

Progress in the Implementation of G20/FSB Recommendations – June 2012

Jurisdiction: GERMANY

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# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
1. Refining the regulatory perimeter						
1 (new)	Cannes	Strengthening the oversight of shadow banking	We agree to strengthen the regulation and oversight of the shadow banking system. ¹	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Intensified monitoring of the shadow banking system by Bundesbank and BaFin within their organizations and within the joint risk committee structures. The analysis and results are being shared with the FSB as part of its annual monitoring of the shadow banking system.</p> <p>The quality and granularity of relevant data will be enhanced continuously.</p> <p>Recent examples of improved statistics and a stronger "shadow banking" focus include securitization vehicles and exchange traded funds.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s)</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

¹ For this survey, the focus is exclusively on the recommendations for monitoring the shadow banking system, discussed in section 2 of the October 2011 FSB report: "Shadow Banking: Strengthening Oversight and Regulation", which is available here: http://www.financialstabilityboard.org/publications/r_111027a.pdf.

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					<p>taken:</p> <p>Web-links to relevant documents:</p>	
2 (11)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Monitoring of structural developments in the financial system is an integral part of macro-prudential analyses and is conducted by relevant authorities in Germany (BaFin, Deutsche Bundesbank, and the German government). It also encompasses reviewing the adequacy of the respective scope of regulation.</p> <p>The micro perspective exercised by prudential supervisors focuses on structural developments on a more granular level. Relevant authorities in Germany share their views in different national committee structures.</p> <p><input type="checkbox"/> Completed as of</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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		<p>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.</p>		<p>In July 2011, the Directive on Alternative Investment Fund Managers (AIFMD) entered into force. According to this, managers of alternative investment funds, including managers of hedge funds, will require an authorization before taking up their activities as AIFM and be supervised on an ongoing basis. The manager must, inter alia, ensure that capital requirements are fulfilled and provide for adequate risk management and liquidity management. Furthermore, he will be required to disclose information to investors and supervisors, whereas hedge funds managers have additional disclosure obligations as regards leverage. The national supervisor shall use the information for the purposes of identifying the extent to which the use of leverage contributes to the build-up of systemic risk.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	

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4 (14)	(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	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <p><input checked="" type="checkbox"/> Others, please specify: BaFin cooperates and shares information with authorities on the basis of relevant IOSCO and ESMA MMoU</p> <input type="checkbox"/> Completed as of <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any): BaFin is preparing to share information with other IOSCO Members on the basis of the information sharing exercise conducted by the IOSCO Task Force on Unregulated Entities.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
5 (15)	(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'	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <p><input checked="" type="checkbox"/> Others, please specify: German regulations require financial</p>	<p>Planned actions (if any): Insurance Sector For the insurance sector the Solvency II Directive requires improved risk management systems for insurance undertakings. Currently the EU-Commission is drafting more specific implementing measures in this respect. The Solvency II</p>

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			leverage and set limits for single counterparty exposures.		<p>institutions to have an effective risk management in place, which covers all counterparties. This includes counterparty limits and monitoring mechanisms for hedge funds.</p> <p>In addition to these general requirements, the revised Minimum Requirements for Risk Management (Banks) requires explicitly that institutions have to implement an internal policy regarding credit deals with hedge funds or private equity firms, where applicable. Amongst other things, this comprises a policy regarding gathering financial and non-financial information about their counterparties and an analysis of the structure and the purpose of the transaction financed.</p> <p>The investment of insurance undertakings in hedge funds is regulated in BaFin circular 7/2004 (BaFin - Circular 7/2004 (VA) Investments in Hedge Funds).</p> <p>For example direct insurers are allowed to invest a maximum of 5 % of their tied assets in hedge funds</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p>	<p>Directive has to be transposed into German law by end-October 2012 [this date will probably be postponed by the OMNIBUS II Directive].</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					Web-links to relevant documents: http://www.bafin.de/cln_179/nn_721228/SharedDocs/Veroeffentlichungen/EN/Service/Circulars/rs_0407_en_va.html?nnn=true	
6 (16)	(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	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: German regulations require financial institutions to consider every relevant risk which they are exposed to. This includes also the specific risks of exposures to leveraged counterparties. See also section 5. <input type="checkbox"/> Completed as of Overview (short description) of action(s) taken: Web-links to relevant documents:	Planned actions (if any): Expected commencement date: Web-links to relevant documents:

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(ii) Securitisation					
7 (17)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: <ul style="list-style-type: none"> implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; 	During 2010	No response required for this survey. Please refer to the BCBS progress report on the Basel 2.5 adoption, available at: http://www.bis.org/publ/bcbs/b2_5prog_rep_table.htm
			<ul style="list-style-type: none"> implement IOSCO's proposals to strengthen practices in securitisation markets. 		Implementation ongoing: <ul style="list-style-type: none"> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input type="checkbox"/> Others, please specify: <input checked="" type="checkbox"/> Completed as of Planned actions (if any): Expected commencement date: Web-links to relevant documents:

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		retain a part of the risk of the underlying assets, thus encouraging them to act prudently.		<p>assess, manage and report all material risks, including risks from securitization actions. In addition, they include requirements for stress testing for all relevant risk areas which also covers securitizations. Furthermore, banks must not rely solely on external ratings. They are rather obliged to assess the quality of securitization positions on their own.</p> <p>Enhanced risk management practices for securitization portfolios and retention requirement for originators/sponsors of securitizations is required by EU-law (CRD II) since end 2010. EU-legislation has been transposed into German law by amendments to existing laws (German Banking Act) and the applicable regulations.</p> <p>Relevant regulation is contained in the CRD II (Directive 2009/111/EC, Art.122a, stipulates, in particular, that investors may assume exposures to securitization risk only if the originator or sponsor (or original lender) has confirmed that it will retain at least 5% of the risk.)</p> <p>Web-links to relevant documents:</p>	<p>not be less than 5%. When this Regulation enters into force it is directly applicable in all Member States.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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9 (19)	(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	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
10 (20)	(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	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any):</p> <p>Detailed aspects on valuation and the relevant internal processes are covered in a circular on which consultation has just ended.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
<input checked="" type="checkbox"/> Completed as of 31. December 2010						

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					<p>Overview (short description) of action(s) taken: For financial institutions (esp. banks) the requirements in Germany for risk management, including the new product process, have been enhanced. Financial institutions must have a clear understanding of the products and the risk profile of all investments.</p> <p>Investment products have to be examined adequately in the internal risk management processes (risk measurement, limit system, stress testing, etc.) and the internal capital adequacy assessment process. Furthermore, the investment in structured products has to be in line with the strategy of the institution.</p> <p>The respective enhancements of EU legislation (CRD) are transposed into German law, e.g. the strengthened management requirements for structured investment products and further due diligence requirements, especially for re-securitizations.</p> <p>Web-links to relevant documents:</p>	

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11 (21)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <p><input checked="" type="checkbox"/> Others, please specify: BaFin currently requests specific data from and interviews with senior management of banks, insurance companies, and asset management companies, to better assess the risk exposure of their securitized products.</p> <input type="checkbox"/> Completed as of <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any): BaFin requests quarterly specific data on securitized products of systemically relevant banks. Other banks, insurance companies, and asset management companies are queried on a case-by-case basis where necessary. Interviews with senior management at banks and insurance companies with significant risks.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
2. Enhancing supervision						
12 (5)	(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	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any): Discussions within crisis management groups have been taking place since early 2010.</p> <p>Additional provisions for cross-border crisis resolution are subject</p>

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			supervision and regulation with high standards.		<p><input checked="" type="checkbox"/> Others, please specify: Banking institutions of systemic importance, financial conglomerates and insurance groups were already under close scrutiny before the financial crisis.</p> <p>Banking sector Accordingly, pursuant to the Ongoing Monitoring Guideline (“Aufsichtsrichtlinie”, Article 6) of February 2008, supervision of banking institutions of systemic importance is more rigorous, with a particular emphasis on detailed analyses of the risks and their possible repercussions on the institution's risk-bearing capacity. In addition, cooperation between BaFin and the Deutsche Bundesbank, as the institutions sharing supervisory functions, has been intensified.</p> <p>Prudential supervision is carried out with respect to banking and financial holding groups with regard to the group’s solvency, its compliance with large exposure limits and its investments outside the financial sector (German Banking Act, Sections 10, 13b, 12). The scope of consolidation encompasses all institutions, asset management firms, financial institutions, ancillary services undertakings, e-money-institutions and payment services</p>	<p>to ongoing work at the EU level.</p> <p>Financial Conglomerates Directive (2002/87/EC) has been amended by Directive 2011/89/EC which is due to be transposed by the Member States by 10 June 2013; respective legislative work is under way.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>institutions belonging to the group as well as where applicable the superordinated financial holding company. (German Banking Act, Section 10a). In addition, all these groups have to report on risk concentrations and intra-group transactions (German Banking Act, Sections 13b, 13c and 13d). Furthermore, the provisions in the Minimum Requirements for Risk Management are also addressing consolidated risk management for all material risks and their coverage at the group level for banking and financial holding groups as well as financial conglomerates (MaRisk, Section AT 4.5 – see).</p> <p>A supplementary supervision applies to financial conglomerates.</p> <p>Insurance sector: Mirroring the banking regulations insurance groups as well have to regularly submit to BaFin the calculation of the group solvency margin and a report about important intra-group transactions. In addition, since September 2009 the groups have to quarterly report on important risk concentrations concerning counterparts outside the group (German Insurance Supervision Act, Sections 104e, 104g and 104i). Moreover, the Minimum</p>	

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					<p>Requirements for Risk Management (Insurance Companies), Section 2 no. 1 explicitly addresses group risks.)</p> <p>Within the relevant scope, financial firms have been asked to provide BaFin with a draft contingency and de-risking plan in early 2010. The results were already discussed and further work has been initiated to refine the planning.</p> <p>On January 1, 2011 the “Bank Restructuring Act”) came into effect. It introduces two voluntary proceedings that may be initiated and managed by the troubled bank’s management, i.e.,</p> <ul style="list-style-type: none"> • A recovery proceeding ; and • A reorganization proceeding <p>A recovery proceeding may be initiated by the management of a troubled bank at an early stage of a crisis and notified to the supervisory authority. The notification must include a recovery plan, which may include all measures appropriate for a restructuring of the bank. A general principle of the measures implemented under the recovery plan is that they may not impair any rights of any creditor without its prior consent. In case the recovery proceeding seems insufficient for a bank’s restructuring the bank’s management may apply for the opening of a reorganization proceeding.</p>	

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					<p>Such application has to include a reorganization plan, which needs to stipulate, inter alia, the individual restructuring actions to be adopted by the creditors. The restructuring plan can directly impair the rights of creditors as well as the rights of shareholders of the bank.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
13 (8)	(Lon)	Establishment of Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009 (for establishing supervisory colleges)	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The process of setting-up supervisory colleges for those German large and complex cross-border banks and insurance undertakings identified by the FSB has been completed and college meetings have taken place.</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>In addition, the banking groups for which EU law (CRD II) requires the establishment of supervisory colleges have also been identified and the process for setting-up these colleges has been completed, too.</p> <p><input checked="" type="checkbox"/> Completed as of December 2010</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
14 (8)	(Seoul)	Conducting risk assessments through international supervisory colleges	We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: BaFin and Deutsche Bundesbank have jointly developed a template to gather the risk assessment of all relevant host supervisors for the entities of the respective banking group. This template is based on EU guidelines and circulated to all college members. It serves as an input for the</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>consolidated risk assessment to be prepared by BaFin/Bundesbank as home supervisor to come to a joint risk assessment of the banking group and to reach a joint decision on the capital adequacy at the individual, sub-consolidated or consolidated level. The annual risk assessment and joint decision is required by EU legislation for all colleges.</p> <p><input checked="" type="checkbox"/> Completed as of March 011. 2010 (§ 104i; 104r Versicherungsaufsichtsgesetz (VAG))</p> <p>Overview (short description) of action(s) taken: Legislation and internal guidelines were amended.</p> <p>Web-links to relevant documents:</p>	
15 (9)	(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	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: BaFin exchange their views on evolving risks within a joint risk committee which</p>	<p>Planned actions (if any):</p> <p>Insurance Sector: EIOPA has developed various Quantitative Reporting Templates (QRT) for the upcoming regular Solvency II reporting requirements. This package also includes a set of Financial Stability Reporting Templates (FST), which are also used to fulfil reporting requirements towards the ESRB.</p>

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			<p>coordination in the development of best practice benchmarks should be improved at both national and international levels.</p>		<p>meets at least quarterly. The Committee regularly updates lists of major risks and coordinates the analytical work with regard to these subjects.</p> <p>Within BaFin each Directorate has set up an own internal risk-committee (see section 27). Information between these three risk-committees is transferred by representatives joining all risk-committees. Cross-sector risks are dealt within BaFin's executive board.</p> <p>In the Banking Supervision Directorate the risk-committee and a task force deal with the effects of the financial crisis. Both bodies are specifically charged with collecting and analyzing information and undertaking best practice studies. Several other bodies exist to facilitate co-ordination with Deutsche Bundesbank (e.g. working group on risk-oriented supervision) and the Ministry of Finance ("Domestic Standing Committee"). In the Insurance Supervision Directorate the duties of the task force are carried out by a special section dealing with the risk orientation of insurance supervision. Furthermore, the information and coordination between supervision of different sectors benefits from the fact of BaFin being an integrated supervisor.</p>	<p>From November/December 2011 until January/February 2012, EIOPA conducted public consultations on the QRT and FST. Currently, EIOPA is evaluating the consultation results and is preparing a final reporting template package for approval through the EIOPA Board of Supervisors (in mid June of 2012). The key challenges are the alignment of the financial stability reporting with the regular Solvency II reporting, balancing complexity, amount and timing of reports with respect to national reporting procedures.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>At the international level, exchange of information and coordination regarding specific institutions take place mainly through colleges, while overarching issues are addressed through many multilateral fora, including the new European Supervisory Authorities(i.e. EBA, EIOPA and ESMA) the BCBS, FSB-working groups, IAIS, etc..</p> <p>At EIOPA the Financial Stability Committee (FSC) and Internal Monitoring Group (IMG) are of particular importance in ensuring a quick and coordinated pan-European exchange of supervisory as well as financial stability information. Hereby, the FSC mainly is responsible for retrieving primary data via coordinated pan-European risk surveys and stress tests. This information as well as many further secondary data sources, especially from the national supervisory authorities, are used by the IMG for a final and pan-European assessment of the insurance market. Based on this system not only a quick and coordinated pan-European information exchange is maintained, but also policy recommendations and actions, given the need, are possible. The IMG was founded at the end of 2011. When dealing with an actual crisis situation, EIOPA also can found a temporary "Emergency Group",</p>	

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					<p>which oversees and coordinates the actual implementation of the measures.</p> <p>Operation of EIOPA Crisis Management Framework 2013 (extract)</p> <ul style="list-style-type: none"> - Input with National Supervisory Authorities to the development of supervisory themes and risks to be addressed the following year - Review of key themes identified during the IMG's work - Input to colleges team planning in relation to themes and risks to be addressed the following year - Collection of information on National Supervisory Authorities plans for crisis management - Development and implementation of Peer Review in the area of crisis management (with Review Panel) - Plan, organize and deliver a workshop on crisis management (theme to be determined) <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	

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16 (10)	(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	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Germany implements the full suite of tools and mandates pursuant to European legislation, as well as additional national legislation required to proactively address risks in the financial sector, in line with the Basel Core Principles.</p> <p>Following risk profiling under the Supervisory Review and Evaluation Process, supervisors decide on a case-by-case basis which institutions should be subject to further reaching supervisory measures, in addition to the minimum supervision applied initially. The greater the risk an institution poses for financial stability, the more attention it receives from supervisors. Intensified supervision, which consumes additional resources, is applied to institutions in relation to their individual risk situation or where the type and scope of their business activities is relevant to the stability of the financial system.</p>	<p>Planned actions (if any): EU-law (Solvency II) will further strengthen oversight and supervision.</p> <p>German supervisory authorities will increase the analytical weight for considering business models of banking groups and thus currently adopt the practical supervisory approaches to take these aspects into account.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>This includes supervisory powers to restructure institutions in case of their failure having possible systemic risks pursuant to the Bank Restructuring Act in effect since January 1, 2011.</p> <p><input checked="" type="checkbox"/> Completed as of January 1, 2011</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
17 (12)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: BaFin and Deutsche Bundesbank have in place personnel policies allowing the recruitment of highly qualified supervisors. They provide and permanently develop training programs. BaFin and Bundesbank have, for example, initiated in 2009 a European-wide training network called the “European Supervisor</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>Education Initiative”.</p> <p>With regard to institutions, German supervisors require firms to have adequately trained and experienced staff with regard to their competencies and responsibilities within the firm. This requirement is part of the Supervisory Review and Evaluation Process assessment.</p> <p>The existent supervisory standards provide for measures to ensure that firms only invest in products if they have the capacity to understand and manage the associated risks.</p> <p><input checked="" type="checkbox"/> Completed as of different Dates</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
3. Building and implementing macro-prudential frameworks and tools						
18 (23)	(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	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p>	<p>Planned actions (if any):</p> <p>Macro-prudential analysis will be further enhanced – also taking account of discussions in international for a.</p>

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			financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.		<input checked="" type="checkbox"/> Others, please specify: Macro-prudential analysis units have been established in the Bundesbank. Ongoing financial stability analysis and banking supervision carried out by the Deutsche Bundesbank greatly benefits from synergies to other central bank functions by combining macro-prudential aspects to micro-prudential supervision. Bundesbank and BaFin are members of the European Systemic Risk Board. National measures to flank the European structures have also been implemented by BaFin and Deutsche Bundesbank with the formation of a joint Risk Committee in December 2009 to link macro-prudential and micro-prudential supervision. <input type="checkbox"/> Completed as of Overview (short description) of action(s) taken: Web-links to relevant documents:	The joint risk committee continues its structured dialogue in its quarterly meetings. In April 2012 the German government launched a legislative draft in order to strengthen German financial supervision. Inter alia, a federal financial stability committee is to be installed encompassing members of Deutsche Bundesbank, BaFin, the Ministry of Finance and the Federal Agency for Financial Market Stabilisation. The committee's tasks resemble those of the ESRB, only with a national focus. Expected commencement date: Web-links to relevant documents:
19 (24)	(Lon)	Powers for gathering	Ensure that national regulators possess	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being	Planned actions (if any): The regulatory reporting was

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
		relevant information by national regulators	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.		<p>developed, expected publication by</p> <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>under review to take into account the lessons learnt from the financial crisis. The new reporting regime is to be adopted in the coming months and will strengthen data coverage in several fields (e.g. earnings, large exposures).</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
20 (25)	(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	End-2009 and ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by	<p>Planned actions (if any):</p> <p>Currently negotiated EU Capital Requirements Directive and Regulation (CRR/CRD IV) includes requirements regarding leverage ratio and leverage risk and is planned to become into force from 1. Jan. 2013. A decision</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
	(Cannes)		<p>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.</p> <p>We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject.</p>		<p><input checked="" type="checkbox"/> Others, please specify: A leverage ratio reporting requirement was introduced into German supervisory law as an indicator under Pillar 2 (see section 12)</p> <p>Furthermore, macroprudential supervision is supported by the Risk Committee – formed by BaFin and BBk. The Risk Committee is obliged to identify macroprudential risks, to analyze the data and to evaluate it. According to this evaluation, the RC might decide on further steps and concrete measures (with specific responsibilities and time limits) if considered necessary.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	<p>on introducing a minimum leverage ratio is not yet made but will be subject to the outcome of an observation period until 2016. The requirements on calculation, reporting to competent authorities and disclosure of the leverage ratio will be directly applicable to banks and other institutions. The requirements on assessing and managing the risk of excessive leverage under Pillar 2 will be transposed into German law.</p> <p>European Directive CRD IV will introduce a Countercyclical Capital Buffer (which is part of the Basel III package) as a first formal macroprudential instrument.</p> <p>Under upcoming European legislation (EMIR) financial counterparties (FC) and non-financial counterparties above the clearing threshold (NFC+) should exchange collateral for transactions that are not cleared by a CCP. Regulatory technical standards will specify the level of collateral and the segregation arrangements that are necessary.</p>

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						<p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
21 (26)	(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	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Monitoring capital market and asset prices and assessing their implications for the financial system and the macro-economy at large is part of financial macro-prudential analyses in relevant German authorities, in particular BaFin and Deutsche Bundesbank. The joint BaFin-Bundesbank Risk Committee (see section 18) monitors their implications for the institutions.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					Web-links to relevant documents:	
22 (27)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: Deutsche Bundesbank and BaFin have fora at different levels to exchange information including on financial stability (including the joint BaFin- Deutsche Bundesbank Risk Committee). Meetings at executive level take place quarterly.</p> <p>Inter alia, BaFin has established a new section to analyze comparative issues, in collaboration with Deutsche Bundesbank (cross-institutional analysis, thematic work).</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
4. Improving oversight of credit rating agencies						
23 (35)	(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	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input type="checkbox"/> Others, please specify: <input checked="" type="checkbox"/> Completed as of December 2009 <p>Overview (short description) of action(s) taken: EU legislation entered into force in December 2009. A German statute necessary to execute the provisions of the EU Regulation in practice has also entered into force on 19 June 2010. A first amendment to the Regulation (CRA II) entered into force on 31 May 2011.</p> <p>The European Securities and Markets Authority (ESMA) has the power of direct oversight and regulation of Credit Rating Agencies since 01 July 2011</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any): A draft for further regulation (CRA III) is currently in the legislative process</p> <p>Expected commencement date: End of 2012</p> <p>Web-links to relevant documents: http://ec.europa.eu/internal_market/securities/docs/agencies/COM_2011_747_en.pdf</p>

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24 (36)	(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>CRA's 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</p>	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: see section 23.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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			between national authorities, including through IOSCO.			
25 (37)	(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	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <p><input checked="" type="checkbox"/> Others, please specify: IOSCO is coordinating international supervisors' work on CRAs (BaFin is a member).</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any): Ongoing.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
26 (38)	(Seoul)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard	Ongoing	<p>No response required for this survey.</p> <p>Please refer to national summary tables in <i>Progress Report on Reducing Reliance on CRA Ratings</i> (forthcoming).</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			commitment to reduce authorities' and financial institutions' reliance on external credit ratings, and call on standard setters, market participants, supervisors and central banks to implement the agreed FSB principles and end practices that rely mechanistically on these ratings.			
5. Enhancing and aligning accounting standards						
27 (28)	(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	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: The Federal Ministry of Justice and the German Accounting Standards Committee work closely together in monitoring the quality of German accounting standards (national GAAP). In addition, the financial	Planned actions (if any): Expected commencement date: Web-links to relevant documents:

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			standards.		<p>reporting of companies admitted to trading in the German regulated market is monitored in a two-tier-system in which the German Financial Supervisory Authority (BaFin) decides on infringement decisions after either itself has examined the reporting or findings have been submitted by the privately organised Financial Reporting Enforcement Panel (FREPEP) that co-operates closely with BaFin.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
28 (30)	(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	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The financial statements are subject to audit, which, irrespective of the size, has to be performed by a German public auditor</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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			weak.		<p>(Wirtschaftsprüfer). In performing their audits, public auditors apply the IDW Auditing Standards. The content of the International Standards on Auditing (ISA) is consistent with the IDW Auditing Standards to the extent that there is no conflict with German legal requirements. The auditor is required to prepare a “long form audit report” (in accordance with the PrüfV), which has to be filed with the supervisors.</p> <p>The German Financial Reporting Enforcement Panel (FREP) monitors clarity and consistency in the application of standards. One of the Examination Areas of Emphasis of FREP focuses on valuation. (This work is also based on consultation with ESMA).</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
29 (31)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should	End-2009	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p>

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		<p>examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.</p>		<p>as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: <input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The German national GAAP (Handelsbilanzrecht) is based on Generally Accepted Accounting Principles. As a general principle German GAAP follows the prudence principle. Sections 252 and 253 of the German Commercial Code (HGB) are based on this principle and provide for the so-called “realization principle” and the “imparity principle”. Even though the “imparity principle” has to step back when it comes to fair value accounting the differences in the results are minor because national law only allows fair value accounting in a limited number of cases combined with additional restrictions: First, any valuation at fair value is limited to the trading portfolio of banks (section 340e HGB) and excluded for all other instruments. And, even more important, such financial instruments are subject to a risk mark-down that is based on internal</p>	<p>Web-links to relevant documents:</p>

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					<p>risk management in accordance with the requirements set by the banking supervisory authorities. There is a general ban on reclassification. Reclassifications are only allowed in exceptional circumstances and in order to include financial instruments of the trading portfolio subsequently in a hedge. Secondly and in addition to the risk mark-down procedure section 340g HGB provides for an additional mechanism to mitigate the risks associated with valuation at fair value: (At least) 10% of any net income generated by the trading portfolio in the course of the fiscal year has to be added to the special item »Fund for general banking risks« and has to be shown separately in P&L. These amounts may only be reversed in order to account for net trading losses or insofar as they exceed 50 % of the average annual net income generated from the trading portfolio in the previous five years. Thirdly, the valuation at fair value is supplemented by a comprehensive obligation to disclosure in the notes to the financial statements: Such notes must include information about the assumptions with regard to the calculation of fair value and categories and volume of the financial instruments concerned including conditions that may have impact on cash flows.</p>	

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					<p>The relevant IAS/IFRS-standards are in Germany mostly relevant for consolidated accounts of companies related to the regulated market (see Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and section 315a HGB). In this area there is ongoing work as the IASB revises the standard for Financial Instruments (IFRS 9). The IASB has announced that the work on IFRS 9 will most probably only be finished by mid 2013.</p> <p>Web-links to relevant documents: http://www.gesetze-internet.de/bundesrecht/hgb/gesamt.pdf (in German only)</p>	
6. Strengthening adherence to international financial standards						
30 (32)	(Lon)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue	Ongoing	Implementation ongoing: <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: Prudential area: Germany adheres to the international	Planned actions (if any): Prudential area: A FSB country peer review will follow within the timeframe agreed in the FSB. Implementation of recommendations may require legislative steps. AML/CFT area:

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		(Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction	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.		<p>standards in the prudential area. Compliance was assessed in an initial FSAP in 2003. An FSAP-Update was finalized in summer 2011. Germany participated in all past FSB thematic peer reviews and is currently participating in ongoing thematic peer reviews.</p> <p>Tax area: Germany acknowledges and has implemented the OECD Standard on Tax Information exchange. On 10 July 2009, Germany has adopted a law providing powers for defensive measures against uncooperative jurisdictions (Law on Combating Tax Evasion, “Steuerhinterziehungsbekämpfungsgesetz”); the decree implementing these defensive measures was approved by the Federal Council of Germany (Bundesrat) on 18 September 2009.</p> <p>AML/CFT area: Essentially, Germany adheres to the international standards in the AML/CFT area, i.e. the Recommendations of the Financial Action Task Force (FATF). During the 3rd round of FATF's mutual evaluations, Germany was subject to a detailed AML/CFT-assessment by the IMF (adoption and publication of the report by the FATF in February 2010,</p>	<p>The Government is currently examining appropriate measures to further strengthen the AML/CFT regime.</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					<p>(http://www.fatf-gafi.org/dataoecd/44/19/44886008.pdf). The report revealed some deficiencies which mainly concerned areas outside the financial sector (such as the supervision in the field of the “designated non financial businesses and professions – DNFBPs”).</p> <p>Last year, Germany took several legislative measures focused on addressing different types of deficiencies in the German AML/CFT system:</p> <ol style="list-style-type: none"> 1. Act to Improve the Combating of Money Laundering and Tax Evasion (entered into force on 3 May 2011) that expanded the list of predicate offences to money laundering in section 261 of the Criminal Code; 2. Act to Implement the Second E-Money Directive (entered into force on 9 March 2011) that addressed deficiencies in the financial sector, especially concerning customer due diligence measures required to be taken by financial institutions; 3. Act Implementing Directive 2009/65/EC on the Coordination of Laws, Regulations and Administrative Provisions Relating to Undertakings for Collective Investment in Transferable Securities (entered into force on 26 June 2011) that amended section 16 of the German AML Act to provide the AML/CFT supervisory authorities over 	

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					<p>DNFBPs with additional powers; and</p> <p>4. Act to Optimise the Prevention of Money Laundering (entered into force on 29 December 2011) that revised many aspects of the AML Act, such as the due diligence duties of DNFBPs, the provisions on beneficial owners and the due diligence measures to be taken in higher and lower risk scenarios.</p> <p>In the first follow-up report as of February 2012, the FATF stated that overall progress made by Germany so far is satisfactory considering the short time since the mutual evaluation report was approved.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents: http://www.imf.org/external/pubs/cat/shortres.aspx?TITL=&auth_ed=&subject=Germany&ser_note=All&datecrit=During&Lang_F=All&brtype=Date&YEAR=Year&submit=Search</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
7. Enhancing risk management						
31 (4)	(WAP)	Enhancing guidance to strengthen banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <input type="checkbox"/> Others, please specify: <input checked="" type="checkbox"/> Completed as of <p>Overview (short description) of action(s) taken: I.4. Germany has transposed the FSB and BCBS recommendations in the Minimum Requirements for Risk Management ("Mindestanforderungen an das Risikomanagement", MaRisk; revised version for the banking sector published on 15 December 2010, circular 11/2010 (BA)) for financial institutions. Inter alia, the MaRisk require financial institutions to have sound stress testing practices in place. Stress test results must be taken into account as part of the institutions' internal capital adequacy assessment process. Accordingly, banks' stress testing practices form part of BaFin's and Deutsche</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>Bundesbank's Supervisory Review and Evaluation Process.</p> <p>II.10 The updated guidance is implemented in the Minimum Requirements for Risk Management and is subject to on-site inspections.</p> <p>It is also part of the guidance for the regular compilation of the risk profile of an institution and taken into account when judging an institution's liquidity management. In case of in-adequate implementation banks are required to take remedial action. The implementation is then closely supervised.</p> <p>Web-links to relevant documents:</p>	
32 (4)	(FSF 2009)	Validation of adequacy of banks' capital buffers	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	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: We have implemented the stress testing guidance in our Minimum Requirements for</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			above the minimum regulatory capital requirement.		<p>Risk Management. The results of banks' stress tests are also used in the SREP when BaFin and Deutsche Bundesbank assess the adequacy of banks' capital.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
33 (4)	(FSF 2008)	Monitoring the implementation of updated guidance on liquidity risk	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	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input type="checkbox"/> Others, please specify:</p> <p><input checked="" type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken: The updated guidance is implemented in the Minimum Requirements for Risk Management and is subject of on-site</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			action to improve practices.		<p>inspections.</p> <p>It is also part of the guidance for the regular compilation of the risk profile of an institution and taken into account when judging an institution's liquidity management. In case of inadequate implementation banks are required to take remedial action. The implementation is then closely supervised.</p> <p>Monitoring of liquidity risk management practices is part of ongoing supervision.</p> <p>Web-links to relevant documents:</p>	
34 (4)	(FSB 2009)	Enhancing banks' operations in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The question targets emerging markets.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

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					Web-links to relevant documents:	
35 (39)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	<p>Implementation ongoing:</p> <input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by <input type="checkbox"/> Draft regulations/guidelines published as of <input type="checkbox"/> Final rules expected to be in force by <p><input checked="" type="checkbox"/> Others, please specify: Banking sector Robust stress testing for institutions is required by the Minimum requirements for risk management. Supervisory stress tests are conducted on a regular basis. Germany participates in the EU stress tests conducted by EBA.</p> <p>Insurance sector Based on the German Insurance Supervision Act (circulars R 4/2011 (VA) and 1/2004 (VA)) the insurance undertakings have to conduct a stress test at least quarterly and to submit the stress test annually on national level. BaFin predefines the stress test model and the scenarios in the annual stress tests. Quarterly stress tests have to meet</p>	<p>Planned actions (if any): Ongoing, incl. ongoing further refinements of supervisory stress test methodology (especially with respect to cover financial conglomerates).</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>appropriate criteria.</p> <p>Also in 2012 Germany participates in the pan-European stress test of EIOPA. A new minimum market coverage requirement concerning the EIOPA stress test has been agreed for in 2012. This shall ensure a minimum national market coverage of at least 50% for life and non-life insurances (based on annual gross premium written). The requirement to reach a minimum market coverage for the life as well as non-life markets was newly set. Last year, a general minimum market coverage of 50% for the whole insurance market was used. Consequently, the number of participating German insurance groups had to increase from three to five compared to last year resulting in a market coverage of about 60% and 52% for the life and non-life markets respectively.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
36 (40)	(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	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: The programs for asset relief and recapitalization administered by the German Financial Markets Stabilization Fund have been taken up by banks and have stabilized these banks. They have recently been reopened.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	<p>Planned actions (if any):</p> <p>The programmes for asset relief, recapitalization, liquidity support and so-called “bad banks” were reopened for new applications due to the coordinated approach of the EU member states until 31 December 2012 to ensure market confidence. From 2013, only existing “bad banks” (windingdown agencies) will be available for additional asset transfers and rescue investments can only be supported to a limited extent.</p> <p>Since 1 January 2011 a new law has been enacted and provides measures to restructure banks if their going-concern risk results in a systemic risk (cf. section 6).</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>
37 (41)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p>	<p>Planned actions (if any):</p> <p>Ongoing. (Germany participated in the FSB thematic peer review on risk disclosure.</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps	
			disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.		<input type="checkbox"/> Final rules expected to be in force by <input checked="" type="checkbox"/> Others, please specify: German supervisory authorities have strongly advised the relevant international banks and insurance companies to adhere to this recommendation and informed industry about upcoming requirements at an early stage. Information from the main financial institutions shows that important banks have significantly improved their respective disclosure practices. <input checked="" type="checkbox"/> Completed as of German supervisory authorities published application examples. Overview (short description) of action(s) taken: Web-links to relevant documents: http://www.bafin.de/clin_152/nm_721290/SharedDocs/Downloads/DE/Unternehmen/BankenFinanzdienstleister/ArbeitskreisBA/FgOffenlegung/empfehlungen_0611.templateId=raw,property=publicationFile.xls/empf	Expected commencement date: Web-links to relevant documents:

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
8. Strengthening deposit insurance					
38 (42)	(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>No response required for this survey.</p> <p>Please refer to peer review report on deposit insurance systems published in February 2012, available at: http://www.financialstabilityboard.org/publications/r_120208.pdf</p>
9. Safeguarding the integrity and efficiency of financial markets					
39 (new)	(Cannes)	Market integrity and efficiency	We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Germany adheres to the international recommendations, e.g. suitable trading control mechanisms to deal with volatile market conditions are well known in the German trading landscape, e.g. so called volatility interruptions and appropriate</p> <p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
			measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012.		<p>control mechanisms for order flow are in place, e.g. so called "naked sponsored access" would generally not be permitted. The operation of dark pools (trading venues who provide for exceptions of pre-trade transparency requirements) needs a specific permission. This permission, so called "waiver" would only in specific and limited circumstances be granted and would be discussed on EU/ESMA level. There are no exceptions as regards post trade transparency requirements.</p> <p>In addition BaFin supports in principle all respective initiatives on EU level. These are:</p> <ul style="list-style-type: none"> -the ESMA Guidelines on "Systems and controls in an automated trading environment for trading platforms, investment firms and competent authorities" published on 24 February 2012 to be complied with by market participants by 1st May 2012 and - the proposal for a Directive on markets in financial instruments repealing Directive 2004/39/EC. Planned actions according to the updated MiFID do amongst other take account of technological innovations: An updated MiFID will introduce new safeguards for algorithmic and high frequency trading activities which have drastically increased the speed of trading 	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>and pose possible systemic risks. These safeguards include the requirement for all algorithmic traders to become properly regulated, provide appropriate liquidity and rules to prevent them from adding to volatility by moving in and out of markets. An updated MiFID also intends to provide for increased transparency by e.g. improving the transparency of trading activities in equity markets, including "dark pools" (trading volumes or liquidity that are not available on public platforms). Exemptions would only be allowed under prescribed circumstances. It will also introduce a new trade transparency regime for non-equities markets (i.e. bonds, structured finance products and derivatives). In addition, thanks to newly introduced requirements to gather all market data in one place, investors will have an overview of all trading activities in the EU, helping them make a more informed choice</p> <p>Having said so it becomes evident that BaFin monitors and does take action to address the impact of technological developments and recent market structure changes.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s)</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>taken:</p> <p>Web-links to relevant documents: http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm http://www.esma.europa.eu/content/Final-report-Guidelines-systems-and-controls-automated-trading-environment-trading-platforms</p>	
40 (new)	(Cannes)	Enhanced market transparency in commodity markets	We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In	Ongoing	<p>Implementation ongoing:</p> <p><input checked="" type="checkbox"/> Draft regulations/guidelines being developed, expected publication by open</p> <p><input checked="" type="checkbox"/> Draft regulations/guidelines published as of Expected</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: „Markttransparenzstelle Gesetz" adjusts German law to REMIT. Published by March 27th 2012 through Federal Ministry of Economics and Technology.</p> <p>According to current German legislation, market manipulation rules apply both to commodities and commodity derivatives admitted to trading on a regulated market (sec. 20a securities trading act - WpHG). Further strengthening of the regulatory</p>	<p>Planned actions (if any):</p> <p>Expected commencement date: Summer 2012</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
		<p>particular, market regulators should have, and use formal position management powers, including the power to set ex-ante position limits, particularly in the delivery month where appropriate, among other powers of intervention. We call on IOSCO to report on the implementation of its recommendations by the end of 2012</p>		<p>framework regarding commodities and commodity derivatives and European harmonization will be achieved by the Draft of the new Market Abuse regulation scheduled for publication by End of 2012.</p> <p>According to the draft of MiFID II (Revision of the Directive 2004/39/EG - MiFID) position reporting and position limits obligations will be introduced in commodity derivative markets. Trading venues shall make public a weekly report on the aggregate positions held by different categories of traders for the different financial instruments and provide the regulator on request with an oversight of positions of its members and participants. The respective position data have to be reported to the trading venues by market participants in real time.</p> <p>According to the draft of MiFID II, national regulators will have the power to require any person to reduce the size of the position or exposure and shall notify ESMA about such requests</p> <p>Trading venues will have to impose limits on the number of commodity derivative contracts which participants can enter into over a certain period of time, or put in place other equivalent arrangements. ESMA will have the competence to develop draft</p>	

# (# in brackets are from 2011 template)	G20/FSB Recommendations			Deadline	Progress to Date	Planned Next Steps
					<p>regulatory technical standards determining position limits and exemptions.</p> <p>Germany supports the aforementioned regulatory framework and will adjust national rules in alignment with the MiFID II requirements.</p> <p><input type="checkbox"/> Completed as of</p> <p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	
10. Enhancing consumer protection						
41 (new)	(Cannes)	Financial consumer protection	We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability, endorse the FSB report on consumer	Ongoing	<p>Implementation ongoing:</p> <p><input type="checkbox"/> Draft regulations/guidelines being developed, expected publication by</p> <p><input type="checkbox"/> Draft regulations/guidelines published as of</p> <p><input type="checkbox"/> Final rules expected to be in force by</p> <p><input checked="" type="checkbox"/> Others, please specify: Depending on change of legal framework.</p> <p><input type="checkbox"/> Completed as of</p>	<p>Planned actions (if any):</p> <p>Expected commencement date:</p> <p>Web-links to relevant documents:</p>

# (# in brackets are from 2011 template)	G20/FSB Recommendations		Deadline	Progress to Date	Planned Next Steps
		finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions.		<p>Overview (short description) of action(s) taken:</p> <p>Web-links to relevant documents:</p>	

Origin of recommendations:

- Cannes: The Cannes Summit Final Declaration (3-4 November 2011)
- 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)

Index of acronyms

Example:

FSB: Financial Stability Board

AIFMD:	Directive on Alternative Investment Fund Managers
AML/CFT:	Anti-money laundering/combating the financing of terrorism
BaFin:	Bundesanstalt für Finanzdienstleistungsaufsicht
BCBS:	Basel Committee on Banking Supervision
CRA:	credit rating agencies - CRA Regulation to strengthen existing EU legislation on credit rating agencies
CRD:	Capital Requirements Directive
CRR:	Capital Requirements Regulation
DNFBP:	“designated non financial businesses and professions”
EBA:	Euro Banking Association
ECOFIN:	Economic and Financial Affairs Council
EIOPA:	European Insurance and Occupational Pensions Authority
ESMA:	European Securities and Markets Authority
ESRB:	European Systemic Risk Board
FATF:	Financial Action Task Force
FSC:	Financial Stability Committee
FREP:	Financial Reporting Enforcement Panel
FST:	Financial Stability Reporting Templates
GAAP:	Generally Accepted Accounting Principles
GoB:	Grundsätze ordnungsmäßiger Buchführung
HGB:	Handelsgesetzbuch
IAS:	International Accounting Standards
IAIS:	International Association of Insurance Supervisors
IFRS:	International Financial Reporting Standards
IMG:	Internal Monitoring Group
IOSCO:	International Organization of Securities Commissions
MaRisk:	Mindestanforderungen an das Risikomanagement (for the banking sector)
MiFID:	Markets in Financial Instruments Directive
MMoU:	Multilateral Memorandum of Understanding
QRT:	Quantitative Reporting Templates
SREP:	Supervisory Review and Evaluation Process