FSB- G20 - MONITORING PROGRESS – Italy September 2011

# *# in brackets are # from the 2010 template*		G20/FSB RECOMMENDATIONS		DEADLINE	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. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Consistent with the EU law, the Basel II capital framework has been adopted since end-2006, when all legislative instruments and supervisory regulations necessary to implement the corresponding EU Directives (2006/48 and 2006/49, so called CRD) had been issued. Reference is made here to the Law- Decree no. 297/2006 as converted in Law n. 15/2007 and to the "New regulations for the prudential supervision of banks" (Circular No. 263 of 27 December 2006 adopted by the Bank of Italy in conformity of the resolutions of the Ministry of Economy and Finance as Chair of the Inter-ministerial Committee for Credit and Saving). The new regulations have entered into force since 1st January 2007. After a transitional period, during which banks could apply the previous rules on credit and market risk, since 1st January 2008 all Italian banks and investment firms are subject to the new Regulations implementing the Basel II Accord and the CRD. According to those regulations, banks using IRB and AMA approaches have to maintain, during years 2007, 2008, 2009 and 2010, capital requirements for credit, counterparty, market and operational risks not less than 95%, 90%, 80% and 80% of the capital requirement as calculated with the previous rules (*floors*).	Consistent with the article 1, par. 16 of the "CRD 3" Directive (2009/76/EC) - that has amended art. 152 of the CRD – the Bank of Italy provided that the transitional floor of 80% will still apply in 2011.
2	(FSB 2009)	Basel II trading book revision	Significantly higher capital requirements for	By end-2011	New rules setting higher capital requirements for banks' trading book, in accordance with the amendments published by the Basel Committee in July 2009, will be introduced by means of the	According to the CRDIII the transposition into the EU Member States' regulations should be

	(Tor)		risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. 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.		transposition of the new European Directive amending the 2006/49/EC (so-called CRD III).	completed by 31 December 2011 at the latest: The Italian transposition text is currently under finalization (the public consultation will end by the end of October).
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	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.	January 1, 2013 and fully phased in by January 1, 2019.	Work is under way for the transposition of the BCBS Basel III prudential rules at European level. On 20 July 2011, the Commission adopted a legislative package to strengthen the regulation of the banking sector. In particular, rules on capital, liquidity and leverage will be included in an EU Regulation which will enter into force in the national legislations of the member States without any transposition procedure.	The Bank of Italy is monitoring capital and liquidity levels as well as leverage ratios of the supervised banks in order to verify their convergence to the new standards.

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	Ongoing	***<u>Risk management</u>*** - So far Italian regulation on risk management (RM) and internal control system (ICS) has been time by time aligned with international principles and best practices. At the same time, the soundness of RM policy and practices is a core element of institutions' assessment: specifically, on-site visits and validation processes traditionally put great emphasis on this issue; off-site analysis has a long tradition in critically evaluating banks' internal reports and information acquired during periodical meeting with CROs and risk managers. ***<u>Stress testing</u>*** - Stress tests are by now a standard supervisory tool. From the macro-prudential side, the Bank of Italy has been performing top-down stress tests on the Italian banking system since 2005. Starting from 2008 they have been conducted within the framework of EU-wide exercise coordinated by CEBS-EBA; ad hoc working groups have been set up within the Supervision Department to monitor the stress test process and its results. From the micro-prudential perspective, stress tests are an important element of examination both in the pillar 1 risk models validation process and in the ICAAP review. On the latter point, it is worth noting that, under the Italian approach, estimates of higher capital needs under stressed conditions are always considered for assessing capital adequacy for pillar 1 and 2 relevant risks; besides, a special focus is given to the organizational framework of bank-specific stress testing programme (appropriate engagement of the top management, use of the stress tests results in taking appropriate strategic decisions). ***<u>Liquidity</u>*** - The Bank of Italy has reinforced regulation and supervision on banks' liquidity risk. More in detail: 1) the regulatory framework for liquidity risk and its management has been revised in order to align it to CRD2, CEBS and BCBS guidelines/principles; 2) the report concerning the funding liquidity position – which since September 2007 major banking groups have been requested to provide weekly to the Bank of Italy – has recently been updated; in periods of market tensions, the monitoring exercise is conducted on a daily basis; 3) banks whose risk indicators show serious warning levels are notified and required to take corrective actions by rebalancing liquidity gaps; 4) within the SREP liquidity risk is evaluated through a quantitative assessment model and information coming from the ICAAP review; 5) results of the above analysis can give rise to targeted on-site inspections; 6) banks are asked to periodically submit the results of internal stress tests; 7) the Bank of Italy itself periodically runs system-wide stress tests	***<u>Risk management</u>*** – Within the next year, the Italian regulation concerning internal governance, RM and ICS is going to be updated to take in principles and practices which have emerged during the financial turmoil and are in the process to be completely defined by European standard setters (EU Commission and EBA). The Bank of Italy is also planning to start a peer-review, concerning the main banking groups, in order to verify strides in reinforcing RM systems in the context of group restructuring following the financial crisis. ***<u>Stress testing</u>*** - Going forward, given the outcome of in-depth analyses conducted on stress testing so far, the Bank of Italy will consider the opportunity to give medium-large banks stricter and binding indications in order to reinforce both the stress testing technology and the governance of the project (taking also into account the CEBS guidelines). ***<u>Liquidity</u>*** – On the basis of the reporting process agreed at the BCBS level to monitor the new prudential ratios (LCR and NSFR) during the transition period to Basel 3, the Bank of Italy will cooperate with Italian banks to ensure an effective transition to the new standard. At the same time, the Bank of Italy will evaluate the consequent developments in supervisory tools and regulation currently in force.

	(FSB 2009)		supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.		(scenarios, designed in-house, combined both idiosyncratic and market-wide stress factors; individual results are discussed in bilateral feedback meeting).	
II. Addressing systemically important financial institutions (SIFIs)						
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	The Bank of Italy's current prudential regulations already take the systemic importance of supervised financial institutions into account, according to a proportionality criterion. In the context of Basel II Pillar 2, in particular, institutions deemed as systemically important are subject to more stringent prudential requirements than other intermediaries, especially for risk control/measurement procedures and corporate governance. At the same time, the internal guidance for supervisory activity sets higher standards for the SREP concerning these institutions as far as frequency, scope and deepness of on and off-site controls. Furthermore, the Bank of Italy is developing a framework for the effective resolution of financial groups consistently with the work of the FSB Cross Border Crisis Management Working Group, including recovery and resolution plans for systemically important institutions.	The Bank of Italy actively participates in the FSB SIFI project and other working groups of the BCBS which are evaluating and discussing policy options to deal with SIFIs

6 (43, 44)	(Pitts) (Seoul)	Mandatory international recovery and resolution planning for G-SIFIs	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. We agreed that G-SIFIs should be subject to a sustained process of mandatory international 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.	End-2010 (for setting up crisis management groups) Ongoing	The Bank of Italy have engaged in accomplishing the objectives and the timeline set up by the FSB consultative document on SIFIs' resolution and is actively taking part in the process as both home and host supervisor. As home supervisor the Bank of Italy has set up in 2009 a Crisis Management Group (CMG) on a large banking group in accordance with the G20/FSB principles with relevant supervisory authorities and central banks. The largest Italian banks have engaged in preparing the RRPs. The established CMG has already examined the definition of the work plan for the drafting of the RRP and has planned another meeting by the end 2011 or the beginning of next year. Another CMG for another large banking group is under preparation. The Bank of Italy also participated as host authority in two meetings of CMGs established for non-Italian banking groups. **Insurance – ISVAP** The insurance sector is less exposed to systemic risk as payments are not normally subject to demand, but anchored to the occurrence of claims and insurance companies are not relevantly interdependent with each other, as in the case of banks, which are significantly active in the market of inter-bank deposits. However, the insurance industry may also be subject to the systemic risk of contagion from other sectors due to holdings in the capital or exposures arising from investments. Moreover, the presence in a conglomerate of entities not subject to regulatory supervision, or the provision by certain insurance companies of purely financial activities, such as derivatives or credit insurance, can generate or amplify the systemic risk and be instrumental to the contagion between financial sectors. For this reasons ISVAP takes part to the IAIS Committee which is developing a methodology that includes a data collection exercise for identifying (re) insurance undertakings of systemic importance and relevance not only at national but also at global level. ISVAP has been taking part to the ESRB and EIOPA works dealing with SIFI and GSIFI as well.	The setting up of such CMGs will follow the ongoing work at the international level On the basis of the results of the works in the international fora, ISVAP will develop its own initiatives.

	(Lon)		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.			
7 (45)	(Seoul) (Tor)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. 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.	Ongoing	The Bank of Italy is actively taking part in the EU process promoting the review of resolution regimes aimed at ensuring an orderly winding down of large cross-border financial institutions, by contributing to the EBA work in the field of early intervention tools and to the EU Commission work for enhancing banking crisis management framework. The Bank of Italy is also taking part in the FSB SIFI project aiming at defining proposals to make SIFIs resolution a viable option. The division of responsibilities among different national authorities is clear and has not represented an issue in the crisis. In 2008 the Committee for the safeguarding of financial stability (the Domestic Standing Group in Italy), was established, with the objective of ensuring cooperation as well as sharing of information and assessments among supervisory authorities and the Ministry of Economy and Finance. It has proved a useful tool to ensure coordinated action between national authorities. The Committee's latest meeting was held in August 2011.	The Bank of Italy supports and participates in the work of international groups addressing issues relating to crisis management and resolution at G20, FSB and EU levels.

	(WAP) (FSF 2008)		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.			
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	**Bank of Italy and Consob** The Bank of Italy is the home/consolidating supervisor for a number of large Italian cross-border banking groups, of which the largest are Unicredit (UCG) and Intesa Sanpaolo (ISP). The colleges of supervisors of UCG and ISP were established in 2006 and 2007 respectively. Both colleges have been holding regular plenary (as well as multilateral and bilateral) meetings since their establishment. Written multilateral co-operation and co-ordination agreements (MMoUs) for the supervision of UCG and ISP have been established, in accordance with the EU legislation. The MoUs were signed by the relevant EEA and some non-EEA supervisory authorities. Consob is part of the supervisory colleges set out under ESMA coordination for the supervision of CRAs. In particular CONSOB leads the Fitch college. Moreover Consob's signed ad hoc MOUs with the FSA with respect to the supervision of the LSE/Borsa Italiana Group which provide for consultation and exchange of information.	The activities of the colleges of supervisors of UCG and ISP, as well as those of other Italian cross-border groups, are focussing on the process for the joint decision on the adequacy of own funds held by each group with respect to its financial situation and risk profile and the required levels of own funds under Pillar 2 at the consolidated level and at the level of each entity, according to the relevant EU legislation. The process for the joint decision will be completed by end 2011, in line with the requirements set out in the EBA 2011 action plan for colleges.

					In the insurance sector, colleges of supervisors are already established for all Italian cross-border groups since 2001, under the aegis of Helsinki Protocol on the group supervision signed by EU insurance supervisory Authorities. ISVAP, in cooperation with Banca d'Italia and CONSOB, regularly maps the Italian financial conglomerates that include (re)insurance undertakings. The cooperation between the Authorities that are member of the colleges is systematic.	
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	**Bank of Italy and Consob** Within the colleges of supervisors established by the Bank of Italy, all information necessary for the performance of the college activities, (e.g. model validation, risk assessment and joint decision on risk-based capital adequacy) is exchanged on a regular basis according to EU legislation and EBA Guidelines. Bilateral agreements with non-EEA supervisory authorities were established or are being negotiated in order to foster the exchange of information and the coordination among the authorities in the field of supervision of cross-border banking groups. Website platforms were implemented for UCG and ISP colleges in order to ensure an efficient and comprehensive information exchange within each college according to EBA Guidelines. Coordination in the development of best practices is also ensured on a regular basis. Inspectors of the Bank of Italy join the Colleges of Supervisors in order to share information/best practices and to achieve the coordination of the on-site activity annually conducted by the individual supervisors or by joint teams. EIOPA published on its website a survey on the functioning of colleges of supervisors in the years 2008- 2009. Generally speaking for the EU insurance sector, results of the survey have shown a strong improvement in the frequency of meetings, in the application of EIOPA guidelines for their functioning and in the intra-group transactions monitoring; a slight improvement in the areas for the setting-up work plan and emergency work plan. The college of supervisors of the major Italian insurance group (Generali) complies with all requirements envisaged by EIOPA and has already set up an emergency work plan. Consob takes part in	

					the relevant work at European and International level. ISVAP has recently applied for the IAIS MMOU in order to enhance the cooperation with extra EU supervisors.	
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	The Bank of Italy actively follows and participates in the work streams set up by the international and EU bodies for the implementation of the FSB recommendations. Italian (re)insurance undertakings under ISVAP supervision have recently taken part to the EIOPA stress test exercise.	
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
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	**Bank of Italy and Consob** According to applicable law (law decree 262/05 art. 23), Italian Authorities shall revise their regulations at least every three years so as to keep pace with market developments and to properly protect investors' and savers' interests. Italian supervisory authorities play an active role in the Joint Forum work. [As far as practicable under the existing legal framework, Consob is committed to align the perimeter of its regulatory action in line with the relevant EU and IOSCO initiatives.]	The Government has approved a legislative decree with the aim to update the regulation of the non-bank financial sector. The Ministry of Economy and the Bank of Italy are now working on the implementing legislation. A Consultation paper of the secondary legislation is expected to be published by autumn this year. The reform will enter into force by the end of this year.
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	Ongoing	**Bank of Italy and Consob** The Bank of Italy stuck to its efforts to improve its staff expertise in risk oversight. Overall, about 1,700 personnel units – equal to 3,800 working days – attended training initiatives focused on: procedures for the assessment of intermediaries' risk profile; methods for the analysis of the ICAAP produced by the intermediaries; recent changes in the reporting system. As stated	EIOPA is conducting also a survey on innovative insurance products in the EU Member States.

			financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.		in the last report, one of the goals of the Bank of Italy's off-site supervision activity is to point out/identify potential shortfalls in the supervised intermediaries' capability to understand and manage risks. Where necessary, banks are formally warned and urged to take prompt corrective actions. Supervisory meetings with the bank management (e.g. CEO, Audit, Risk Management etc) or, if deemed appropriate, inspections may be arranged. An extensive training programme focused on Solvency II issues is underway. It includes a basic course on fundamental issues as well as an advanced course for actuaries and other skilled staff. **Insurance - ISVAP** EIOPA Regulation n. 1094/2010 entrusts the new European Authority with certain responsibilities for existing and new financial activities. Therefore ISVAP actively takes part to these activities. On the basis of powers conferred to EIOPA under art. 9 of the above mentioned Regulation, as a first action, EIOPA has set up a task force for developing best practices on variable annuities.	
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on 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	End-2009	Italian hedge funds managers are already supervised by the Bank of Italy and Consob. The regulation of hedge funds is less strict than that applied to UCITS. Hedge funds are subject to reporting requirements concerning, for instance, the exposures and the leverage ratio. As part of its general supervision responsibility on asset management companies (including those managing hedge funds), the Bank of Italy carries out controls on the adequacy of internal controls systems, having special regard to risk management tools and procedures, through both on site inspection and regular (at least annual) offsite analysis that entails, inter alia, a review of the organization adopted by intermediaries. [Consob co-chairs the IOSCO Task Force on unregulated entities On 9 September 2009 Consob issued a communication (no. DIN/9079688) providing guidance on the correct behaviour and due diligence obligations for asset managers managing speculative/hedge funds. Consob chairs the ESMA Investment Management Standing Committee which has published for consultation the text of the possible Level 2 measures for the	The regulation of Italian hedge funds will be updated in the context of the implementation of the AIFMD directive (Alternative investment management directive) due to be transposed in the Member States by June 2013.

			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.		implementation of the AIFMD directive. The consultation is now closed and the Committee is preparing the final advice to the European Commission to be delivered by Mid November]	
14 (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	Within the European Union there are mechanisms for cooperation and information sharing regarding UCITS. Cooperation arrangements are also envisaged by the AIFMD for non UCITS funds. [At European level, Consob leads the Investment Management Standing Committee of ESMA) which has delivered an opinion to the European Commission on cooperation arrangements to be implemented in case of remote management of collective investment schemes/mutual funds (i.e. where a fund is established in another jurisdiction). The Committee has also published for consultation a document on cooperation with third countries with respect to the AIFMD (non-UCITS funds) Consob co-chairs the IOSCO Task Force on unregulated entities. Consob is also a member of the IOSCO supervisory cooperation Task Force.]	**Bank of Italy and Consob** As for the “alternative” funds, cooperation mechanisms will be introduced when the EU Directive on AIFM - Alternative Investment Fund Manager will be transposed. An improved framework for UCITS entered into force from July 2011 with the implementation of the UCITS IV package
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their	Ongoing	In its implementation of the standardized approach for credit risk the Bank of Italy envisaged that exposures to investment funds not subject to limitations on the use of leverage (hedge funds) should be assigned a risk weight of 150%. The Bank of Italy may apply a higher risk weight in the event of adverse market conditions. The	The major banking groups detail their practices for managing and mitigating counterparty risk, as well as their participation to the initiatives aimed to reduce the

			counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.		Bank of Italy may also require a 150% risk weight for exposures to investment funds associated with particularly high risks.	opacity of the OTC derivatives markets (compression cycles, data repository for CDS etc.). In connection with this initiative, managing practices adopted in dealing with hedge funds are analysed.
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	In its implementation of the standardized approach for credit risk the Bank of Italy envisaged that exposures to investment funds not subject to limitations on the use of leverage (hedge funds) should be assigned a risk weight of 150%. The Bank of Italy may apply a higher risk weight in the event of adverse market conditions. The Bank of Italy may also require a 150% risk weight for exposures to investment funds associated with particularly high risks. A specific regulation concerning investments of Italian insurance undertakings in hedge funds as assets covering commitments to policyholders is in place. These investments are allowed under defined quantitative limits, differentiated according to kinds of policies (either traditional products or index/unit-linked products). Qualitative requirements apply as well, especially concerning the assessment/management of associated risk, use of stress tests, and added information to be included into the compulsory communications to ISVAP.	The four major banking groups will be invited to detail their practices for managing and mitigating counterparty risk, as well as their participation to the initiatives aimed to reduce the opacity of the OTC derivatives markets (compression cycles, data repository for CDS etc.). In connection with this initiative, managing practices adopted in dealing with hedge funds will be analysed. No new legislation required.
Securitisation						
17 (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'	During 2010	Within the appropriate international fora (BCBS and EBA), the Bank of Italy has participated in the definition of supervisory rules and practices aimed at: i) increasing banks' awareness of the actual risk inherent in securitisation instruments; ii) bringing the originator's interests in line with those of investors in securitisation instruments. In July 2009 the Basel Committee published some amendments to the Basel II Accord. Part of these amendments (e.g. the mandatory retention requirement, enhanced due diligence, improved disclosure) have been incorporated in amendments to EU legislation with Directive 2009/111/EC - "CRD2" and the relative Guidelines published by CEBS (EBA); other amendments (e.g. trading book, complex re-securitisations; supervisory review of remuneration policies) have been incorporated with Directive	The "CRD2" changes have already been implemented by the Bank of Italy through amendments to national prudential regulations. The "CRD3" changes referred to securitisation will be implemented by the mandatory deadline of 31 Dec. 2011. The transposition process of the rules concerning the securitisation aims to complete all the procedural steps (design of new provisions, public consultation, processing of comments, approval of final regulations) within the

			management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.		2009/76/EC - "CRD3". In the meantime, the Bank of Italy placed additional emphasis on verification of securitisation risks in on-site inspections.	mandatory deadlines. Italian provisions are in line with the relevant international principles, guidelines or recommendations.
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	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. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	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 the Italian insurance market there are no monoline insurers because according to ISVAP regulations dated 1991, Italian undertakings cannot underwrite pure financial risks i.e. risks related to the settlement of financial operations, loans, securitization, stock exchange placing, asset backed securities, etc. In March 2009 ISVAP issued Regulation n.29 recasting and simplifying the above mentioned Regulations concerning the classification of risk that can (or cannot) be underwritten by insurance undertakings.	

20 (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		
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		
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts)	Reforming OTC derivative markets, including the standardisation of CDS markets (eg 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	By end-2012 at the latest	**Bank of Italy and Consob** The European Commission published on 15/09/2010 a proposal for a Regulation on OTC derivatives, central counterparties and trade repositories (so called EMIR). After public consultation, the text has been amended based on the comments received and on the negotiations among the member states. Currently the amended text is being analyzed (separately) by the European Parliament and the Council. The Bank of Italy contributed to the definition of the aforementioned proposal by participating (together with Consob and the Italian Ministry of Economy) in the Member States Working Group that supported the EU Commission's work in this field. Italy shares the BCBS proposal that collateral and mark-to-market exposures to CCPs should have a low (but non-zero) weighting only if they comply with the enhanced standards for CCPs issued by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO). Default fund contributed to the CCPs by bank clearing members will be capitalised according to a risk-sensitive framework currently discussed within the BCBS. Counterparty credit exposures to CCPs that do not meet these	After the approval by the European Council, the 'trilogue' process will start, with a view to finalise the Regulation by the end of 2011. As it regards the BCBS proposal for capitalisation of bank exposures to CCPs, the Committee is expected to also endorse a final text by the end of 2011.

	(Lon)		central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. 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.		high standards would be treated as bilaterally cleared exposures subject to a standard risk weight under the regulatory capital framework. A quantitative comparison between capital charges for similar trades in the CCP cleared and bilateral cases will be conducted in order to verify that the correct incentives (i.e. in favour of multilateral clearing) will be in place. Consob takes also part in the work currently undertaken at European level within ESMA as well as in the work carried out at the level of IOSCO (also in conjunction with the CPSS).	
V. Developing macro-prudential frameworks and tools						
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	Ongoing	In Italy non-bank intermediaries are already supervised by the Bank of Italy (for prudential purposes) and Consob (for conduct of business purposes). Hedge funds are subject to reporting requirements concerning, for instance, their exposures and leverage. A task force on risks within the Bank of Italy's Banking and Financial Supervision area regularly analyzes various sources of risk likely to affect the financial system in the short/medium term.	The Bank of Italy reviewed its internal off- and on-site supervisory practices in order to more explicitly take into account the impact/build-up of macro prudential risks across the financial system. Particular attention is devoted to the planning and actual conduct of banks' (on and offsite) thematic reviews, which focus on potential

			banks, shadow banks and private pools of capital to limit the build up of systemic risk.			vulnerability factors across the financial system.
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	**Bank of Italy and Consob** The scope and depth of the information that the Bank of Italy has the power to collect, through standard reports by supervised financial intermediaries, ad-hoc surveys/questionnaires, as well as its wide central credit register ("Centrale dei rischi"), are broad. This information is particularly useful to assess the potential for failure or severe stress to contribute to the build up of systemic risk across the financial system. Applicable law provides ISVAP with powers to gather necessary information. (Insurance Code: law decree 209/2005, articles 5-6, 188-190) At EU level, ISVAP is actively taking part into the works of EIOPA crisis TF. Among the objectives of this TF is the development of common formats for collecting data in a consistent way in the EU insurance sector, for early common detection of potential failures or excessive exposures. Moreover, the Italian regulatory framework grants Consob a wide power to request information in order to perform its mission.	At the European level, the European Banking Authority (EBA), in which the Bank of Italy actively participates, is issuing binding technical standards (BTS) based on FINREP (financial reporting) and COREP (common reporting for supervisory purposes), to achieve full consistency among the member states' financial and supervisory report systems. Moreover, the Bank of Italy is cooperating with the IMF in the project aimed at reviewing and updating an internationally-agreed set of financial soundness indicators (FSIs). At EU level, within the context of Solvency II, ISVAP actively contributes to EIOPA works on common reporting formats in the insurance sector. This activity is envisaged within the context of the EU legislative process.
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.	End-2009 and ongoing	Rules on large exposures provide limits to total exposures against a single entity or connected entities as to limit the consequences of common sources of shocks (e.g. the distress of one large borrower). In order to limit loan-to-value and leverage, mortgages secured by residential real estate are discouraged above an 80% loan-to-value ratio. Tighter capital requirements are requested for loans. Despite being micro prudential in nature these instruments have played an important role in limiting Italian banks' risk exposures and excessive leverage.	When Basel III rules enter into force in our national legislation, The Bank of Italy will have the responsibility of setting the level of the countercyclical buffer. The tool is aimed at protecting the circuit of intermediation from boom-bust cycles. Further, a leverage ratio will be

			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.			introduced, to limit the build-up of excessive leverage. The Bank of Italy has started this year to monitor the ratio
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 Supervision task force on risks in the financial system within the Bank of Italy delivers its analysis on a regular basis (half yearly). Moreover, to assess the resilience of the Italian banking sector to possible shocks the Bank of Italy has implemented a full-fledged program of periodic stress tests, to be conducted on yearly basis (see also item 39). A periodic update on the conditions of the Italian financial system and on the risks and vulnerabilities which threaten its stability is provided through the publication of the Financial stability report	
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	Ongoing	The Bank of Italy has adopted specific internal procedures to ensure regular exchange of information between the different departments involved in the prevention and management of a banking crisis. With a view to enhancing the contribution of the Bank of Italy to the Italian Committee for Financial Stability, which is chaired by the Minister of Finance, internal crisis management arrangements have been reinforced. These arrangements envisage an intensification in the exchange of information between the departments of Supervision, Market Operations and Payments Systems in a crisis situation. The exchange of information may take place through physical meetings, telephone conferences and exchange of emails (which	

			strain.		may be encrypted if so required by the nature of the information exchanged). During the recent crisis, a regular two-way exchange of information ensured co-operation between the central banking and the supervisory areas within the Bank of Italy and supported the mutual understanding of issues on relevant individual institutions and developments in financial markets. ISVAP regularly cooperates with the domestic Authorities responsible for the other financial sector as well as cross-border Authorities. At EU level, through its participation to EIOPA Crisis TF and to JCFC, ISVAP also gives its contribution to the 3L3 TF on cross-sectoral risks. Moreover ISVAP is taking part to IAIS exercises on the same matter. ISVAP, together with Bank of Italy and CONSOB, is part of the Italian Committee for the safeguarding of Financial Stability, which is chaired by the Minister of Finance.	
VI. Strengthening accounting standards						
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	Italian listed and non listed Banks and other supervised financial intermediaries are required to compile their financial statements (on a solo and consolidated basis) according to IAS/IFRS. The Bank of Italy participates in the working groups on accounting issues established at the BCBS (ATF) and EBA (SCARA) level. ISVAP, the Bank of Italy and Consob also co-operate with the Ministry of Finance within ARC meetings. At national level, ISVAP, the Bank of Italy and Consob actively cooperate in the field of accounting and since 2008 have established a permanent forum on consistent application of IAS/IFRS which also has close links with national accounting standard setter (OIC). The Bank of Italy has made structural the relationship with the external auditors (semi-annual meetings).	
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	End-2011	The Bank of Italy is in favour of the adoption of a single set of high quality accounting standards. The Bank of Italy contributes to reach this goal participating in the working group on accounting issues established at the BCBS (ATF) and EBA (SCARA) level. These fora actively encourage a real convergence between the standard setters and always consider this issue within the comments provided on exposure drafts issued by the standard setters.	

			Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.			
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	The Bank of Italy as no powers in terms of valuation in the context of financial statements. The Bank of Italy, as prudential supervisor, has issued a regulation that, consistently with Basle 2 framework, requires value adjustments in the trading book (to consider factors like liquidity risk, model risk, etc).	
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 model so that the use of fair value	End-2009	The Bank of Italy contributes to the improvement of international accounting standards participating in the working groups on accounting issues established at the BCBS (ATF) and EBA (SCARA) level. These fora actively have contributed or contribute to the evolution of the relevant accounting standards (e.g. IFRS 13 Fair value measurement, Exposure Draft on hedge accounting), by providing the accounting setters with analysis and comments in due process.	IASB has issued a proposal to defer the adoption of IFRS 9 Financial Instruments. According to the proposal, this accounting standard, which covers the classification and measurement of financial assets, will be mandatory from January 1, 2015. At the EU level, the endorsement of IFRS 9 has not been finalised. The exposure drafts dealing with the impairment methodology and the hedge accounting model (which complete the replacement of IAS 39) have been published starting from the second half of 2010; the due process on these exposure drafts is ongoing. According to the IASB work-plan, the exposure draft on macro-hedge accounting will be issued by the first quarter of 2012

			accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.			
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. 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	Italy is strongly committed to implement the FSB initiatives aimed at strengthening adherence to international regulatory and supervisory standards. Italy was subject to a country peer review within the context of the FSB SCSI programme. The peer review was completed at the end of 2010. The results – which were published in February this year – shows a high level of compliance for the banking sector as the FMI recommendations following the 2005 FSAP have been implemented to a very large extent. The Bank of Italy has recently completed a self assessment against some key Core Principles as requested by the FSB. According to it, the Italian banking supervision results to be fully compliant with the vast majority of the criteria embedded in these principles. There are two exceptions relating to CP 1(5) – EC 1 on legal protection and to CP 24 – AD 1 on parent companies' fit and proper test. The Bank of Italy maintains that in respect of these criteria Italy is to be graded as "largely compliant". The Bank of Italy has actively participated in the thematic peer reviews that have been launched by the FSB, by providing data and analyses. Finally, the Bank of Italy appointed its experts to take part in the teams set up by the FSB to carry out the country peer reviews.	The Italian government and supervisory authorities are currently working in order to address the remaining departures from full compliance with the international standards. This work is also part of the preparation to the IMF FSAP that should be take place in due time according – among other – the IMF work plan.

			All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.			
Reforming compensation practices to support financial stability						
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	End-2010	The Bank of Italy issued in March 2011 a new binding regulation on banks and banking groups' remuneration polices and practices. Such regulation takes together and repeals all previous Italian rules on compensation for the banking sector and implements the more detailed requirements set out at the EU level (Directive 2010/76 – so called CRD 3 – and CEBS/EBA Guidelines), that entail and make mandatory across member States the FSB Principles and Standards. As the pre-existing rules, the new regulation is binding and applies to all Italian banks and banking groups according to a proportionality principle. Provisions divide the Italian banking system into 3 groups and distinguish between general and stricter provisions (the latter basically corresponding to the FSB Implementation Standards no. 6-9). The former shall be applied by all banks (irrespectively of their dimension); the stricter ones shall be applied only by the "identified staff" of a subset of banks (namely, the "major" ones, see below). As result of such approach, the scope of application of the FSB Principles and Standards is now extended to all Italian banking groups with total consolidated assets higher than 40 billions ("major" banks): this category is made of 11 banking groups (including the 6 major banking groups already required in October 2009 to be fully compliant with the FSB Implementation Standards) that shall apply also the FSB stricter provisions (IS no. 6-9). "Medium" banks and banking groups (total consolidated assets between 40 and 3.5 billions Euro) shall comply with all the general provisions on compensation and consider – on a case-by-case analysis – to what extent apply the more detailed provisions (IS no. 6-9) to their identified staff. As regards the identification of the "identified staff", the new regulation provides	A consultation document is about to be published to extend the March 2011 banking regulation on compensation to investments firms (it's worth mentioning that they are not significant in terms of size and activities performed and that those included in a banking group already comply with the remuneration provisions). Through both the off site supervision and on site examinations, the following areas of improvement have been identified: 1. (effective governance) the independence and expertise of the institution's Remuneration Committee and governing bodies and functions entrusted with designing and monitoring compensation and incentive policies; 2. (risk alignment) the design of risk adjustment methods encompassing all type of actual and potential relevant risks. With specific regard to this second point, the most challenging tasks that major banks are facing are: i) the identification of methods for

	(Tor) (Seoul)		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. We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.		criteria taken from the EBA Guidelines: some categories – such as executive directors, top executives, etc. – are included by definition, while other risk takers shall be identified through a self-evaluation carried out by each bank. On the overall, the Italian banking regulatory framework on banks' remuneration policies and practices is fully aligned with all international principles and standards (and, in some extents, it provides for even more stringent requirements: e.g. a the minimum 2-year retention period shall applying to the up-front part of variable remuneration paid in financial instruments). The new regulation is available (at present only in Italian) at http://www.bancaditalia.it/vigilanza/normativa/norm_bi/disposizioni-vig/politiche-prassi-remunerazione/disposizioni.pdf In order to properly comply with the March 2011 provisions on compensation, some major and medium banks had to strengthen the role of the Remuneration Committee in the definition of compensation policies and practices for the top management, as well as the Risk Management involvement in the definition of performance indicators. As regards the remuneration structure, some banks are now improving ex ante risk adjustment methods to both include all types of risks and set up more adequate performance measures and deferral mechanisms. In general, improvements have also been made with reference to the corporate governance and disclosure of remuneration polices and practices to the shareholders' meeting and all stakeholders. **Insurance - Isvap** ISVAP has recently issued the Regulation n. 39 aimed at giving instructions to the (re)insurance undertakings to align the remuneration policies with the long term objectives in line with the FSB recommendations and EU Recommendations n.2009/384/EC and n. 2009/385/EC as well as the principles issued by CEIOPS (now EIOPA)	incorporating risk and performance into bonus pool and individual compensation; ii) the definition of adequate performance measures; iii) the identification of an adequate balance between performance measures and the ultimate value of deferred compensation instruments.
34 (16)	(Pitts)	Supervisory review of firms' compensation	Supervisors should have the responsibility to	Ongoing	The Bank of Italy strengthened its supervisory review of remuneration policies by conducting bank-specific assessment of their governance process, compensation structure and risk	In the course of 2011 dedicated meeting with individual banks and banking groups will take place as

		policies etc.	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.		alignment. The implementation work focused on: 1) periodic meetings with the representatives of the major banking groups in light of reviewing progresses made in reducing gaps identified during the previous years supervisory assessments. 2) a formal letter recommending all intermediaries to improve the quality of remuneration policies information and properly inform their shareholder during their annual shareholding meetings. In the first quarter of 2011 meetings have been held also involving the banks' Remuneration Committee, in order to collect additional information and data on remuneration policies, pay structure and governance, as well as to monitor progresses made in complying with new regulation. Major banking groups, required to comply with all the FSB Principles and Standards (including the stricter IS no. 6-9) will be requested to provide specification on the pay structure and on the amount of remuneration actually paid to top management and identified staff. **Insurance - ISVAP** Should any practice be considered non-compliant, ISVAP will take any appropriate remedial action provided by the law.	well as on-site examinations to monitor the effective compliance with national regulation on compensation policy and practice. For the same purposes, a review of the documentation on compensation and incentive systems of all banks will be launched, also in order to assess the effective amendments to collective and individual agreements made to be fully in line with the FSB Principles and Standards and European legal framework on compensation. Specific supervisory evaluation criteria and a checklist are being developed to support the horizontal review of the Italian banking system. Such horizontal review will focus also on the disclosure of remuneration polices and practices during the 2011 shareholders' meetings. Drawing on the outcome of these reviews, further actions and prudential measures – starting in the last quarter of 2011 and including focused on-site examinations – will be considered.
VIII. Other issues						
Credit rating agencies						
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	End-2009	On December 7 2009 the EU Regulation on credit rating agencies entered into force. The Regulation establishes a common framework for measures adopted at National level, in order to ensure the smooth functioning of the EU's internal market with comparable levels of investor and consumer protection from one member state to another. It provides for a legally-binding registration and surveillance system for credit rating agencies issuing ratings that are intended for use for regulatory purposes. The Bank of Italy actively contributed to the definition of the Regulation and, in general, to the international debate concerning	The Regulation is directly applicable in all Member States by 7 June 2010.

			oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.		CRAs. A new EU regulation (nr. 513/2011) has been enacted in order to empower ESMA to enforce EU legislation on CRAs. Consob is the national competent authority as far as the enforcement of the regulation is concerned The registration process is currently ongoing at the level of the relevant colleges. Consob is the lead authority for the Fitch college On the basis of the EU Regulations on rating agencies and Italian laws on the same matter, regular cooperation between ISVAP, CONSOB and BANK of ITALY - as competent Authorities for the prudential supervision of the entities that make use of rating - are in place.	
36 (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	End-2009	**Bank of Italy and Consob** The EU CRAI regulation aims at - ensuring that credit rating agencies avoid conflicts of interest in the rating process, or at least manage them adequately; - improving the quality of methodologies used by credit rating agencies and the quality of their ratings; - increasing transparency by setting disclosure obligations for credit rating agencies. In the contest of ECAI recognition, the Bank of Italy carried out an in-depth analysis on domestic rating agencies which issue unsolicited ratings exclusively; the analysis was focused on the robustness of the credit evaluations, typically based mainly on public information, and on the significance of default statistics provided by these agencies, based on a definition of default less severe of that utilised by the international agencies. As referred to above Consob is actively participating in the activity at ESMA level on CRAs and is member of the different colleges. It leads the Fitch college.	

			across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.			
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	**Bank of Italy and Consob** The Bank of Italy is strongly involved in the work at EBA level on the review of the Guidelines on ECAIs' recognition, in the light of the EU Regulation and the amendments to the CRD – Capital Requirement Directive. The review is aimed to ensure consistency between the oversight and the recognition regime and to avoid the duplication of work for the agencies and the authorities involved. Consob, as member of ESMA, is the competent authority in Italy for the implementation of the European Regulation on CRAs	
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. 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	Ongoing		For the insurance sector specific provisions are contained in the draft level II measures implementing Solvency II directive, Those provisions are currently in preparation by the European Commission. In particular non mutually exclusive options under discussion are: a) the use of 'Solvency ratios' as an alternative to references to external credit ratings; b) the development of the use of internal ratings for large or complex exposures; c) the avoidance of the reliance on only one rating; d) the strengthening of internal risk management. On the basis of the results of the

			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.			international negotiations ISVAP will take its own initiatives.
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	The Bank of Italy has been conducting (top-down) stress tests on the Italian banking system since a long time. In 2008 a full-fledged program of periodic stress tests has been launched to be implemented on a periodical basis. The design of stress tests is periodically revised in terms of scope, coverage and scenarios to reflect recent macroeconomic and financial developments. A new round of top down stress tests has been carried out this year, along with the 2011 EU-wide exercise coordinated by EBA. The 2011 top down stress tests focused on credit and sovereign risks and were conducted both at system-wide and individual level, covering, in this case, the top 15 banking groups. The Bank of Italy gave an important contribution to the EBA in the peer review process of 2011 stress test results, aimed at ensuring the consistent implementation of the agreed methodologies and assumptions and the transparency of the overall exercise.	A new round of stress tests will be undertaken in 2012. To this end, the Bank of Italy will continue to devote a task force of experts within the Financial Supervision Department to the conduct of stress tests and to their review process both at national and European level.
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	Being Italian banks focused on traditional activity, impaired assets stem mainly from traditional lending operations. Owing to the economic and financial crisis, on and off-site assessment of quality has been reinforced. On-site controls – which usually conduct a deep assessment of assets quality (in particular, loans and financial instruments) – are become more frequent, especially on major banking groups (ad-hoc visits have recently been organized to evaluate the quality of performing credits with higher probability of becoming non-performing and the consequent impact on provisions).Off-site monitoring has been intensified too, thanks to the availability of a huge amount of frequent data on single identified counterparties (Credit Register) and ad hoc report required to banks' credit risk management divisions; controls also	Under the present market conditions, despite capital strengthening got by major groups, the Bank of Italy is constantly monitoring the banks' capital adequacy. The issue is being discussed in each periodic meeting between banks and Bank of Italy top representatives and ranks high in the agenda of Italian banking groups.

					cover periodic financial statements of banking groups. These activities contribute to the identification of intermediaries that need to raise additional capital or to be subjected to other supervisory measures. Having to cope with the growing need for provisioning/impairment generated by the crisis, Italian banks have significantly bolstered their capital base by raising capital from the share-holders and the market, selling off non core activities, limiting profit distribution.	
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		
Others						
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	Italy broadly complies with the core principles for effective deposit insurance systems, recently issued by the IADI (International Association of Deposit Insurers) and the BCBS (Basel Committee on Banking Supervision). No action has been therefore been taken since last FSB/G20 monitoring exercise	The Bank of Italy and the Italian Minister of Economy are taking part to the discussion at the EU Council on a new Directive proposal presented by the EU Commission aimed at achieving more convergence on the level and scope of depositors' protection in Europe as well as on their funding mechanism.
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	Ongoing	The Bank of Italy participates to the discussion in the relevant international fora (ECB. FSB, IMF, BIS) and at the EU level in order to ensure that decisions on exit strategies are adopted in a coordinated way among Member States, so as to avoid spill-over effects; take into account the legal framework, including the relevant state aid decisions; and are based on transparency and appropriate incentives.	The Bank of Italy has participated in the conduct of the EU-wide stress test exercise mandated by the Ecofin Council to EBA, with a view to providing insights on the strength of the banking system's balance sheets, particularly the quality of assets and the adequacy of capital, and information on the dependence of EU banks on public support and on the amount

			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.			of the capital which may be available for further lending in the context of the exit strategies. To this end, EBA has published the results of stress tests in July 2011.

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)