

Progress in implementing the G20 Recommendations on Financial Regulatory Reform

Status report by the FSB Secretariat

The tables that follow have been developed in response to a request from the G20 Sherpas for a simple visual summary of the progress made in global policy development and implementation of financial reforms at the G20 level. The FSB Secretariat, in consultation with the FSB members, has developed these summary tables based on qualitative information from FSB members, including information collected through the FSB monitoring framework and tools.

The table contains the following information for each area of G20 recommendations:

- (i) **Responsible institutions** – Institutions responsible for global policy development and/or policy implementation (national and international);
- (ii) **Deadline** – Deadline, if any, for global policy development and/or policy implementation as set by the G20; and
- (iii) **Status of progress made** – Status of progress achieved in global policy development and/or implementation expressed in four grades (or “traffic lights” for presentation purposes). The grades reflect both (i) the extent to which progress made on each recommendation conforms to the deadline set by the G20 and (ii) the extent to which the policy development or implementation is in a manner consistent with the objective. An exercise of judgement in assigning grades is inevitable. Please see the following page for more details.

The 4 grades for assessing the status of progress

Global policy development

National/International policy implementation

(1) Completed

- Global policy is fully developed as planned.

- Agreed policy has been fully implemented across the G20 jurisdictions as planned.

(2) Green

- Global policy is on track to be developed in a manner consistent with the plan.
- In some cases, project may be somewhat behind schedule but catch-up is possible without facing difficulties.

- Agreed policy is on track to be implemented across the G20 jurisdictions in a manner consistent with the plan.
- In some cases, implementation may be somewhat behind schedule but catch-up is possible without facing difficulties.

(3) Amber

- Global policy development is currently in progress.
- However, it is facing some difficulties in meeting its objective and/or timelines.
- Corrective action is being taken or under consideration.

- Implementation of agreed policy is currently under progress.
- However, it is facing some difficulties in meeting its objective and timelines in a significant segment of member jurisdictions.

(4) Red

- Global policy development is not making adequate progress.
- Serious problems exist either in meeting its objective or timelines.
- Remedial action is warranted.

- Implementation of agreed policy is not making adequate progress across G20 jurisdictions.
- Serious problems exist either in meeting its objective or timelines in a significant segment of member jurisdictions.
- Remedial action is warranted.

Status Report on the Progress in implementing the G20 Recommendations on Financial Regulatory Reform (As of 27 October 2011)

#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
A. Strengthening of FSB's capacity							
1	FSB to expand upon and formalize its outreach activities beyond the G20 membership. (Toronto Para.35)	FSB	Ongoing	Green	-	-	-
2	FSB to develop proposals to strengthen its capacity, resources and governance. (Seoul Para. 40)	FSB	October 2011	Amber	-	-	-
Secretariat resources increased and internal processes strengthened. Rebalancing of the Steering Committee to be proposed by the next Chair. Issues of institutional capacity to be clarified.							
B. Improving bank capital and liquidity standards							
3	Development of the Basel III capital and liquidity framework (including leverage ratio regime and counter-cyclical measures) and its full implementation within the agreed timeframe (49, 51, 52, 53, 55, 56, Seoul Para.29)	BCBS	End-2010	Completed	National authorities, BCBS	starting on 1 Jan. 2013 and fully phased in by 1 Jan. 2019	Amber
There are concerns that the national implementation of Basel III may not be fully consistent with the global agreement and may not be achieved on time in some jurisdictions that have not yet published draft implementation rules and regulations. Close monitoring of consistent implementation by BCBS/FSB is needed.							
4	Adoption of Basel II and II.5 (enhancements to securitisation and trading book exposures) frameworks (54, 57, Toronto Annex II Para.12)	-	-	-	All major G20 financial centres	End-2011	Amber
Not all major G20 financial centres have yet implemented the Basel II framework, and Basel II.5 is not on track to be implemented in full in all jurisdictions. Close monitoring of consistent implementation by BCBS/FSB is needed.							
5	Develop guidelines and strengthen supervision on banks' risk management practices, including for securitisation, risk concentration, internal controls, stress testing and counterparty risk. (50, 54, 58, 59, 61, 69, 75)	BCBS	Ongoing	Green	BCBS, National authorities	Ongoing	Amber
There are concerns about the consistent implementation of guidelines on banks' risk management. Assessment by BCBS/FSB will be needed in due course.							
C. Addressing systemically important financial institutions (SIFIs)							
6	IMF, FSB and BIS to produce guidelines for authorities to assess whether a financial institution, market or an instrument is systemically important. (67)	IMF, FSB, BIS	Oct 2009	Completed	-	-	-

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#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
7	FSB to develop measures for SIFIs, including a resolution framework, higher loss absorbency capacity, more intensive supervisory oversight, robust core financial market infrastructure and other supplementary prudential requirements. (67, Seoul Para.30/31/33)	FSB, BCBS, IAIS	Ongoing	Green	FSB, National authorities	Ongoing	Amber
National authorities are currently in the process of developing and implementing measures for SIFIs. Legislation will be needed in a variety of areas.							
8	Introduce a legal framework for crisis intervention, develop recovery and resolution plans, and establish crisis management groups for major cross-border firms. (45)	FSB	Ongoing	Green	National authorities	Ongoing	Red
Adequate legal frameworks for crisis intervention are yet to be introduced in many jurisdictions. Although crisis management groups have been established, substantial further work on recovery and resolution plans and on cross-border co-operation is needed.							
9	FSB to develop key attributes of effective resolution regimes, including an international framework for cross-border resolution arrangements. (47, Seoul Para.32)	FSB	November 2011	Green	-	Not yet applicable	Not yet applicable
10	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. (Seoul Para.33)	FSB	Ongoing	Green	National authorities	Ongoing	Red
The FSB's progress report on Supervisory Intensity and Effectiveness notes that weaknesses in these areas remain in many jurisdictions.							
11	Establishment of supervisory colleges for significant cross-border firms. (46)	-	-	-	National authorities	June 2009	Amber
While supervisory colleges have been established, work is needed to improve their effectiveness in sharing information and collectively addressing risks.							
12	Regular peer reviews will be conducted by FSB on the effectiveness and consistency of national policy measures for G-SIFIs. (Seoul Para.31)	FSB	End-2011	Not yet applicable	FSB	Beginning in 2012	Not yet applicable
D. Expanding and refining the regulatory perimeter							
13	Develop recommendations to strengthen the oversight and regulation of the shadow banking system. ((G20FM+CBG April 2011 Para.7, 71)	FSB, SSBs	October 2011/ End-2012	Green	FSB, SSBs, National authorities	Not yet applicable	Not yet applicable
14	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis. (68)	IOSCO	2009	Completed	National authorities	Ongoing	Green

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
15	FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained for hedge funds. (68)	FSB, IOSCO	End-2009	Amber	National authorities	Ongoing	Amber
IOSCO Principles on hedge fund regulation provide for cooperation and information sharing as appropriate. Mechanisms for information sharing to ensure effective oversight are yet to be developed.							
16	Securitisation sponsors or originators should retain a part of the risk of the underlying assets. (54)	IOSCO, BCBS, Joint Forum	2010	Completed	National authorities	Ongoing	Amber
Not all jurisdictions have implemented quantitative retention requirements. FSB has asked IOSCO to review the current status and make proposals as necessary in its recommendations on shadow banking.							
E. Improving the OTC and commodity derivatives markets							
17	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through CCPs. All derivatives should be reported to trade repositories.(70)	CPSS, IOSCO, BCBS	End-2012	Green	Relevant authorities	End-2012	Red
Aggressive action is needed to ensure that legislative and regulatory frameworks are in place by end-2012. Coordinated completion of frameworks in US and EU as soon as possible is a key to progress. Many other jurisdictions are lagging and actual implementation across all dimensions will take longer everywhere.							
18	Improvement of regulation, functioning and transparency of commodity derivative markets. (72, Seoul Para.41)	IOSCO, FSB, Relevant authorities	Ongoing	Green	Relevant authorities	Ongoing	Amber
Few jurisdictions have the legal and regulatory framework in place to operationalise G20 commitments.							
F. Developing macro-prudential frameworks and tools							
19	Amend regulatory system to enable national authorities to identify and take account of macro-prudential risks across the financial system. (66)	-	-	-	National authorities	Ongoing	Amber
Progress is being made, but national policy frameworks and data are yet to be developed in many jurisdictions.							
20	FSB, IMF and BIS to do further work on macro-prudential policy frameworks and report progress to G20. (Seoul Para.41)	FSB, IMF, BIS	November 2011	Green			
21	FSB and IMF to collaborate on Early Warning Exercise (EWE). (44)	FSB, IMF	2009	Completed	FSB, IMF	Ongoing	Green

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
G. Strengthening and converging accounting standards							
22	Accounting standard setters to achieve a single set of high quality, global accounting standards, and complete their convergence project. (90, Seoul Para.38)	IASB, FASB	End-2011	Red	-	-	-
In some areas, convergence is taking longer than expected (e.g. classification and measurement) and will not be completed until mid-2012. In certain other areas, a path towards convergence is yet to be identified (e.g. hedge accounting and netting).							
23	Accounting standard setters to improve standards for off-balance sheet exposures, the valuation of financial instruments, provisioning, and reduce the complexity of standards. (85, 86, 87, 88)	IASB, FASB	2011	Amber	-	-	-
While the accounting standard setters have completed standards for off-balance sheet exposures and valuation, work is still continuing on provisioning and complexity.							
24	Regulators and accounting standard setters to enhance risk disclosure for complex financial products. (62, 92)	Relevant authorities, IASB, FASB	End-2009	Completed	National authorities, FSB	Ongoing	Green
25	IASB to further enhance the involvement of various stakeholders. (91, Seoul Para.38)	IASB	Ongoing	Green	IASB	Ongoing	Green
H. Strengthening adherence to international supervisory and regulatory standards							
26	Initiative to promote adherence to international prudential standards and address non-cooperative jurisdictions (NCJs). (77, 81, Seoul Para.39)	FSB	February 2010	Completed	National authorities, FSB, SSBs	Ongoing	Green
27	FSB to determine those jurisdictions that are not cooperating fully or that show insufficient progress to address weak compliance with information exchange and cooperation standards. (Seoul Para.39)	FSB	April 2011	Completed	-	-	-
28	International assessment and peer review processes to be substantially enhanced to ensure consistency in implementation and identify areas for further improvement. All G20 members to undergo a Financial Sector Assessment Program (FSAP) and the FSB peer review. (73, Seoul Para.36)	FSB, IMF, World Bank	Ongoing	Green	FSB, IMF, World Bank	Ongoing	Amber
More detailed and comprehensive implementation monitoring and assessments are needed, particularly for priority reform areas.							

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
29	All jurisdictions to implement the FSB principles and standards on sounder compensation practices. FSB to undertake ongoing monitoring and propose additional measures as required. (74, 76, G20FM+CBG Feb 2011 Para.6)	FSB	Ongoing	Green	National authorities	Ongoing	Amber
The 2 nd review on compensation practices finds that good progress by national authorities and major firms has been made. However, further work is needed to achieve full implementation in some jurisdictions, and there are concerns about inconsistent implementation of certain principles and standards. The FSB will carry on ongoing monitoring and decide on the need for additional FSB guidance in the light of findings.							
I. Other issues							
30	FSB, IMF and World Bank to report on financial stability issues that are of particular interest to emerging market and developing economies. (Seoul Para.41)	FSB, IMF, World Bank	November 2011	Green	-	-	-
31	Advanced economies, IMF and other international organisations (IOs) should provide capacity building programs for emerging market economies and developing countries on new regulations. (48)	-	-	-	Advanced economies, IMF and other IOs	Ongoing	Amber
Although progress has been made, whether expectations of the emerging market economies and developing countries are being met might need to be assessed.							
32	FSB, in collaboration with OECD and other IOs, to explore and report to the G20 on options to advance consumer finance protection. (Seoul Para.41)	FSB, OECD and other IOs	November 2011	Green	-	-	-
33	All credit rating agencies (CRAs) to be subject to a regulatory oversight regime consistent with the IOSCO Code of Conduct and across jurisdictions with appropriate sharing of information. (93, 94)	-	-	-	National authorities, IOSCO	Ongoing	Green
34	Reduce reliance on external ratings in rules and regulation. BCBS and FSB to report to G20. (Toronto Para.27, 95)	FSB, SSBs	Ongoing	Amber	National authorities	Ongoing	Amber
FSB Principles that aim to eliminate mechanistic reliance on ratings have been issued. SSBs' and national authorities' follow-up in the area of securitisation is progressing but work in most other areas is only just starting.							

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