs/marco/Marco%20Legal%20completo.pdf</a>	
<b>III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system</b>						
11 (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		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.
12 (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	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. See also item 9. 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. The staff of the Superintendencia de Seguros de la	The SSN presented a Decree Project with changes in its organizational chart to cope with the modernization and constant development of the insurance sector.



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15 (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). Based on the publication of Communication "A" 5203 with the guidelines for comprehensive risk management, the SEFYC has prepared draft procedures for supervision. See also item 4.
16 (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—. <a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/TOC2001.pdf">http://www.cnv.gob.ar/LeyesReg/CNV/esp/TOC2001.pdf</a>
<b>Securitisation</b>					
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: <ul style="list-style-type: none"> <li>• implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure;</li> <li>• implement IOSCO's proposals to strengthen practices in securitisation markets.</li> </ul>	During 2010	The new schedule for the implementation of Basel II and III contemplates the publication at the end of 2012 of the capital requirement for exposure to securitisation. See also item 1. In addition to the explanation provided in Item 21(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. In order to secure a correct identification, the CNV issued General Resolution 552, by which it requests

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					<p>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><a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC552-09.htm">http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC552-09.htm</a></p> <p><a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC555-09.htm">http://www.cnv.gob.ar/LeyesReg/CNV/esp/RGC555-09.htm</a></p> <p>A new Financial Trust System was put into operation in July 2011. The new mechanism increases the amount and quality of information that trustees must provide to generate an updated and complete financial trust database, from the moment the trusts are set up through to their liquidation, easing prudential control, by the regulator and access to information in a transparent manner by the investing public.</p> <p><a href="http://www.cnv.gob.ar/InfoFinan/BuscoFideicomisos.asp">http://www.cnv.gob.ar/InfoFinan/BuscoFideicomisos.asp</a></p>	
18 (51, 52)	(Lon)  (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	<p>The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.</p> <p>Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.</p>	By 2010		
19 (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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20 (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.	
21 (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	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 (e.g. 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. <a href="http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC555-09.htm">http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC555-09.htm</a>	
<b>IV. Improving OTC derivatives markets</b>						
22 (17, 18)	(Seoul)  (Pitts)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field.  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	By end-2012 at the latest	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.	A commission formed by the CNV, the BCRA and market agents was set up to evaluate the CPSS-IOSCO consultative reports on "Principles for financial market infrastructures" and "OTC derivatives data reporting and aggregation requirements".

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	(Lon)		<p>the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.</p> <p>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.</p>			
<b>V. Developing macro-prudential frameworks and tools</b>						
23 (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</p>	A draft bill prepared by the CNV that proposes reforms to Law 17,811 to provide the capital market with sounder and safer regulation is under consideration by the Ministry of Economy and Public Finance.

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				<p>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 address 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</p>	
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					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.	
24 (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	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. 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. The SSN has powers to require information from the insurance market, which is received on a regular basis.	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 answer to 23 above. MoUs are being drafted by both GAFISUD financial institutions supervisors and ASSAL (Asociación de Supervisores de Seguros de América Latina) peer members.
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level... Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	See item 23.	Leverage in the Argentine banking sector is low when compared to industrialized countries (ratio capital to assets = 12%). The BCRA established a schedule that plans for the adoption of the new standards within the timeframe laid down in Basel III. See item 3.

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26 (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 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.	
27 (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	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. 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. The SSN has powers to require information from the insurance market, which is received on a regular basis.	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 answer to 23 above. A MoU is being drafted by ASSAL (Asociación de Supervisores de Seguros de América Latina) peer members.
<b>VI. Strengthening accounting standards</b>						
28 (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	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. <a href="http://www.bcra.gov.ar/pdfs/comytexord/A5180.pdf">http://www.bcra.gov.ar/pdfs/comytexord/A5180.pdf</a> 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	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. 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,

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					(except banks and insurance companies). The IFRSs will be applicable for fiscal years starting in January 2012 or later. <a href="http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC562-09.htm">http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC562-09.htm</a>	technical and operational risks, and b) a single code of sound practices on corporate governance based on corporate governance core principles.
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011		
30 (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	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. 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.	
31 (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	End-2009		



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				<p>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.</p> <p>Law 26.683 passed in June 2011 changed the criminal category of asset laundering and expressly confirmed the powers of supervision, inspection and sanctioning of the UIF (modifying clause 7 of Law 25,246): In addition, it widened the list of those required to report suspicious transactions, with the evident purpose of achieving greater control of the financial and non-financial sector within the framework of AML/CFT prevention.</p> <p>Coordination of the comprehensive AML/CFT system was assigned to the UIF, which constitutes the enforcement and regulatory authority on AML/CFT matters. Supervisors are required to collaborate with the UIF in those areas of its sphere of competence. To this end, BCRA and UIF regulations addressed to the financial sector were unified (UIF Resolution 121/2011 and BCRA Communication “A” 5182 are now in force).</p> <p>The CNV and the SSN are working with the UIF to issue regulations that are in harmony with UIF resolutions on the matter of AML/CFT. The UIF is carrying out inspections in the securities and insurance sectors jointly with the CNV and the SSN.</p> <p><a href="http://www.uif.gov.ar">www.uif.gov.ar</a>   <a href="http://www.infoleg.gov.ar">www.infoleg.gov.ar</a>  <a href="http://www.bcra.gov.ar">www.bcra.gov.ar</a></p> <p>In May 2011 a World Bank mission assessed compliance with the BCBS Core Principles for Effective Banking Supervision, the IAIS Principles</p>	
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					for Insurance Supervision and the IOSCO Objectives and Principles of Securities Regulation. The mission met with government officials at the Ministry of Economy and Public Finance, officials and staff from the BCRA, the CNV and the SSN, as well as market participants in banks, insurance companies, associations of banks, insurance intermediaries and actuaries, brokerage firms, trade associations, auditing firms, rating agencies, think tanks, institutional legal counsels, and stock and futures exchanges.	
<b>Reforming compensation practices to support financial stability</b>						
33 (15)	(Pitts)	Implementation of FSB/FSF compensation principles	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.	End-2010	Corporate law sets a cap on compensation for members of a Board of Directors at 25% of the corporate annual earnings. This amount includes wages and any other compensation for technical-administrative responsibilities of a permanent nature. If earnings were inexistent or insufficient in view of the importance of directors' work, the cap can be exceeded on condition that the excess be approved at the Annual General Meeting. Managers' compensation has to be approved by the Board of Directors and, in the end, by the General Meeting. <a href="http://www.infoleg.gov.ar/infolegInternet/anexos/25000-29999/25553/texact.htm">http://www.infoleg.gov.ar/infolegInternet/anexos/25000-29999/25553/texact.htm</a> Communication "A" 5201 (see item 4) establishes a higher benchmark for, among other issues, the compensation of senior executives. Section 6 requires that, effective as from January 2012, principles and standards on compensation be implemented in order to reduce excessive risk taking. Compliance will be assessed in a comprehensive manner and against the risk profile of each institution. If an institution were to unreasonably ignore the guidelines in Communication "A" 5201, it would be subject to a range of corrective measures. Even though sanctions are available, convergence to the FSB Principles can be expected through the exercise of moral suasion by the BCRA. On the basis of these regulations, the SEFyC has drafted the preliminary documents to update the supervisory procedures.	
	(Tor)		We encouraged all countries and financial institutions to fully implement the FSB principles and standards by			

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	(Seoul)		<p>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.</p> <p>We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.</p>		<p><a href="http://www.bcra.gov.ar/pdfs/texord/t-lingob.pdf">http://www.bcra.gov.ar/pdfs/texord/t-lingob.pdf</a> The CNV requires that companies that list their securities disclose the compensation of executive and supervisory bodies in aggregate amounts and whether there is a compensation committee, with members who are considered to be independent.</p> <p><a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/TOC2001.pdf">http://www.cnv.gob.ar/LeyesReg/CNV/esp/TOC2001.pdf</a></p>	
34 (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	See item 33.	
<b>VIII. Other issues</b>						
<b>Credit rating agencies</b>						
35 (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	

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					<p>the CNV. To achieve greater transparency, it was recently laid down that procedure manuals and the methodology used in the rating process be published.</p> <p>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.</p> <p><a href="http://www.cnv.gob.ar/LeyesReg/CNV/esp/TOC2001.pdf">http://www.cnv.gob.ar/LeyesReg/CNV/esp/TOC2001.pdf</a></p>	
36 (38)	(Lon)	CRA practices and procedures etc.	<p>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.</p> <p>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.</p> <p>The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.</p>	End-2009	<p>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.</p> <p><a href="http://www.cnv.gob.ar/leyesyreg/decretos/esp/dec656-92.htm">http://www.cnv.gob.ar/leyesyreg/decretos/esp/dec656-92.htm</a></p>	
37 (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		
38 (40)	(Seoul)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings.	Ongoing	External ratings are scarcely used by the Argentine banking system. The BCRA only requires certain minimum ratings for debtors and financial	

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	(FSF 2008)	Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings.  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.		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 keeping a Register of Credit Rating Agencies and monitoring their compliance with BCRA requirements for admission and permanence. 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.	
<b>Risk management</b>					
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	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. All major risks are stress tested: credit, liquidity, interest rate (in the banking book), market risk (namely price and exchange rate risk) and business risk (net non-interest income and operating expenses). For all financial intermediaries (on a standalone way) they are performed on an annual basis involving all material exposures and with a 24-month stress horizon. 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 and their eventual need of financial assistance from the BCRA as lender of last resort.

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40 (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		
41 (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><a href="http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC562-09.htm">http://www.cnv.gov.ar/LeyesReg/CNV/esp/RGC562-09.htm</a></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>
<b>Others</b>						
42 (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.

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43 (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	
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**Origin of recommendations:**

Seoul: The Seoul Summit Document (11-12 November 2010)

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)