

PROGRESS REPORT ON THE ECONOMIC AND FINANCIAL ACTIONS OF THE LONDON, WASHINGTON AND PITTSBURGH G20 SUMMITS PREPARED BY KOREA, CHAIR OF THE G20

NO.	SUMMIT COMMITMENT	PROGRESS AND NEXT STEPS
GLOBAL ECONOMY AND THE FRAMEWORK		
1	We commit to deliver the scale of sustained fiscal effort necessary to restore growth.	<p>Extraordinary fiscal stimulus packages adopted by the G20 helped lay the foundation for the recovery, and have played a critical role in preventing adverse feedbacks between the financial and real economies. Sound fiscal finances are essential to sustain recovery.</p> <p>In Toronto, Leaders reaffirmed the commitment to follow through on delivering existing stimulus plans, while working to create the conditions for robust private demand.</p>
2	Our central banks have pledged to maintain expansionary policies for as long as needed and to use the full range of monetary policy instruments, including unconventional instruments consistent with price stability.	<p>Central banks across the major advanced economies have cut policy rates close to the zero interest floor while those in major emerging economies have also sharply reduced rates. In addition, central banks have used unconventional measures including a wide range of instruments to inject liquidity, support financial intermediation and encourage credit.</p> <p>While conventional measures of monetary policy have been highly accommodative and are expected to remain as such throughout 2010 in most countries, certain countries facing strong growth have started to increase interest rates due to inflationary pressure. Also, with some exceptions, central banks have begun the process of gradually unwinding unconventional policies.</p> <p>In Toronto, Leaders agreed that monetary policy will continue to be appropriate to achieve price stability.</p>
3	We pledge to sustain our strong policy response until a durable recovery is	The IMF proposed to the G20, a set of principles and strategies to be considered in order to exit from the extraordinary support measures the G20 has taken during the

<p>secured. We are resolved to ensure long-term fiscal sustainability and price stability, and put in place credible exit strategies. We task our Finance Ministers, working with input from the IMF and FSB, at their November 2009 meeting to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing, and sequencing of this process will vary across countries or regions and across the type of policy measures.</p>	<p>crisis. The IMF has also been reviewing the G20 countries' exit strategies and implementations while assessing their collective impact on the global economy and financial system.</p> <p>The FSB has reported to the G20 Ministers and Governors on FSB members' plans for exit from extraordinary financial sector support measures, has proposed general considerations and principles that help guide the formulation of strategies, as well as areas for potential co-ordination.</p> <p>At St Andrews, the G20 Finance Ministers and Central Bank Governors agreed the following: While we will continue to provide support for the economy until the recovery is secured, we also commit to develop further our strategies for managing the withdrawal from our extraordinary macroeconomic and financial support measures. We agreed to cooperate and coordinate, taking into account any spillovers caused by our strategies, and consulting and sharing information where possible. To ensure credibility, our plans will be based on prudent assumptions and communicated promptly and transparently. We agreed to implement our plans flexibly, taking full account of variations in the pace of economic recovery and market conditions across countries and regions, and the complex interactions between different policy areas. The IMF and FSB will continue to assist us in reviewing strategies and implementation, identifying areas where coordination is particularly important and providing assessments of their collective impact on the global economy and the financial system. We welcome the work of the IMF and FSB to develop principles for exit.</p> <p>At the April Meeting in Washington, the G20 Finance Ministers and Central Bank Governors agreed the following: We recognize that in such circumstances different policy responses are required. In economies where growth is still highly dependent on policy support and consistent with sustainable public finances, it should be maintained until the recovery is firmly driven by the private sector and becomes more entrenched. Some countries are already exiting. We should all elaborate credible exit strategies from extraordinary macroeconomic and financial support measures that are tailored to individual country circumstances while taking into account any spillovers.</p>
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Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>At Busan G20 Finance Ministers and Central Bank Governors agreed on the importance of sustainable public finances and the need for our countries to put in place credible, growth-friendly measures, to deliver fiscal sustainability, differentiated for and tailored to national circumstances. Those countries with serious fiscal challenges need to accelerate the pace of consolidation. They welcomed the recent announcements by some countries to reduce their deficits in 2010 and strengthen their fiscal frameworks and institutions. Within their capacity, countries will expand domestic sources of growth, while maintaining macroeconomic stability. This will help ensure ongoing recovery. Monetary policy will continue to be appropriate to achieve price stability and thereby contribute to the recovery.</p> <p>At the Toronto Summit, G20 Leaders agreed to follow through on fiscal stimulus and communicating “growth friendly” fiscal consolidation plans in advanced countries that will be implemented going forward. They recognized that the path of adjustment must be carefully calibrated to sustain the recovery in private demand. Reflecting this balance, advanced countries have committed to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce debt-to-GDP ratios by 2016. Fiscal consolidation plans will be credible, clearly communicated in a timely fashion, differentiated to national circumstances, and focused on measures to foster economic growth.</p>
4	<p>We agreed to launch a Framework for Strong, Sustainable, and Balanced Growth. To put in place this framework, we commit to develop a process whereby we set out our objectives, put forward policies to achieve these objectives, and together assess our progress. We will ask the IMF to help us with its analysis of how our respective national or regional policy frameworks fit together. We will ask the World Bank to advise us on progress in promoting development and poverty reduction as part of the rebalancing of</p>	<p>In St Andrews, we launched the G20 Framework for Strong, Sustainable and Balanced Growth and adopted a detailed timetable and initiated a new consultative mutual assessment process.</p> <p>In accordance with the timetable, we conducted the initial phase of the mutual assessment process with the support from the IMF and World Bank by sharing our national and regional policy frameworks, programs and projections, assessing their collective consistency with our objectives, and producing a forward-looking assessment of global economic prospects. We also agreed on principles to direct the development of alternative policy scenarios and further elaborated the objectives of strong, sustainable and balanced growth for guidance to the IMF.</p> <p>At Busan, G-20 Finance Ministers and Central Bank Governors considered the alternative policy scenarios by the IMF, with input from the OECD, ILO and other</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>global growth. We will work together to ensure that our fiscal, monetary, trade, and structural policies are collectively consistent with more sustainable and balanced trajectories of growth. We will undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilization.</p> <p>We call on our Finance Ministers and Central Bank Governors to launch the new Framework by November by initiating a cooperative process of mutual assessment of our policy frameworks and the implications of those frameworks for the pattern and sustainability of global growth.</p>	<p>international organizations, and the interim report by the World Bank, both prepared in accordance with our guidance provided in April. On the basis of these reports, they carried out a consultative mutual assessment process and developed a basket of policy options to achieve stronger, more sustainable and more balanced growth.</p> <p>At the Toronto Summit, G20 Leaders considered these options and agreed on:</p> <ul style="list-style-type: none"> • Following through on fiscal stimulus and communicating “growth friendly” fiscal consolidation plans in advanced countries that will be implemented going forward. Advanced economies have committed to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016. • Strengthening social safety nets, enhancing corporate governance reform, financial market development, infrastructure spending, and greater exchange rate flexibility in key emerging markets; and, • Pursuing structural reforms across the entire G-20 membership; and • Making more progress on rebalancing global demand. <p>In Toronto, Leaders also committed to narrowing the development gap and considering the impact of policy actions on low income countries. Leaders pledged to continue support for development financing, including through new approaches that encourage development financing from both public and private sources.</p> <p>Leaders agreed that these measures need to be implemented at a national level and tailored to individual circumstances. To facilitate this process, G-20 Leaders agreed on a second stage country-led, consultative mutual assessment process to be conducted at the country and European level.</p>
5	<p>We will conduct our economic policies cooperatively and responsibly with regard to the impact on other countries</p>	<p>Since the London Summit, representatives of G20 countries have continued to meet and cooperate on many aspects of the response to the crisis. We launched the Framework for Strong, Sustainable and Balanced Growth, a key mechanism</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	and refrain from competitive devaluations of currencies and promote a stable and well-functioning international monetary system.	through which we will continue to work together to address the challenges associated with achieving a durable recovery and our shared objectives. At the Toronto Summit, G20 Leaders tasked their Finance Ministers and Central Bank Governors to prepare policy options, based on sound incentives, to strengthen global financial safety nets for their consideration at the Seoul Summit. In line with these efforts, they called on the IMF to make rapid progress in reviewing its lending instruments, with a view to further reforming them as appropriate. The objective is to build a more stable and resilient international monetary system. They also agreed on the need to enhance exchange rate flexibility in some countries.
6	In London, we agreed on the desirability of a new global consensus on the key values and principles that will promote sustainable economic activity. We support discussion on such a charter for sustainable economic activity.	In Pittsburgh, Leaders adopted the Core Values for Sustainable Economic Activity (including propriety, integrity, and transparency), and agreed that these would underpin work on the Framework. Together with the guidance we agreed in Washington, we provided the IMF the Core Values for Sustainable Economic Activity as general principles and guidance in developing the alternative policy scenarios.
IFI REFORM		
IMF RESOURCES		
7	We have agreed to increase the resources available to the IMF through immediate financing of \$250bn, subsequently to be incorporated into an expanded and more flexible New Arrangements to Borrow (NAB), increased by up to \$500bn, and to consider market borrowing if necessary.	In Pittsburgh, Leaders announced the delivery of the promise made at the London Summit to treble IMF resources, including by contributing over \$500 billion to a renewed and expanded NAB. A formal decision on an expanded and more flexible NAB was taken by the Executive Board of the IMF on April 12, 2010. To make the expanded NAB operational, current NAB participants will need to consent to the proposed amendments to the NAB decision and the increases in credit arrangements, and new participants will need to notify the Fund of their adherence to the NAB. For many current and future participants this involves domestic approval procedures, including legislative approval before they can consent or adhere to the expanded NAB. At Busan, G-20 Finance Ministers and Central Bank Governors underscored their resolve to ensure the IMF has the resources it needs so that it can play its important

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>role in the world economy. They urged all participating countries to swiftly implement the expanded New Arrangements to Borrow (NAB).</p> <p>In Toronto, Leaders called on all existing and new participants in the NAB who have not yet formally accepted the agreed reforms to complete the acceptance process for the expanded NAB by the October 2010 meeting of G-20 Finance Ministers and Central Bank Governors.</p> <p>More details are available at www.imf.org/external/np/exr/facts/gabnab.htm.</p>
8	Doubling of access limits for lending to LICs within the Debt Sustainability Framework agreed in London.	Access limits have been doubled.
9	Leaders committed, consistent with the new income model, that additional resources from agreed sales of IMF gold will be used, together with surplus income, to provide \$6bn additional concessional and flexible finance for the poorest countries over the next 2-3 years (IMF to come forward with proposals by Spring Meetings).	<p>The IMF Board approved a comprehensive LIC support package on 23 July 2009, which includes additional financial assistance, exceptional interest relief, higher concessionality, and the creation of more flexible LIC facilities tailored to meet LICs' needs. These reforms became operational on January 7, 2010. The IMF's internal resources (including resources linked to gold sales) and prospective additional bilateral contributions will be used to help finance up to \$10 billion in new concessional lending to low income countries for 2009-2011, and up to \$17 billion through to 2014.</p> <p>In Toronto, Leaders reviewed progress and noted that some G-20 members are supporting this commitment through loan and subsidy resources for the Poverty Reduction and Growth Trust and others plan to contribute in coming months.</p>
10	We support a General Special Drawing Rights (SDR) allocation, which will inject \$250bn into the world economy and increase global liquidity, \$100bn of which will go directly to emerging market and developing countries.	<p>A general SDR allocation amounting to the equivalent of \$250bn was made on 28 August 2009. The equivalent of nearly \$100bn went to emerging markets and developing countries, of which LICs received over \$18bn.</p> <p>To support SDR liquidity, the IMF has substantially expanded the capacity of voluntary arrangements to buy and sell SDR in exchange for currencies in the SDR basket.</p>
11	Urgent ratification of the Fourth Amendment of the IMF's articles.	The Fourth Amendment became effective for all members on 10 August 2009. As a result, a special one-off allocation of SDRs, amounting to about \$33bn, was made on 9 September 2009.

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

12	Several countries are considering, on a voluntary basis, mechanisms that could allow, consistent with their national circumstances, the mobilization of existing SDR resources to support the IMF's lending to the poorest countries.	On April 21, 2010, the IMF's Executive Board approved measures to facilitate the mobilization of PRGT loan contributions, including from the existing SDR resources. As of April, 21, 2010, pledges of PRGT loan contributions amounting to SDR 7.6 billion had been made, of which SDR 6.1 billion are to be provided in SDRs by six countries.
MDB RESOURCES		
13	We support a 200 per cent general capital increase at the Asian Development Bank (ADB) agreed.	ADB's Board of Governors adopted a resolution in April 2009, approving a 200 per cent increase in ADB's capital stock. This will triple ADB's capital base from approximately \$55bn to \$165bn.
14	We support a substantial increase in lending of at least \$100bn by the MDBs, including to LICs, to a total of up to \$300bn over the next three years (by 2012) agreed.	<p>Since the start of the global financial crisis, the MDBs have been playing an important role in the global response by exceeding our London commitment, in providing \$235 billion in lending, more than half of which has come from the World Bank Group.</p> <p>In Toronto, Leaders have fulfilled their commitment to ensure that the MDBs have appropriate resources by increasing their capital base by 85%, or approximately \$350 billion. Overall, MDB total lending to developing countries will grow from \$37 billion per year to \$71 billion per year. This will improve their ability to address the increasing demand in the short and medium terms and to have enough resources to support their members.</p>
15	We support full and exceptional use of MDB balance sheets, to create further capacity for lending to meet crisis needs agreed in London. In Pittsburgh, Leaders called on Finance Ministers to consider how mechanisms such as temporary callable and contingent capital could be used in the future to increase MDB lending at times of crisis.	<p>The MDBs have taken concrete steps to enhance their financial capacity through exceptional use of their balance sheets. For example:</p> <ul style="list-style-type: none"> • the World Bank have agreed an increase in International Bank for Reconstruction and Development (IBRD) loan pricing in August 2009. Another loan pricing/loan maturity reform at the IBRD took place in June 2010; • the European Bank for Reconstruction and Development's (EBRD) Board has approved a change in the interpretation of the Bank's statutory gearing ratio to an operating assets basis, providing additional headroom for operating asset growth. Significant progress has been made in utilizing EBRD's balance sheet; • the African Development Bank's (AfDB) Board of Directors approved a change to the Bank's debt to Usable Capital Ratio in July 2009; the AfDB

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>has increased its balance sheet by \$2.8bn of temporary callable capital.</p> <ul style="list-style-type: none"> • the Asian Development Bank (ADB) is making full use of its financial positions to provide countercyclical funding support to its crisis-affected DMCs and released \$400m from its prudential minimum liquidity to the Asian Development Fund; and • the Inter-American Development Bank (IaDB) has increased its balance sheet by \$4bn through the innovative addition of temporary callable capital and will increase disbursements by \$2bn having eliminated the Policy Based Borrowing Authority. • The MDBs are considering other options and developing further proposals.
16	We ask relevant ministers to explore the benefits of a new crisis support facility in IDA to protect LICs from future crises and the enhanced use of financial instruments in protecting the investment plans of middle income countries from interruption in times of crisis, including greater use of guarantees.	<p>IDA Deputies and IDA Borrower Representatives endorsed Management’s proposal to seek approval from the Executive Directors for the immediate establishment of a pilot CRW in IDA15. The possibility of adding a crisis window to IDA’s permanent modalities is being discussed in the course of the IDA16 replenishment process.</p> <p>The Bank is developing a strategy to enhance Bank (IBRD/IDA) guarantees, including by improve the guarantee product’s attractiveness</p>
17	We commit to ensure the MDBs are appropriately funded, and we support reviews of the need for capital increases at the WBG, IADB, AfDB, EBRD to be completed by the first half of 2010. We agreed that additional resources must be joined to key institutional reforms to ensure effectiveness: greater coordination and a clearer division of labor; an increased commitment to transparency, accountability, and good corporate governance; an increased capacity to innovate and achieve demonstrable results; and greater attention to the needs of the poorest populations.	<p>A capital increase for IBRD of \$86.2 billion was endorsed at the 2010 Spring meeting, of which \$58.4 billion with paid-in capital of \$3.5 billion would be from a general capital increase, and \$27.8 billion with paid-in capital of \$1.6 billion would be from a Selective Capital Increase associated with Voice Reforms. In addition, a general capital increase for RDBs was endorsed at their respective annual meeting as follows: \$70 billion with paid-in capital of \$1.7 billion for the Inter-American Development Bank (IDB), €10 billion with paid-in capital of €1 billion through capitalization of reserves for the European Bank for Reconstruction and Development (EBRD), and 43.6 billion UA with paid-in capital of 2.6 billion UA for the African Development Bank (AfDB).</p> <p>At Washington and Busan, G-20 Finance Ministers and Central Bank Governors reaffirmed that they would work towards ambitious IDA16 and African Development Fund replenishments. In Toronto, Leaders endorsed this commitment and reiterated their support for fairer and wider burden sharing.</p>
18	IDA resources should be frontloaded,	The World Bank has relaxed the standard frontloading rule to allow countries to

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	using the existing flexibility in the Debt Sustainability Framework (DSF).	frontload up to half of their annual allocation (instead of the regular 30 per cent) for programs or projects that respond to the impact of the crisis, and is fast-tracking up to \$2bn of IDA15, consistent with the Bank's existing operational guidelines on crisis response. In addition, the AfDB launched the AfDF Fast Track Program, to enhance flexibility in AfDF operations and policies, including to allow significant frontloading of resources. The ADB is allowing up to 100 per cent frontloading in 2009 for all ADF countries.
19	We support actions to leverage private capital more effectively for the MDBs, including through use of guarantees, bond insurance and bridging finance.	<p>The MDBs have stepped up their efforts to leverage private capital to maximize their impact, through development of new initiatives or reinforcement of existing ones. Some have taken specific actions using guarantee schemes or mitigating risks for private lenders. Actions include:</p> <ul style="list-style-type: none"> • the World Bank has recently formed lender coalitions, and expanded the use of guarantees, insurance instruments and risk management products. It is also continuing a dialogue with major underwriters of emerging market bond issuance and liability management experts to identify innovative co-financing opportunities; • IFC has continued to build on its crisis initiatives and the Asset Management Company to mobilize capital from the private sector and other partners to increase investment in developing countries; • the EBRD has made significant progress in developing initiatives, such as the Joint IFI Action Plan and 'Vienna Initiative'; • amongst other things, the AfDB has, with the Africa Commission, agreed to set-up an African SME Guarantee Fund to address the constraint to investment finance for SMEs and for capacity development for financial institutions and SMEs. The AfDB is also about to adopt a Partial Risk Guarantee and there are ongoing discussions on a First Loss Portfolio Guarantee; • the ADB increased its allocation for guarantees by around \$2bn in 2009, including the Trade Finance Facilitation Program and investment in several infrastructure financing projects through its private sector lending. • the IaDB continues to increase its non-sovereign guaranteed portfolio.
20	Low-income IDA countries with sustainable debt positions and sound policies should be given temporary access to non-concessional IBRD	To help tap the potential for commercially viable and fiscally attractive foreign exchange-earning projects in many IDA countries, the World Bank is developing an approach to expand the use of IBRD resources for specific projects in IDA countries based on the IBRD Enclave framework.

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	lending to compensate for the loss of access to capital markets.	
21	Individual country limits on World Bank lending should be increased as appropriate to enable large countries to access required levels of finance and so support stability and recovery in their regions.	IBRD's Board increased its Single Borrower Limit (SBL) from \$15.5bn to \$16.5bn for FY2010. This limit is applicable to IBRD's largest borrowing countries that have achieved investment-grade status.
22	We will support, through voluntary bilateral contributions, the World Bank Vulnerability Framework, including the Infrastructure Crisis Facility and the Rapid Social Response Fund.	Vulnerability Framework initiatives are being implemented, including: <ul style="list-style-type: none"> • raising the ceiling of the Global Food Crisis Response Program (GFRP) from \$1.2bn to \$2bn. Total World Bank-funded GFRP projects currently amount to almost \$1.2bn; • the Rapid Social Response to address urgent social needs by financing immediate interventions in basic social services, safety net programs, and labor market policies; • the Infrastructure Recovery and Assets Platform; and • IFC-led initiatives for the private sector. IFC has mobilized more than \$10bn under these initiatives and the initiatives are actively disbursing.
GENERAL IFI LENDING		
23	We have agreed to review the flexibility of the Debt Sustainability Framework.	The IMF and World Bank Executive Boards reviewed aspects of the Debt Sustainability Framework and the IMF Executive Board approved new guidelines for debt limits in Fund-supported programs. Both now allow the Fund and the Bank to respond more flexibly to the needs of their members.
IMF GOVERNANCE		
24	We call on the IMF to complete the next review of quota and voice, by January 2011 (London). On this basis and as part of that review, we urge an acceleration of work toward bringing the review to a successful conclusion.	At their April 2010 meeting in Washington, the International Monetary and Financial Committee (IMFC) pledged to complete the quota review before January 2011 in line with parameters agreed in Istanbul and in parallel deliver on other governance reforms. At Busan G20 Finance Ministers and Central Bank Governors called for an acceleration of the substantial work still needed for the IMF to complete the quota reform by the Seoul Summit and in parallel deliver on other governance reforms, in line with commitments made in Pittsburgh.

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		At the Toronto Summit, Leaders reaffirmed the call for acceleration of the work.
25	We must urgently implement the package of IMF quota and voice reforms agreed in April 2008.	<p>As of June 21, 2010 , 84 countries (of the 113 needed), accounting for around 78 percent of total voting power (of 85 percent needed) had accepted amendments to Articles to triple basic votes and provide for an additional Alternate Director for large constituencies.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors agreed the following: We reiterated the urgency of implementing the April 2008 package of IMF quota and voice reforms.</p> <p>At the Toronto Summit, Leaders called on all IMF members to ratify the agreement this year.</p>
26	<p>In Pittsburgh, Leaders committed to a shift in IMF quota share to dynamic emerging markets and developing countries of at least 5 per cent from over-represented countries to under-represented countries using the current quota formula as the basis to work from. Leaders also agreed to protect the voting share of the poorest in the IMF.</p> <p>Leaders agreed that the review will also need to address:</p> <ul style="list-style-type: none"> • the size of any increase in IMF quotas, which will have a bearing on the ability to facilitate change in quota shares; • the size and composition of the Executive Board; • ways of enhancing the Board’s effectiveness; • the Fund Governors’ 	<p>At the 2009 Annual Meetings, the IMFC also called for a shift to dynamic emerging markets and developing countries of at least 5 percent from over-represented to under-represented countries using the current quota formula as a basis to work from. At the 2010 Spring Meetings, the IMFC further pledged to complete the quota review before January 2011 in line with the parameters agreed in Istanbul and in parallel deliver on other governance reforms, and called for an acceleration of the substantial work still needed on the full range of quota and other governance reforms, including management selection, ministerial engagement, Board composition and size, voting majorities, and staff diversity.</p> <p>In March and April 2010, the IMF Executive Board reviewed the issues of quota and governance reform.</p> <p>A Working Group on IMF quota and governance reform has been established to help build a consensus on the required reforms, to enable the G20 to support the work being undertaken by the IMF. The Working Group submitted the interim report containing reform options to G20 Finance Ministers and Central Governors at their June meeting in Busan, Republic of Korea.</p> <p>At Washington this Spring, the IMFC members called for an acceleration of the substantial work still needed on the full range of quota and other governance reforms.</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>involvement in the strategic oversight of the IMF; and</p> <ul style="list-style-type: none"> enhancement of staff diversity. 	<p>At the Toronto Summit, G20 Leaders agreed to accelerate the fulfillment of this commitment to November 2010.</p>
27	<p>We agreed that the heads and senior leadership of the international financial institutions should be appointed through an open, transparent and merit-based selection process.</p>	<p>The management selection process has been considered by the World Bank and the IDB as part of the ongoing governance reform and capital review processes, respectively. The EBRD has already implemented principles consistent with this. The Executive Board of the IMF has formed a working group on the selection process for the Managing Director of the IMF, and progress on this issue was included in the Board's report to the IMFC ahead of the Spring 2010 meetings. The IMFC continues to urge further work on this and other governance issues.</p> <p>At the Toronto Summit, G20 Leaders agreed to strengthen these processes in the lead up to the Seoul Summit in the context of broader reform.</p>
28	<p>We agree that consideration should be given to greater involvement of the Fund's Governors in providing strategic direction to IMF and increasing its accountability.</p>	<p>The IMF Executive Board discussed options to raise ministerial engagement in July 2009, and had a follow-up discussion in March 2010. Reforms to boost Governors' engagement recently instituted, including greater use of informal sessions and improvements to the communiqué drafting process, have been generally welcomed, while additional proposals will be discussed over the summer. Leaders reaffirmed this commitment in Toronto.</p>
29	<p>The Chairman, working with the G20 Finance Ministers, will consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability of IFIs.</p>	<p>The Pittsburgh Summit welcomed Prime Minister Brown's report on his review of the responsiveness and adaptability of international financial institutions (IFIs) and asked Finance Ministers to consider its conclusions.</p> <p>At St Andrews G20 Finance Ministers and Central Bank Governors reaffirmed their commitment to: "deliver the representation and governance reforms agreed in Pittsburgh and reiterated the deadlines of the 2010 Spring Meetings for the World Bank and January 2011 for the IMF; complete the 2008 quota and voice reforms; complete the review of World Bank and RDB capital to ensure they have sufficient resources conditional on reforms to ensure effectiveness, by the first half of 2010; make progress on reviewing the mandate of the IMF; and strengthen their capability to prevent and manage future crises."</p>
WORLD BANK GOVERNANCE		
30	<p>We commit to implementing the World Bank reforms agreed in October 2008.</p>	<p>Reforms are underway:</p> <ul style="list-style-type: none"> shareholders are in the process of approving the amendment to the IBRD

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>Articles of Agreement to increase Basic Votes;</p> <ul style="list-style-type: none"> • A third SSA Director is expected to be elected in the October 2010 Board elections, and the countries concerned are in final discussions on arrangement of constituencies. • there is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with nominations open to all Board members and transparent Board consideration of all candidates.; and • The Board has reported on the progress on governance and accountability reforms to the Spring Meetings and identified further areas for reforms, to be reported at the 2010 Annual Meetings.
31	We look forward to further recommendation, at the next meetings, on voice and representation reforms on an accelerated timescale, to be agreed. (By 2010 Spring Meetings).	Voice reform to increase the voting power of developing and transition countries (DTC) in World Bank by 3.13%, bringing it to 47.19% was endorsed at the 2010 Spring Meeting.
IMF SURVEILLANCE AND MANDATE		
32	We will reform the IFIs' mandates, scope and governance to reflect changes in the world economy and the new challenges of globalization and that emerging and developing economies, including the poorest, must have greater voice and representation.	Prior to the 2010 Spring Meetings, the IMF Executive Board discussed issues related to reforms of the Fund's surveillance mandate, and its future financing role, and the stability of the international monetary system. These and future planned discussions will form the basis of a Report to the IMFC on the Fund's mandate ahead of the 2010 Annual Meetings.
33	We will support, now and in the future, candid, even-handed, and independent IMF surveillance of our economies and financial sectors, of the impact of their policies on others, and of risks facing the global economy.	<p>Coverage of financial sector issues in surveillance is being reinforced by the new Financial Sector Surveillance Guidance Note, recent reforms to the Financial Sector Assessment Program (FSAP), and complementary efforts to integrate financial sector work into surveillance. Assessment of risks facing the global economy is being strengthened through the IMF-FSB early warning exercise and the discussion of cross-cutting themes in major ArticleIV consultations. Publication rates for country staff reports are high at around 90 per cent.</p> <p>In Pittsburgh, Leaders committed to work together to strengthen the Fund's ability to provide even-handed, candid and independent surveillance of the risks facing the</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>global economy and the international financial system.</p> <p>At the Toronto Summit, G20 Leaders agreed that IMF surveillance should be enhanced to focus on systemic risks and vulnerabilities, wherever they may lie. Leaders pledged to support robust and transparent international assessment and peer review through the FSAP and affirmed the fundamental importance of this process in making the financial sector safer.</p>
34	<p>The IMF should take steps to ensure that its surveillance and lending facilities address effectively the underlying causes of countries' balance of payments financing needs, particularly the withdrawal of external capital flows to the banking and corporate sectors.</p>	<p>The IMF is continuing its work to strengthen bilateral and multilateral surveillance, including macro-financial linkages. In September 2009, the IMF Executive Board adopted a revised Statement of Surveillance Priorities, which sets new economic priorities for 2008-2011. In April 2010, the Board discussed papers on "Modernizing the Surveillance Mandate and Modalities" and "Financial Sector Surveillance and the Mandate of the Fund".</p> <p>Reforms to the IMF lending and conditionality framework to date include:</p> <ul style="list-style-type: none"> • the introduction of a new high access crisis prevention instrument (the Flexible Credit Line), available on a precautionary basis to counter possible withdrawal of private financing; • more flexible stand-by arrangements as crisis prevention tools; • new lending instruments for LICs, including increased concessionality and temporary interest relief; • doubled access limits with charges, fees and maturities revised; • reform of conditionality to ensure conditions sufficiently focused and tailored to circumstances, partly aimed at reducing stigma; • greater reliance on ex-ante conditionality; and elimination of structural performance criteria — structural reforms now to be monitored in context of program reviews. <p>In Toronto, Leaders called on the IMF to make rapid progress in its review of its lending instruments.</p>
35	<p>In Pittsburgh, Leaders said "As recovery takes hold, we will work together to strengthen the Fund's ability to provide even-handed, candid and independent surveillance of the risks facing the global economy and the</p>	<p>On IMF surveillance, the IMFC in September 2009 manifested "important strides made to enhance Fund surveillance, including the launch of the IMF-FSB Early Warning Exercise, and ongoing efforts to strengthen financial sector and cross-country analysis."</p> <p>In Incheon, February 2010, Deputy Finance Ministers and Deputy Central Bank</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>international financial system.</p> <p>We ask the IMF to support our effort under the Framework for Strong, Sustainable and Balanced Growth through its surveillance of our countries' policy frameworks and their collective implications for financial stability and the level and pattern of global growth.</p>	<p>Governors highlighted the importance of ongoing discussion and review of the IMF mandate, in particular, strengthening surveillance functions and reforming IMF lending facilities.</p> <p>At the IMFC meeting in April 2010, the members called on the Fund to strengthen surveillance further, including by sharpening its focus on macro-financial issues, capital flows, and systemic risks and spillovers. They called on members to fulfill their obligations under Article IV of the Articles of Agreement and looked forward to reviewing concrete progress on these issues at the next meetings.</p>
GLOBAL FINANCIAL SAFETY NETS		
36	<p>The IMF should take steps to ensure that its surveillance and lending facilities address effectively the underlying causes of countries' balance of payments financing needs, particularly the withdrawal of external capital flows to the banking and corporate sectors.</p>	<p>Financial Safety Nets Experts Group has been established to explore policy options to help countries cope with financial volatility and reducing economic disruption from sudden swings in capital flows. Two Co-chairs' reports assessing the ability of current architecture to deal with capital volatility and drawing lessons from 2008~2009 crisis experiences have been issued.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors encouraged progress on the Financial Safety Nets and acknowledged a need for national, regional and multilateral efforts to deal with capital volatility and prevent crisis contagion, as demonstrated by the recent events, and agreed to explore policy options to improve global financial safety nets, based on sound incentives. In line with this effort, they called on the IMF to make rapid progress in reviewing its lending instruments, with a view to developing and upgrading them, as appropriate.</p> <p>At the Toronto Summit, G-20 Leaders agreed to task our Finance Ministers and Central Bank Governors to prepare policy options based on sound incentives to strengthen global financial safety nets for consideration at the Seoul Summit.</p>
STRENGTHENING SUPPORT THE MOST VULNERABLES		
37	<p>In Pittsburgh leaders call on the World Bank to work with interested donors and organizations to develop a multilateral trust fund to scale-up agricultural assistance to low-income</p>	<p>The World Bank was set to become trustee of GAFSP(Global Agriculture and Food Security Program) amounting to 900 million on April 22, 2010.</p> <p>At the Toronto Summit, G20 Leaders welcome the launch of the Global Agriculture and Food Security Program (GAFSP), which will provide predictable financing for</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	countries.	<p>low income countries to improve agricultural productivity, raise rural incomes, and build sustainable agricultural systems. Leaders were particularly pleased that the fund has approved inaugural grants totaling \$224 million for Bangladesh, Rwanda, Haiti, Togo, and Sierra Leone. Leaders also supported the development of the private sector window of the GAFSP, which will increase private sector investments to support small and medium sized agri-businesses and farmers in poor countries. Leaders welcomed the support already received, and encouraged additional donor contributions to both the public and private sector windows of the GAFSP. Leaders also committed to exploring the potential of innovative, results based mechanisms such as advance market commitments to harness the creativity and resources of the private sector in achieving breakthrough innovations in food security and agriculture development in poor countries. Leaders will report on progress at the Seoul Summit. Leaders also called for the full implementation of the L' Aquila Initiative and application of its principles.</p>
38	<p>In Pittsburgh leaders committed to launch a G-20 Financial Inclusion Experts Group.</p>	<p>G-20 Financial Inclusion Experts Group was launched on December 3, 2009. Two sub-groups have been established and designated as: (1) the Access Through Innovation (ATI) Sub-Group, and (2) the SME Finance Sub-Group. The ATI sub-group submitted the Principles for Innovative Financial Inclusion and ATI subgroup report on Innovative Financial Inclusion. The SME Finance Sub-Group submitted the interim report including case studies in SME Finance.</p> <p>At the Toronto Summit, G20 Leaders launched the SME Finance Challenge aimed at finding the most promising models for public-private partnerships that catalyze finance for SMEs. Leaders are committed to mobilizing the funding needed to implement winning proposals, including through the strong support of the MDBs. Leaders welcomed the strong support of the MDBs for scalable and sustainable SME financing proposals, including those from the Challenge in partnership with the private sector. Leaders will announce the winning proposals of the SME Finance Challenge and will receive recommendations to scale-up successful SME finance models at the Seoul Summit. Leaders have also developed a set of principles for innovative financial inclusion, which will form the basis of a concrete and pragmatic action plan for improving access to financial services amongst the poor. This action plan will be released at the Seoul Summit.</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

39	Debt relief for Haiti	<p>In April 2010, G20 Finance Ministers and Central Bank Governors agreed to support full relief of Haiti’s debt by all IFIs, including through burden sharing.</p> <p>At the Toronto Summit, Leaders welcomed that an agreement on a framework for canceling such debt has been reached at the IMF, the World Bank, the International Fund for Agriculture Development, and soon at the Inter-American Development Bank. Leaders committed to contribute their fair shares of the associated costs as soon as possible, and to report on progress at the Seoul Summit.</p>
FOSSIL FUEL SUBSIDIES		
40	<p>In Pittsburgh Leaders committed to phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest. They asked Energy and Finance Ministers, with support from the IFIs, to develop implementation strategies and timeframes, reporting back at the next Summit.</p> <p>They asked the relevant institutions to provide an analysis of the scope of energy subsidies and suggestions for the implementation of this initiative by the next summit.</p>	<p>At St Andrews G20 Finance Ministers and Central Bank Governors called on the IEA, OPEC, OECD and World Bank to produce a joint report, and agreed to prepare, together with Energy Ministers, implementation strategies and timeframes, based on our national circumstances, for rationalizing and phasing out inefficient fossil fuel subsidies that encourage wasteful consumption, and for providing targeted assistance programs.</p> <p>At Washington D.C. G20 Finance Ministers and Central Bank Governors agreed the following: We noted the draft report on the scope of energy subsidies and suggestions for the implementation of the Pittsburgh commitment from the IEA, OPEC, OECD and World Bank. In accordance with country ownership and circumstances and recognizing the importance of providing those in need with essential energy services, we recommitted to prepare strategies and timetables for our meeting in June to rationalize and phase out, over the medium term, of inefficient fossil fuel subsidies that encourage wasteful consumption.</p> <p>To implement the task, G20 energy experts held a series of conference calls and two meetings in Paris on March 11 and in Washington DC on April 26. They discussed the scope of inefficient fossil fuel subsidies and set up a common timetable. The four IOs tasked to issue a joint report also worked closely and in coordination. The draft joint report on “the Analysis of the Scope of Energy Subsidies and Suggestions for the G20 initiative” was delivered at the April 2010</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>Washington DC meeting, and the draft of the final joint report was delivered at the Busan meeting.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors welcomed the strategies and timetables provided by many G20 members for rationalizing and phasing out inefficient fossil fuel subsidies. They discussed the final report by the IEA, OPEC, OECD and World Bank on the analysis of the scope of energy subsidies and suggestions for the implementation of the Pittsburgh commitment.</p> <p>At the Toronto Summit, G20 Leaders noted with appreciation the report on energy subsidies from IEA, OPEC, OECD and World Bank. They welcomed the work of Finance and Energy Ministers in delivering implementation strategies and timeframes, based on national circumstances, for the rationalization and phase out over the medium term of inefficient fossil fuel subsidies that encourage wasteful consumption, taking into account vulnerable groups and their development needs. They encouraged continued and full implementation of country-specific strategies and committed to review progress at upcoming summits.</p>
FINANCIAL REGULATION		
41	<p>We are committed to take action at the national and international level to raise standards together so that national authorities implement global standards consistently in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and regulatory arbitrage. We call on the FSB to report on progress to the G20 Finance Ministers and Central Bank Governors in advance of the next Leaders summit.</p>	<p>The Financial Stability Board provided G20 Finance Ministers and Central Bank Governors in April 2010 a progress report describing the measures that have been taken and other progress made to date to implement G20 Leaders' commitments and relevant FSF and FSB recommendations. It also reported on progress in Busan and submitted an overview progress report to G20 Leaders ahead of the Toronto Summit.</p> <p>In Toronto, Leaders asked the FSB to review national and regional implementation of prior G-20 commitments and promote global cohesion, and assess and report back to Finance Ministers and Central Bank Governors in October 2010 if further work is required.</p>
FSB ESTABLISHMENT		
42	<p>We agreed to the establishment of a new Financial Stability Board (FSB) as</p>	<p>The G20 Leaders at the London Summit transformed the FSF into the FSB, with an expanded membership and a broadened mandate to promote financial stability. The</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>a successor to the Financial Stability Forum (FSF).</p>	<p>FSB held its inaugural meeting on 26-27 June 2009, and has set up the internal structures needed to address its mandate. These new structures include a Plenary, Steering Committee and three Standing Committees – for Assessment of Vulnerabilities; Supervisory and Regulatory Cooperation; and Standards Implementation.</p> <p>In Pittsburgh, Leaders endorsed the institutional strengthening of the Financial Stability Board through its Charter and welcomed its reports to Leaders and Ministers.</p> <p>In Toronto, Leaders reaffirmed the FSB’s principal role in the elaboration of international financial and supervisory regulatory practices, peer review, and coordination of the standard-setting bodies. Leaders encouraged the FSB to look at ways to strengthen its capacity to keep pace with growing demands.</p> <p>Leaders called upon the FSB to expand upon and formalize its outreach activities beyond the membership of the G20 to reflect the global nature of the financial system.</p>
43	<p>FSB members have committed to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP (Financial Sector Assessment Program) reports. The FSB will elaborate and report on these commitments and the evaluation process.</p>	<p>The FSB Framework for Strengthening Adherence to International Standards, published in January 2010, aims to promote a race to the top in compliance with international standards. FSB member jurisdictions have committed to lead by example by implementing international financial standards in full, undergoing an assessment under the IMF-World Bank FSAP every five years, participating in thematic and country peer reviews of FSB members, and publishing the results of these assessments. Based on the schedule of recently completed FSAPs, Italy, Mexico and Spain will each undergo a country peer review in 2010. The FSB will also conduct three thematic reviews in 2010; the first thematic review (on compensation) was concluded in March 2010. The second thematic review will examine risk disclosures by major financial institutions, and the third will survey existing practices in mortgage origination.</p> <p>At the Toronto Summit, G20 Leaders pledged to support robust and transparent independent international assessment and peer review of their financial systems through the IMF-World Bank FSAP and the FSB peer review process. Leaders reaffirmed the FSB’s principal role in the elaboration of international financial</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		sector supervisory and regulatory policies and standards, co-ordination across various standard setting bodies, and ensuring accountability for the reform agenda by conducting thematic and country peer reviews and fostering a level playing field through coherent implementation across sectors and jurisdictions. To that end, Leaders welcomed the FSB's first thematic peer review report on compensation, which showed progress in the implementation of the FSB's standards for sound compensation, but full implementation is far from complete. Leaders encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. Leaders called on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011. Leaders also look forward to the results of the FSB's thematic review of risk disclosures. Leaders acknowledged the significant progress in the FSB's country review program. Three reviews will be completed this year.
INTERNATIONAL COOPERATION		
44	The FSB should collaborate with the IMF to conduct early warning exercises (EWE) to identify and report to the IMFC and the G20 Finance Ministers and Central Bank Governors on the build- up of macroeconomic and financial risks and the actions needed to address them.	The Early Warning Exercise (EWE) was launched at the meeting of the International Monetary and Financial Committee (IMFC) in April 2009. The next rounds of the EWE were presented to the IMFC meeting in October 2009 and April 2010. The IMF and the FSB are continuing to develop the framework for the Early Warning Exercise.
45	Implement immediately the FSF principles for cross-border crisis management and that systemically important financial firms should develop internationally consistent firm-specific contingency and resolution plans. National authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention, as well as improve information sharing in times of stress.	The FSB is to consider and develop by the November G20 Leaders' Summit concrete policy recommendations to address the "too big to fail" problems associated with systemically important financial institutions. The FSB is engaged in three approaches as follows, while drawing on and monitoring the work which is already underway in member bodies as well as work done by domestic authorities which directly contributes to addressing the "too big to fail" issue: <ul style="list-style-type: none"> • Reducing probability and impact of failure. This approach is examining the various supervisory and regulatory approaches to dealing with systemically important financial institution, including requirements relating to specific funding and capital arrangements, legal and operational structures, and intensive supervision;

<p>Develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future.</p>	<ul style="list-style-type: none"> • Improving resolution capacity. This approach is considering policies to improve the capacity to undertake an orderly resolution of a failing firm and examine the effectiveness of efforts to improve ex ante crisis preparedness, contingency planning, cooperation and information exchange among relevant authorities; and • Strengthening the core financial market infrastructures and markets. This approach is considering improvements to infrastructures and measures to reduce contagion risks, particularly in the over-the-counter (OTC) derivatives market. <p>Work underway in the FSB Cross-border Crisis Management Working Group is directed at achieving a better understanding of how large international firms could be resolved under existing national frameworks and how different frameworks interact. Crisis management groups, which consist of representatives from supervisory agencies, central banks and resolution authorities from the key home and host jurisdictions, have been established for the major international financial firms.</p> <p>The work on recovery and resolution planning may lead to less complex group structures that not only give authorities greater resolution options but also support more effective supervision. At the same time, it is not possible to resolve cross-border institutions strictly along national lines, which means that it is necessary to achieve greater coordination across borders. Significant issues remain to be resolved in this area at political level. As part of the FSB work program on reducing moral hazard posed by systemically important financial institutions the FSB will identify the key attributes of effective national resolution regimes as well as a menu of resolution tools that authorities should have at their disposal to resolve a failing financial firm, including in a cross-border context.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors emphasized the need to reduce moral hazard associated with systemically important financial institutions and reinforced their commitment to develop effective resolution tools and frameworks for all financial institutions on the basis of internationally agreed principles.</p>
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Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>At the Toronto Summit, G-20 Leaders agreed that resolution regimes should provide for:</p> <ul style="list-style-type: none"> • proper allocation of losses to reduce moral hazard and protect taxpayers; • continuity of critical financial services, including uninterrupted service for insured depositors; credibility of the resolution regime in the market; • minimization of contagion; • advanced planning for orderly resolution and transfer of contractual relationships; and, • effective cooperation and information exchange domestically and among jurisdictions in the event of a failure of a cross-border institution.
46	Establishment of the remaining supervisory colleges for significant cross-border firms by June 2009.	<p>Core supervisory colleges for the more than thirty large complex financial institutions identified by the FSB as needing college arrangements have been in operation since last year. In March 2010 the BCBS released a consultative document on good practices on supervisory colleges. The proposed good practice principles are designed to help both home and host supervisors to ensure that supervisory colleges work as effectively as possible by outlining expectations in relation to college objectives, governance, communication and information sharing.</p> <p>The IAIS adopted a supervisory guidance paper on the use of supervisory colleges in group-wide supervision in October 2009 and is undertaking a follow-up survey to assess the impact of this guidance. As part of the Insurance Core Principles review process, key features of the guidance paper might be elevated to become new standards.</p> <p>IOSCO released in May 2010 a set of Principles Regarding Cross-border Supervisory Cooperation, that set out how securities regulators can better build and maintain cross-border cooperative relationships that will allow them to more effectively oversee financial services providers such as investment advisers, asset managers, hedge funds, credit rating agencies, exchanges and clearing houses that operate in multiple jurisdictions.</p> <p>The FSB is reviewing the merits of developing overarching cross-sectoral principles to guide and improve the operation of supervisory colleges</p>
47	Support continued efforts by the IMF, FSB, World Bank, and BCBS to	<p>The Cross-border Bank Resolution Group (CBRG) of the BCBS released its recommendations on cross-border bank resolution in March 2010. These focus on</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>develop an international framework for cross-border bank resolution arrangements.</p>	<p>enhancing authorities' resolution powers and national frameworks for a coordinated resolution of financial groups, and promoting effective procedures that facilitate cross-border information sharing and coordination of resolution measures. The recommendations call for resiliency and wind-down contingency planning to become a regular component of supervisory oversight and take into account cross-border interdependencies and the implications of complex group structures for effective resolution. They also call on national authorities to encourage simplification of group structures in a manner that facilitates effective resolution.</p> <p>In parallel, the IMF is currently examining the principal legal and policy issues that arise in the insolvency of cross-border financial groups, and the approaches that could be taken in addressing them, and plans to lay out proposals for the design of an international framework guiding the insolvency of a cross-border financial group in early July 2010.</p> <p>As part of the FSB work program on reducing moral hazard posed by systemically important financial institutions the FSB will identify framework conditions that should permit an orderly resolution of a failing financial firm in a cross-border context.</p> <p>At the Toronto Summit, G-20 Leaders expressed their commitment to design and implement a system where we have the powers and tools to restructure or resolve all types of financial institutions in crisis, without taxpayers ultimately bearing the burden. These powers should facilitate "going concern" capital and liquidity restructuring as well as "gone concern" restructuring and wind-down measures. G-20 Leaders committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. In this regard, Leaders support changes to national resolution and insolvency processes and laws where needed to provide the relevant national authorities with the capacity to cooperate and coordinate resolution actions across borders.</p>
48	<p>Advanced economies, the IMF, and other international organizations should provide capacity-building programs for emerging market economies and developing countries on the formulation</p>	<p>The IFIs will play a key role in the provision of advice to countries so that they may meet international standards in line with country-specific needs.</p> <p>The FSB, in conjunction with national authorities and international bodies, completed a review of existing capacity-building mechanisms for strengthening</p>

	and the implementation of new major regulations, consistent with international standards.	compliance with global financial regulatory and supervisory standards, and reported to G20 Finance Ministers and Governors in June 2010.
PRUDENTIAL REGULATION		
49	<p>Prudential regulatory standards should be strengthened once recovery is assured. The national implementation of higher level and better quality capital requirements, counter-cyclical capital buffers, higher capital requirements for risky products and off balance sheet activities, as elements of the Basel II capital framework, together with strengthened liquidity risk requirements and forward-looking provisioning, will reduce incentives for banks to take excessive risks and create a financial system better prepared to withstand adverse shocks.</p> <p>Leaders have committed to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012.</p>	<p>The BCBS published two major consultation papers in December 2009, outlining the proposals to strengthen capital and liquidity regulation. Responses were provided by mid-April. The key elements of the new proposals are:</p> <ul style="list-style-type: none"> • Measures to raise the quantity, quality, consistency and transparency of the capital base; • Initiatives to strengthen the risk coverage of the capital framework, particularly in respect of counterparty credit exposures; • Introduction of a leverage ratio as a supplementary backstop to the Basel II framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration; • Introduction of a countercyclical capital framework that promotes the build-up of capital buffers in good times that can be drawn down in periods of stress; and • A new global minimum liquidity standard for internationally active banks. <p>The Committee is also working to develop proposals by the middle of the year on a number of additional issues: the details of the proposed countercyclical regime; regulatory and supervisory options for addressing systemically important institutions, as a contribution to the wider program of work on such institutions; and improvements to the provisioning framework, where the Committee is seeking an expected loss approach in name and substance. Following the release of the July 2009 trading book reforms, the BCBS also has initiated a fundamental review of the trading book, with a view to issuing concrete proposals for public consultation in the first half of 2011.</p> <p>Alongside the consultation, the BCBS is undertaking a comprehensive “bottom-up” quantitative impact assessment (QIS), which will inform calibration, as well as a detailed “top-down” macroeconomic impact assessment, which will inform the phasing in of new rules. The QIS covers the impacts of the December 2009 package, notably quality of capital and counterparty exposures, and the July 2009</p>

		<p>amendments, covering the trading book and re-securitizations. It will also provide the basis for calibrating the leverage ratio in relation to the risk-based requirement. Bank results were submitted by member countries to the BCBS Secretariat by 19 May.</p> <p>The BCBS discussed revisions to the reform package, including calibration proposals, at its July meeting. Based on guidance from that meeting, the Committee will present a fleshed out and calibrated package to the September meeting of its oversight body, the Governors and Heads of Supervision (GHOS). To the extent there is a need for resolution of any major outstanding issues, a second meeting of the GHOS could be held in the first half of October. The reform package will then be submitted to the FSB and the G20 in advance of the November G20 Leaders Summit for finalization by the end of 2010. As previously announced by the Leaders in Pittsburgh, the standards will be phased in as financial conditions improve and the economic recovery is assured, with the aim of implementation by end-2012.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors committed to reach agreement expeditiously on stronger capital and liquidity standards as the core of our reform agenda and in that regard fully support the work of the Basel Committee on Banking Supervision and called on them to propose internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage and risk taking by the November 2010 Seoul Summit. It is critical that banking regulators develop capital and liquidity rules of sufficient rigor to allow our financial firms to withstand future downturns in the global financial system. As they agreed, these rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. They welcomed the progress on the quantitative and macroeconomic impact studies which will inform the calibration and phasing in, respectively. They are committed to move together in a transparent and coordinated way on national implementation of the agreed rules. Implementation of these new rules should be complemented by strong supervision.</p> <p>At the Toronto Summit, G20 Leaders supported reaching agreement, at the time of the Seoul Summit, on a new capital framework that would raise capital</p>
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		<p>requirements by:</p> <ul style="list-style-type: none"> • establishing a new requirement that each bank hold in Tier 1 capital, at a minimum, an increasing share of common equity, after deductions, measured as a percentage of risk-weighted assets, that enables them to withstand with going concern fully-loss-absorbing capital – without extraordinary government support – stresses of a magnitude associated with the recent financial crisis. • moving to a globally consistent and transparent set of conservative deductions generally applied at the level of common equity, or its equivalent in the case of nonjoint stock companies, over a suitable globally-consistent transition period. <p>Based on the agreement at the Pittsburgh Summit that Basel II will be adopted in all major centers by 2011, Leaders agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the Financial Stability Board (FSB) and BCBS. Leaders agreed that phase-in arrangements will reflect different national starting points and circumstances, with initial variance around the new standards narrowing over time as countries converge to the new global standard. Existing public sector capital injections will be grandfathered for the extent of the transition. Leaders welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules. Leaders support the BCBS’ work to consider the role of contingent capital in strengthening market discipline and helping to bring about a financial system where the private sector fully bears the losses on their investments. Consideration of contingent capital should be included as part of the 2010 reform package. Leaders called upon the FSB and the BCBS to report on progress of the full package of reform measures by the Seoul Summit. Leaders recognize the critical role of the financial sector in driving a robust economy and are committed to design a financial system which is resilient, stable and ensures the continued availability of credit.</p>
50	Strengthening Supervision	<p>In Toronto, Leaders agreed that new, stronger rules must be complemented with more effective oversight and supervision. Leaders are committed to the Basel Committee’s Core Principles for Effective Banking Supervision and tasked the</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		FSB, in consultation with the International Monetary Fund (IMF), to report to our Finance Ministers and Central Bank Governors in October 2010 on recommendations to strengthen oversight and supervision, specifically relating to the mandate, capacity and resourcing of supervisors and specific powers which should be adopted to proactively identify and address risks, including early intervention.
51	Guidelines for harmonization of the definition of capital should be produced by the end of 2009.	<p>The GHOS reached agreement in September 2009 to raise the quality, consistency and transparency of the Tier 1 capital base.</p> <p>In December 2009, BCBS published a consultative document, Strengthening the resilience of the banking sector, outlining the proposals to strengthen the quantity, quality, consistency, and transparency of the capital base. In particular, it will strengthen that component of the Tier 1 capital base which is fully available to absorb losses on a going concern basis, thus contributing to a reduction of systemic risk emanating from the banking sector.</p> <p>To this end, a substantially higher share of Tier 1 capital must be common equity. This standard is reinforced through a set of principles that also can be tailored to the context of non-joint stock companies to ensure they hold comparable levels of high quality Tier 1 capital. Countries will move to a globally consistent set of conservative deductions from common equity over a considerable period.</p> <p>The remainder of the Tier 1 capital base must be comprised of instruments that are subordinated, have fully discretionary non-cumulative dividends or coupons and neither have a maturity date nor an incentive to redeem. Innovative hybrid capital instruments with an incentive to redeem through features like step-up clauses, currently limited to 15% of the Tier 1 capital base, will be phased out. The BCBS will calibrate the minimum requirements for the overall level of capital, Tier 1 capital, and the composition of Tier 1 capital as part of the impact assessment. In addition, Tier 2 capital instruments will be harmonized and so-called Tier 3 capital instruments, which were only available to cover market risks, eliminated. Finally, to improve market discipline, the transparency of the capital base will be improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.</p>
52	The FSB, BCBS and Committee on the	At its January 2010 meeting, the GHOS provided guidance and noted the

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>Global Financial System (CGFS), working with accounting standard setters should take forward implementation of the recommendations published to mitigate procyclicality, by the end of 2009, including a requirement for banks to build buffers of resources in good times that they can draw down when conditions deteriorate.</p>	<p>importance of making progress in provisioning: It is essential that accounting standard setters and supervisors develop a truly robust provisioning approach based on expected loss. So-called “through-the-cycle” approaches that are consistent with Basel Committee’s August 2009 Guiding Principles for the replacement of IAS 39 and which promote the build up of provisions when credit exposures are taken on in good times that can be used in a downturn would be recognized.</p> <p>The GHOS reached agreement in September 2009 to introduce a framework for countercyclical capital buffers above the minimum requirement.</p> <p>In October 2009, the BCBS agreed to develop concrete proposals to reduce the procyclicality of Basel II and introduce a counter-cyclical buffer mechanism. There will be four elements to this:</p> <ul style="list-style-type: none"> • dampening the cyclicality of the minimum capital requirement; • promoting more forward looking provisions; • conserving capital to build capital buffers at individual banks and the banking sector that can be used in stress; and • achieving the broader macroprudential goal of containing excess credit growth and protecting the banking sector from system-wide risk. <p>Following its July meeting, the BCBS released a further consultation paper on its proposals for a counter-cyclical capital buffer. Consultations close on Friday 10 September 2010.</p> <p>A comprehensive package to address procyclicality in banks will be finalized by November G20 Leaders’ Summit. Some elements being considered in this context were presented in the December 2009 consultative document <i>Strengthening the Resilience of the banking Sector</i> (see below).</p>
53	<p>The BCBS should review minimum levels of capital and develop recommendations in 2010.</p>	<p>At its October 2009 meeting, the BCBS agreed the framework and timeline for undertaking an impact study and the calibration of the overall level of capital by end-2010. The anchor of this analysis will be the impact of changes to the definition of capital and enhancements to risk capture (trading book, re-securitization etc). This will set the foundation for determining any adjustment to the minimum requirement and for the leverage ratio. Appropriate implementation standards will be developed to ensure a phase-in that does not impede the recovery</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>of the real economy.</p> <p>In December 2009, BCBS published a consultative document, Strengthening the resilience of the banking sector, providing a package of proposals to strengthen capital and liquidity regulations. The impact assessment was carried out in the first half of 2010. On the basis of this assessment, the Committee discussed revisions to the reform package, including calibration proposals, at its July meeting. Based on guidance from that meeting, the Committee will present a fleshed out and calibrated package to the September meeting of GHOS. To the extent there is a need for resolution of any major outstanding issues, a second meeting of GHOS could be held in the first half of October. The reform package will then be submitted to the FSB and the G20 in advance of the November G20 Summit for finalization by the end of the year.</p>
54	<p>The BCBS and authorities should take forward work on improving incentives for risk management of securitization, including considering due diligence and quantitative retention requirements by 2010.</p> <p>Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.</p>	<p>In July 2009 the BCBS issued final standards to raise capital requirements for re-securitizations, and enhanced risk management requirements around structured products and off-balance sheet activities. As part of its December 2009 package, the BCBS published for consultation proposals that would impact the regulatory capital treatment of securitizations and re-securitizations, impose greater due diligence requirements on investors and review the role the credit rating agencies. The BCBS aims to finalize amendments by the November G20 Leaders' Summit.</p> <p>The International Organization of Securities Commissions (IOSCO) published in September 2009 a report on regulatory issues related to securitized products and credit default swaps (CDS), which includes recommendations about regulatory actions to assist financial market regulators in introducing greater transparency and oversight with respect to securitization and CDS markets, and improving investor confidence, and the quality of these markets. Since then, it has undertaken a survey to review how members' jurisdictions are implementing the recommendations in the report relating to securitization.</p> <p>IOSCO published in July 2009 its report on Good Practices in Relation to Investment Managers' Due Diligence when Investing in Structured Finance Instruments.</p> <p>In April 2010, IOSCO published its Disclosure Principles for Public Offerings and</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>Listing of Asset Backed Securities.</p> <p>National and regional initiatives are underway in a number of jurisdictions to introduce quantitative retention requirements for securitizations.</p>
55	<p>The BCBS and national authorities should develop and agree on a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions by 2010.</p>	<p>The BCBS is working to further increase the harmonization of international liquidity risk supervision in order to raise banks' resilience to liquidity stresses globally and strengthen cross-border supervision of funding liquidity. The GHOS, the oversight body of the BCBS, reached agreement in September 2009 to introduce a minimum global standard for funding liquidity.</p> <p>In December 2009, the BCBS issued a consultative document, International framework for liquidity risk measurement, standards and monitoring, introducing a global minimum liquidity standard for internationally active banks that includes a 30-day liquidity coverage ratio requirement underpinned by a longer-term structural liquidity ratio. The framework also includes a common set of monitoring metrics to assist supervisors in identifying and analyzing liquidity risk trends at both the bank and system wide level. These standards and monitoring metrics complement the BCBS's Principle for Sound Liquidity Risk Management and Supervision issued in September 2008.</p> <p>At January 2010 meeting, the GHOS welcomed the substantial progress of the BCBS to translate the GHOS's September 2009 agreements into a concrete package of measures.</p> <p>The BCBS is monitoring banks' implementation of the September 2008 Principles, and will make a thorough review of the progress of implementation in 2010</p>
56	<p>Risk-based capital requirements should be supplemented with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.</p>	<p>The GHOS, the oversight body of the BCBS, reached agreement in September 2009 to introduce a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration.</p> <p>In December 2009, BCBS published a consultative document, Strengthening the resilience of the banking sector, including a proposal to introduce a leverage ratio. The leverage ratio will help contain the build up of excessive leverage in the banking system, and introduce additional safeguards against model risk and</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>We support the introduction of a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration. To ensure comparability, the details of the leverage ratio will be harmonized internationally, fully adjusting for differences in accounting.</p>	<p>measurement error. Alongside the consultation, the BCBS is undertaking a comprehensive “bottom-up” quantitative impact assessment (QIS), which will inform calibration, as well as a detailed “top-down” macroeconomic impact assessment, which will inform the phasing in of new rules. The QIS covers the impacts of the December 2009 package, notably quality of capital and counterparty exposures, and the July 2009 amendments, covering the trading book and re-securitizations. The ratio will be calibrated so that it serves as a credible supplementary measure to the risk based requirements, taking into account the forthcoming changes to the Basel II framework.</p> <p>In Toronto, Leaders reiterated support for introduction of a leverage ratio. Details of this ratio will be harmonized internationally, fully adjusting for differences in accounting.</p> <p>In Toronto, Leaders also affirmed the coordinated start date set by the BCBS for all elements of the revised trading book rule (not later than December 31, 2011).</p>
57	<p>All major G-20 financial centers commit to have adopted the Basel II capital framework by 2011.</p>	<p>G20 countries have either implemented or are taking steps to implement Basel II into national regulatory frameworks.</p>
58	<p>BCBS to review guidelines for processes for measurement of risk concentrations in 2009 to ensure they are timely and comprehensive.</p>	<p>The BCBS has strengthened guidance for use in the Pillar 2 supervisory review process of the Basel II framework to address key lessons of the crisis, covering governance, the management of risk concentrations, stress testing, valuation practices and exposures to off-balance sheet activities.</p>
59	<p>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.</p>	<p>The BCBS has strengthened guidance for use in the Pillar 2 supervisory review process of the Basel II framework to address key lessons of the crisis, covering governance, the management of risk concentrations, stress testing, valuation practices and exposures to off-balance sheet activities. National authorities have also strengthened their guidelines for risk management practices following the shift to Basel II.</p> <p>The Senior Supervisors Group (SSG) issued in October 2009 a report setting out the results of a self assessment exercise by twenty large financial institutions to benchmark their own risk management practices against official and industry</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>recommendations issued since the outbreak of the crisis. The report also reviewed in-depth the funding and liquidity issues central to the crisis events of 2008 and the areas of risk management practices warranting improvement across the financial services industry.</p> <p>The FSB conducted a set of supervisory workshops which were tasked with defining what constitutes good SIFI supervision. One of the principles coming out of that work is that supervisors must hold SIFIs to higher standards when it comes to the quality and effectiveness of their internal control structure.</p>
60	Firms should reassess their risk management models to guard against stress and report to supervisors on their efforts.	<p>The Senior Supervisors Group (SSG) issued in October 2009 a report setting out the results of a self assessment exercise by twenty large financial institutions. While firms indicated they had either fully or partially complied with most recommendations, the SSG members found that these assessments were, in the aggregate, too positive and that much stronger ongoing management commitment to risk control, and the dedication of considerable resources to necessary information technology, will be required to close gaps between actual and recommended practices.</p> <p>National authorities are also taking steps to encourage firms to improve and develop risk management and stress-testing.</p>
61	The Basel Committee should study the need for and help develop firms' stress testing models, as appropriate.	The BCBS has strengthened guidance for use in the Pillar 2 supervisory review process of the Basel II framework to address key lessons of the crisis, covering governance, the management of risk concentrations, stress testing, valuation practices and exposures to off-balance sheet activities. The BCBS issued in May 2009 Principles for Sound Stress Testing Practices and Supervision.
62	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate	National authorities have taken, and are continuing to take, steps to encourage firms to provide disclosures consistent with international best practice developed by the Senior Supervisors Group and the FSB, as appropriate. Firms have continued to enhance their risk disclosures in their published annual reports. The FSB will examine risk disclosures by major financial institutions as its second thematic peer review in 2010.
63	The appropriate bodies should review the differentiated nature of regulation in the banking, securities and insurance sectors and provide a report outlining	In January 2010, the Joint Forum, composed of the BCBS, IAIS and IOSCO, published its report on the Differentiated Nature and Scope of Financial Regulation. While the report covers a broad waterfront, the recommendations are focused on five key areas:

<p>the issue and making recommendations on needed improvements.</p>	<p>Key regulatory differences across the banking, insurance and securities sectors. The report recommends that the core principles for these three sectors be reviewed and revised to ensure that they appropriately take into account systemic risk and the overall stability of the financial system. It recommends that the core principles be made more consistent across sectors and that common cross-sectoral standards be developed as appropriate to reduce regulatory arbitrage.</p> <p>Strengthening supervision and regulation of financial groups. Policymakers should ensure that all financial groups (particularly those providing cross-border services) are subject to supervision and regulation that captures the full spectrum of their activities and risks. The consistency of supervisory colleges across sectors should be enhanced.</p> <p>Promoting consistent and effective underwriting standards for mortgage origination. Supervisors should ensure that mortgage originators adopt minimum underwriting standards. Different types of mortgage providers should be subject to consistent standards and regulatory oversight. Appropriate public disclosure of market-wide mortgage underwriting standards should be established.</p> <p>Broadening the scope of regulation to hedge fund activities. Supervisors should introduce or strengthen appropriate and proportionate minimum risk management standards and impose reporting requirements for hedge fund operators. They should impose minimum capital requirements on operators of systemically important hedge funds.</p> <p>Strengthening regulatory oversight of credit transfer products. Supervisors should encourage or require greater transparency for both credit default swaps (CDS) and financial guarantee products and should review prudential requirements for these instruments. The position of financial guarantee insurance in insurance regulation should be clarified. Supervisors should foster information-sharing and regulatory cooperation amongst each other.</p> <p>In many of these areas, projects to implement the recommendations are underway. The Joint Forum has begun a review of its Principles of Supervision for Financial Conglomerates. The FSB will maintain oversight over policy implementation and follow up as necessary. The FSB will conduct a peer review of current practices in</p>
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		<p>mortgage origination in 2010.</p> <p>On 12 April, the IAIS published a Guidance paper on treatment of non-regulated entities in group-wide supervision to support insurance supervisors to address some of the key regulatory gaps observed in the global financial crisis and to minimize regulatory arbitrage opportunities. The paper provides eight key features of group-wide supervision, including appropriate consideration of the complexity of group structures and the full spectrum of risks posed by non-regulated entities through measures such as capital adequacy and governance requirements.</p> <p>A number of initiatives are also underway at the national level to review the scope and adequacy of domestic regulatory framework and fill identified regulatory gaps, including as part of broader financial sector reform proposals.</p>
64	<p>Authorities should monitor substantial changes in asset prices and their implications for the macroeconomy and the financial system.</p>	<p>National authorities in G20 countries, in particular central banks, typically carry out ongoing monitoring of asset prices and consider in particular their implications for financial stability.</p> <p>In addition, the FSB and its members are continuing developing policy tools to constrain the build-up of macroprudential risks in the financial system.</p>
65	<p>National and regional authorities should also review business conduct rules to protect markets and investors.</p>	<p>A number of initiatives are underway in G20 countries to review and strengthen business conduct rules.</p>
SCOPE OF REGULATION		
66	<p>We will amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.</p> <p>We will ensure that national regulators possess the powers for gathering</p>	<p>Efforts to establish system-wide oversight and macro-prudential policy arrangements are ongoing at the national level, for example through changes to institutional arrangements and reviewing the powers of relevant authorities.</p> <p>Complementing the plans to apply nationally improved arrangements for systemic oversight, the FSB and its members are continuing work to develop policy tools to constrain the build-up of macroprudential risks in the financial system.</p> <p>Several of the initiatives underway have as clear objectives the reduction of system-wide or macroprudential risks. These include measures to enhance the resilience of banks and the banking system over the cycle through countercyclical capital</p>

	<p>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.</p> <p>We call on the FSB to work with the BIS (Bank for International Settlements) and international standard setters to develop macro-prudential tools and provide a report by autumn 2009.</p>	<p>buffers, more forward-looking credit loss provisioning rules, a leverage ratio as a supplement to the risk-based measure, higher capital requirements on intra-financial industry counterparty exposures, and capital surcharges to reduce the risks arising from SIFIs. In addition, the new proposed minimum liquidity standard for internationally active banks will potentially promote stronger funding over longer-term horizons and require that global banks have sufficient high-quality liquid assets to withstand a stressed funding scenario specified by supervisors. Each of these measures will reduce risks not only for individual institutions but for the system as a whole.</p> <p>The Committee on Global Financial System (CGFS) published in March 2010 a report on the role of margin requirements and haircuts in procyclicality, based on a review of the system-wide impact of haircut-setting and margining practices in securities financing and OTC derivatives transactions during the recent financial crisis. A series of policy options are recommended to dampen the build-up of leverage in good times and soften the system-wide effects during a market downturn. The report also recommends consideration of measures that involve countercyclical variations in margins and haircuts, and enforcing higher and relatively stable through-the-cycle haircuts for securities financing transactions.</p> <p>With regard to monitoring of system-wide risks:</p> <ul style="list-style-type: none"> • The IMF and the FSB are continuing to develop the framework for the Early Warning Exercise. • A set of macroprudential indicators has been developed by the BIS and CGFS to facilitate discussions of current financial conditions and risks, and will be used as input into FSB analysis of vulnerabilities and for the joint FSB/IMF Early Warning Exercise. • An FSB working group has been established to develop a draft template for data collection on systemically important institutions' exposures to each other and to national markets and thereby facilitate network analysis. A report on 'The Financial Crisis and Information Gaps' by the FSB and IMF
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<p>67</p>	<p>All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.</p> <p>Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should consider possible measures including more intensive supervision and specific additional capital, liquidity and other prudential requirements.</p> <p>The IMF and FSB will produce guidelines for national authorities to assess whether a financial institution, market or an instrument is systematically important by the next meeting of Finance Ministers and Central Bank Governors.</p>	<p>The FSB is to consider and develop, by the November G20 Leaders' Summit, concrete policy recommendations to address the "too big to fail" problems associated with systemically important financial institutions. The FSB has been engaged in three approaches, one of which will focus on reducing probability and impact of failure. This approach will examine the various supervisory and regulatory approaches to dealing with systemically important financial institutions, including requirements relating to specific funding and capital arrangements, legal and operational structures, and intensive supervision.</p> <p>The FSB will draw on and monitor work which is already underway, including by the BCBS working group on macroprudential supervision, which is considering, inter alia, supervisory tools to address the externalities of systemically important banks, and identify any gaps and further work needed. It will plan and carry out work to close those gaps. The previously mentioned FSB workshop on SIFI supervision has completed its work and will be issuing some recommended principles for effective SIFI supervision.</p> <p>The IMF, BIS and FSB submitted to the November 2009 meeting of the G20 Finance Ministers and Governors a paper discussing the formulation of guidelines on how national authorities can assess the systemic importance of financial institutions, markets, or instruments ("Guidance to Assess the Systemic Importance of Financial Institutions, Markets, and Instruments: Initial Considerations"). Further work by international bodies has also been taken forward that covers the analysis and measurement of systemic liquidity risk, margins and haircuts, and other system-wide indicators, including leverage</p> <p>At the Toronto Summit, G-20 Leaders welcomed the FSB's interim report on reducing the moral hazard risks posed by systemically important financial institutions. Leaders recognized that more must be done to address these risks. Prudential requirements for such firms should be commensurate with the cost of their failure. Leaders called upon the FSB to consider and develop concrete policy recommendations to effectively address problems associated with and resolve systemically important financial institutions by the Seoul Summit. This should include more intensive supervision along with consideration of financial instruments and mechanisms to encourage market discipline, including contingent</p>
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Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		capital, bail-in options, surcharges, levies, structural constraints, and methods to haircut unsecured creditors.
68	<p>Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.</p> <p>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. We call on the FSB to report to the next meeting of Finance Ministers and Central Bank Governors.</p>	<p>Legislation to establish registration, reporting and oversight arrangements for hedge funds is advancing in major jurisdictions.</p> <p>IOSCO's publication in June 2009 of a set of six high-level principles for the regulation of hedge funds marked an important step towards achieving a comprehensive and coherent international response to the potential risks posed by hedge funds. To further facilitate global coordination on hedge fund regulation, IOSCO is conducting a broad review of implementation of these principles and is developing a Methodology for assessing their implementation.</p> <p>In June 2010, IOSCO's revised <i>Objectives and Principles of Securities Regulation</i> included a new principle that 'regulation should ensure that hedge funds and/or hedge fund managers/advisers are subject to appropriate oversight'.</p> <p>In February 2010, IOSCO published an agreed template for the global collection of hedge fund information to enable the collection and exchange of consistent and comparable data among regulators and other competent authorities and facilitate international supervisory cooperation in identifying possible systemic risks posed by this sector. In addition, it has undertaken an initial examination of the adequacy of best practice standards developed by the industry.</p> <p>In May 2010, IOSCO published a set of Principles Regarding Cross-Border Supervisory Cooperation, which set out how securities regulators can better build and maintain cross-border cooperative relationships that will allow them to more effectively oversee financial services including (among other things) hedge funds.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors committed to accelerate the implementation of strong measures to improve transparency, regulation and supervision of hedge funds, credit rating agencies, compensation practices and OTC derivatives in an internationally consistent and non-discriminatory way. They called on the FSB to review national and regional implementation in these areas and promote global policy cohesion. They also committed to improve functioning and transparency of commodities markets.</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>In Toronto, G20 Leaders committed to accelerate the implementation of strong measures to improve transparency and regulatory oversight of hedge funds, credit rating agencies and over-the-counter derivatives in an internationally consistent and non-discriminatory way. Leaders acknowledged the significant work of the International Organization of Securities Commission (IOSCO) to facilitate the exchange of information amongst regulators and supervisors, as well as IOSCO's principles regarding the oversight of hedge funds aimed at addressing related regulatory and systemic risks.</p>
69	<p>Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.</p>	<p>The BCBS has reviewed the treatment of counterparty credit risk under all three pillars of Basel II.</p> <p>Consultation papers were published in December 2009. The BCBS has accelerated its work so as to prepare calibrated proposals by the Seoul Summit. The key elements of the new proposal include initiatives to strengthen the risk coverage of the capital framework, particularly in respect of counterparty credit exposures.</p>
70	<p>We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision.</p> <p>To this end, all standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.</p> <p>We ask the FSB and its relevant</p>	<p>G20 Leaders agreed in Pittsburgh that all standardized over-the-counter (OTC) derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties (CCPs) by end-2012. Progress is being made toward achieving implementation of these objectives, including industry efforts to meet commitments made to supervisors; multiple workstreams underway in international bodies; and legislative processes in major jurisdictions.</p> <p>At the level of the industry, the so-called G14 major derivatives dealers and a number of buy-side institutions issued a joint letter on 1 March 2010 detailing further commitments to supervisors relating to OTC derivatives market transparency, expanded central clearing, standardization and collateral management. This advance on the commitments made by firms in September 2009 to specific target levels for central clearing of CCP-eligible OTC credit derivatives and CCP-eligible OTC interest rate derivatives. However, the enhanced clearing targets only partially cover the OTC market, as most derivative contracts are currently not CCP-eligible.</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>members to assess regularly implementation and whether it is sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse.</p>	<p>As for CDS standardization, the International Swaps and Derivatives Association published supplements to its 2003 Credit Derivatives Definitions (the “Big Bang” and “Small Bang” protocols), which adopt the auction mechanism globally to settle most types of CDS contracts in the event of a default or bankruptcy.</p> <p>The OTC Derivatives Regulators’ Forum (ODRF), which began work in January 2009, has continued its work to promote cooperation and information-sharing regarding OTC derivatives CCPs and trade repositories, including promoting globally consistent oversight arrangements. The ODRF has set up working groups to establish harmonized data reporting standards.</p> <p>To support implementation of the G-20 clearing and trading objectives, in April 2010, at the initiative of the FSB, a working group led by the Committee on Payment and Settlement Systems (CPSS), IOSCO and the European Commission (EC) was formed to assess and set out policy options for promoting increased use of standardized products and for developing a clear process to implement at the global level the mandatory clearing and exchange or electronic trading requirements. The work will cover product standardization, clearability and appropriateness of electronic-trading; the relationship between product standardization and policy objectives; and analysis of how policies to incentivize a shift to clearing of standardized products may be consistently implemented at the global level. The working group will suggest policy options to the FSB in October 2010.</p> <p>In May 2010, the CPSS and IOSCO for comment published Guidance on the application of the 2004 CPSS-IOSCO Recommendations for Central Counterparties to OTC derivatives (CCPs). The CPSS and IOSCO also issued Considerations for trade repositories in OTC derivatives markets presenting a set of considerations for trade repositories (TRs) in OTC derivatives markets and for relevant authorities over TRs. On 19 July 2010, IOSCO published the feedback received on these two consultation papers. The CPSS and IOSCO are also conducting a review of CPSS-IOSCO standards for systemically important financial market infrastructure. A consultative document will be published by early 2011.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors committed to</p>
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71	<p>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.</p>	<p>A number of initiatives are underway at the national level to review the scope and adequacy of domestic regulatory framework and fill identified regulatory gaps, including as part of broader financial sector reform proposals.</p> <p>In Toronto, Leaders agreed to accelerate implementation of strong measures to improve transparency and regulatory oversight of hedge funds, credit rating agencies, and OTC derivatives in an internationally consistent and non-discriminatory way.</p>
72	<p>We have agreed to improve the regulation, functioning and transparency of financial and commodity markets to address excessive commodity price volatility.</p>	<p>Relevant regulators have been taking steps to implement the recommendations made by the IOSCO taskforce on commodity futures markets in March 2009.</p> <p>Relevant regulators have continued to monitor oil futures markets and participants closely, to further our understanding of market mechanisms and prevent market manipulation.</p> <p>At the Toronto Summit, G20 Leaders committed to improve the functioning and transparency of commodities markets.</p>
TRANSPARENT ASSESSMENT OF REGULATORY REGIMES		

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

73	<p>All G20 members should commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.</p>	<p>The FSB Framework for Strengthening Adherence to International Standards and Codes aims to promote a race to the top. FSB member jurisdictions have committed to lead by example by implementing international financial standards undergoing an assessment under the IMF-World Bank FSAP every five years, participating in thematic and country peer reviews of FSB members, and publishing the results of these assessments. Based on the schedule of recently completed FSAPs, Italy, Mexico and Spain will each undergo a country peer review in 2010. The review of Mexico is expected to be completed in July, while reviews for Italy and Spain will occur in the second half of 2010.</p> <p>In Toronto, Leaders reaffirmed their support for robust and transparent independent international assessment and peer review through the IMF/World Bank FSAP and FSB peer review processes.</p>
COMPENSATION		
74	<p>In London Leaders endorsed the Principles on pay and compensation in significant financial institutions developed by the FSF.</p> <p>The Pittsburgh Summit endorsed the Implementation Standards for the FSB's Principles and called upon firms to implement these sound compensation practices immediately. Leaders tasked the FSB to monitor the implementation of the FSB standards and propose additional measures as required by March 2010.</p>	<p>FSB completed in March 2010 a review of the steps taken by member jurisdiction to implement the FSB Principles for Sound Compensation Practices and their Implementation Standards. The review also covered progress to date in implementation by significant financial institutions. The review was concluded and published in March 2010. Considerable progress has been made across the board regarding the implementation of the FSB Principles and Standards, including significant changes in regulatory and supervisory frameworks to implement the Principles and Standards have taken place across the FSB membership. At the same time, the review recognizes that more work needs to be done to ensure that the Principles and Standards are fully implemented by the end of 2010.. To maintain momentum, the FSB will undertake ongoing monitoring and conduct a second thorough review in the second quarter of 2011.</p> <p>To support full and consistent implementation across jurisdictions of the FSB Principles and Implementation Standards, the BCBS completed in October 2009 an Assessment Methodology for the FSB Principles and Standards to guide supervisors in reviewing individual firms' compensation practices and assessing firms' compliance. The methodology was presented to the G20 Finance Ministers and Governors at their November meeting. The BCBS also launched in October</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>2009 a network of supervisors to discuss issues and share experience in the implementation of the FSB Principles and Standards. Moreover in response to the recommendations of the FSB peer review on compensation, the BCBS has initiated work to develop by end-October 2010 a consultative report on the range of methodologies for risk and performance alignment of compensation schemes and their effectiveness in light of experience to date. It has also initiated work in the area of enhanced compensation-related disclosures in Pillar 3 of Basel II.</p> <p>The International Organization of Securities Commissions (IOSCO) issued in February 2010 a set of Principles for Periodic Disclosure by Listed Entities that provide guidance for annual disclosures to help investors to assess the incentives created by compensation and risk management practices, whether the incentives of the compensation are aligned with investors' interests and how performance may be oriented to the returns generated for shareholders.</p> <p>The International Association of Insurance Supervisors (IAIS) released in March 2010 a draft of its Standards and Guidance on Remuneration for consultation among IAIS members and observers, with final publication as part of broader work on governance scheduled for autumn 2010. This IAIS work supports the consistent implementation of the FSB Principles and Standards and highlights remuneration issues that are more specific to the insurance industry.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors committed to accelerate the implementation of strong measures to improve transparency, regulation and supervision of hedge funds, credit rating agencies, compensation practices and OTC derivatives in an internationally consistent and non-discriminatory way. They called on the FSB to review national and regional implementation in these areas and promote global policy cohesion. They also committed to improve functioning and transparency of commodities markets.</p>
75	BCBS should integrate FSB principles on pay and compensation into their risk management guidance by autumn 2009.	<p>The BCBS incorporated the FSB Principles in Pillar 2 of Basel II in July 2009, with an expectation that banks and supervisors begin implementing the new Pillar 2 guidance immediately.</p> <p>The GHOS, the oversight body of the BCBS, endorsed in September 2009 the following principle to guide supervisors: compensation should be aligned with</p>

		prudent risk-taking and long-term, sustainable performance, building on the FSB sound compensation principles.
76	<p>Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices.</p> <p>Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.</p>	<p>A number of countries have taken or announced action to implement the Implementation Standards for the FSB Principles for Sound Compensation Practices and their Implementation Standards endorsed by G20 Leaders. A number of supervisory actions have also been taken to assess compliance by the industry with the FSB Principles, through requests for self-assessment, assessments by the supervisors themselves, or both.</p>
NON-COOPERATIVE JURISDICTIONS		
77	<p>We call on all jurisdictions to adhere to the international standards in prudential, tax and anti-money laundering/countering the financing of terrorism (AML/CFT) areas and appropriate bodies to conduct and strengthen objective peer reviews, based on existing processes, including through the FSAP process.</p>	<p>All FSB members have undertaken or are undertaking a review of adherence to international regulatory and supervisory standards through FSAPs and ROSCs. The FSB has compiled information about the compliance of its members with these standards, drawing from ROSC assessments, and has provided to the G20 the relevant information. The information is intended to be published and will be maintained on an ongoing basis.</p> <p>All the Global Forum members agreed on the need for swift and effective implementation of the tax standards on a global level through effective monitoring and a robust peer review mechanism. The Global Forum was restructured to carry out this task. It now includes all G20 countries, all OECD economies and all financial centers. Reviews will apply to all Global Forum members. They will be impartial, transparent, comprehensive and multilateral, and will be managed by a Peer Review Group. Jurisdictions which are not members of the Global Forum will, where appropriate, be subject to the same review and will be invited to engage with the Forum in the context of any review. The whole monitoring and peer review</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>process will be an ongoing exercise and outcomes from the reviews will be published on a continuous basis. The peer review process is structured in two concurrent phases, with phase 1 reviews focused on legal and regulatory issues, and phase 2 reviews focused on implementation of standards; both phases were launched on 1 March 2010. The Peer Review Group will meet in July 2010 to assess the first draft reports which are expected to will be submitted for adoption at the next Global Forum meeting in Singapore in September. In Toronto, Leaders encouraged the Global Forum to report to Leaders by November 2011 on progress countries have made in addressing the legal framework required to achieve an effective exchange of information.</p> <p>In April 2010, the G20 Finance Ministers and Central Bank Governors welcomed the progress by the Financial Action Task Force in the fight against money laundering and terrorist financing, particularly regarding the issue of a public statement on jurisdictions with strategic deficiencies last February. They also welcomed the report by the Global Forum on Tax Transparency and Exchange of Information, the launch of the peer review process, and the development of a multilateral mechanism for information exchange which will be open to all countries. They welcomed the launch in March 2010 of the evaluation process by the FSB on the adherence to prudential information exchange and cooperation standards in all jurisdictions.</p>
78	We call on countries to adopt the international standard for information exchange endorsed by the G20 in 2004 and reflected in the UN Model Tax Convention.	Unprecedented progress has been made since the November 2008 G20 Summit. All the 90+ jurisdictions members of the Global Forum have now committed to the Global Forum's standards of tax information exchange and transparency, with more than half having substantially implemented them; major financial centers both within and outside of the OECD area which had strict bank secrecy rules or other impediments to achieving an effective exchange of information are in the process of removing these impediments; since the London Summit, the number of signed tax information agreements has increased by almost 500– a larger number than the total for the previous 10 years. 34 jurisdictions have now moved to the category of jurisdictions which are considered as having substantially implemented the standard.
79	We welcome the expansion of the Global Forum on Transparency and the Exchange of Information, including the	Individual countries have been considering options for countermeasures. The G20 Chair received on 30 October 2009, April 2010 and June a report from the OECD on progress in taking forward the G20 agenda on tax transparency and effective

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>participation of developing countries, and welcome the agreement to deliver an effective program of peer review. The main focus of the Forum's work will be to improve tax transparency and exchange of information so that countries can fully enforce their tax laws to protect their tax base. We stand ready to use countermeasures against tax havens from March 2010.</p>	<p>exchange of information, including countermeasures taken by countries to protect their tax bases.</p> <p>At the Toronto Summit, Leaders fully supported the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes, and welcomed progress on their peer review process, and the development of a multilateral mechanism for information exchange which will be open to all interested countries. Leaders stand ready to use countermeasures against tax havens.</p>
80	<p>We are committed to developing proposals, by the end of 2009, to make it easier for developing countries to secure the benefits of a new cooperative tax environment.</p>	<p>The G20 and the OECD have stressed the importance for developing countries to benefit from the sea change in transparency and exchange of information. Already some emerging economies have entered into negotiations of tax information exchange instruments. The Global Forum membership is open to developing countries. The OECD and current signatories to the joint OECD Council of Europe Convention on Administrative Assistance have successfully completed negotiations to amend this Convention in order to bring it up to internationally agreed standards and open the Convention up for signature by countries that are not members of the OECD or the Council or Europe. Together with the Development Assistance Committee, the OECD Committee for Fiscal Affairs are developing a technical assistance program as well as exploring means to ensure developing countries benefits fully from the recent changes.</p> <p>The G20 London declaration and St Andrews communiqué emphasize the potential role of multilateral instruments in speeding up the negotiating process and in giving less developed countries access to the benefits of a more co-operative transparent tax environment. The OECD has taken forward this mandate by developing:</p> <ul style="list-style-type: none"> • The Multilateral Convention on Mutual Administrative Assistance in Tax Matters (the Convention) which is now aligned to the standard and opened to economies in transition and developing countries. • Multilateral Negotiations leading to bilateral TIEA's, with several negotiations now completed resulting in more than 100 TIEAs signed • Guidance on the practical implementation of the Multilateral version of the 2002 Model Agreement on the Exchange of Information on tax matters

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		At Busan G20 Finance Ministers and Central Bank Governors reaffirmed their commitment to international assessment and peer review across the FSB membership. They also recommitted to apply measures and mechanisms to address non-cooperative jurisdictions and ensure compliance, including by providing support. They welcomed the report by the Global Forum on Tax Transparency and Exchange of Information, the progress on the peer review process, and the development of a multilateral mechanism for information exchange open to all countries.
81	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. The IMF and the FSB in cooperation with international standard-setters will provide an assessment of implementation by relevant jurisdictions, building on existing FSAPs.	The FSB, working through an Experts Group established under the Standing Committee for Standards Implementation, has developed procedures to identify non-cooperative jurisdictions (NCJs) and encourage their adherence to international financial standards, specifically in the area of information sharing and regulatory and supervisory cooperation. As a starting point, the FSB developed a global snapshot of the information available in this area, focusing on participation in international assessment processes and, where available, adherence to international cooperation and information sharing standards. The Experts Group also developed criteria for identifying jurisdictions for further evaluation, on the basis of their financial importance and degree of compliance with relevant standards, building on existing FSAP and ROSC assessment processes and results. These criteria had been used by the FSB to identify in February 2010 a pool of jurisdictions to be prioritized for dialogue to further evaluate their adherence to relevant standards. The evaluation process was launched in March 2010.
82	We call on the FSB to develop a toolbox of measures to promote adherence to prudential standards and cooperation with jurisdictions. We call on the FSB to report progress to address NCJs with regards to international cooperation and information exchange in November 2009 and to initiate a peer review process by February 2010.	The FSB finalized in March 2010 an evaluation process for jurisdictions identified as priorities for further evaluation. It also announced a toolbox of potential measures to promote adherence to international standards. The FSB will seek to use positive measures in the first instance, such as policy dialogue and technical assistance, where possible and likely to be effective. Capacity-building mechanisms will be made available as needed to provide technical assistance. Negative measures are also available as appropriate, including the option of publishing by the end of 2010 the names of non-cooperative jurisdictions in the event that other measures are not achieving sufficient progress. To inform the toolbox, and to support the efforts of low-capacity jurisdictions to meet international standards, the FSB, in conjunction with national authorities and international bodies, completed a review of existing capacity-building mechanisms

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>for strengthening compliance with global financial regulatory and supervisory standards, and reported to G20 Finance Ministers and Governors in June 2010.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors reaffirmed their commitment to international assessment and peer review across the FSB membership. They also recommitted to apply measures and mechanisms to address non-cooperative jurisdictions and ensure compliance, including by providing support. They welcomed the implementation of the FSB’s evaluation process on the adherence to prudential information exchange and international cooperation standards in all jurisdictions.</p> <p>At the Toronto Summit, Leaders welcomed the implementation of the FSB’s evaluation process on the adherence to prudential information exchange and international cooperation standards in all jurisdictions. Leaders also agreed that new, stronger rules must be complemented with more effective oversight and supervision, and committed to the Basel Committee’s Core Principles for Effective Banking Supervision.</p>
83	<p>We agreed that the FATF should revise and reinvigorate the review process for assessing compliance by jurisdictions with AML/CFT standards, using agreed evaluation reports where available.</p> <p>We welcome the progress made by the Financial Action Task Force (FATF) in the fight against money laundering and terrorist financing and call upon the FATF to issue a public list of high risk jurisdictions by February 2010.</p>	<p>At the FATF’s June 2009 plenary meeting, new procedures were agreed by the FATF’s “International Cooperation Review Group” (ICRG) which are designed to identify high risk and uncooperative jurisdictions. The FATF has undertaken an initial “prima facie” review of jurisdictions and discussed the results of this review at the October 2009 plenary meeting. At the FATF October plenary, the ICRG agreed to conduct a ‘targeted review’ of around 25 jurisdictions.</p> <p>The FATF received confirmation of high-level political commitment to implement action plans to address strategic AML/CFT deficiencies from all but four of the 25 jurisdictions under targeted review. The results of this process and of the ongoing monitoring of previously identified jurisdictions were discussed at the February 2010 FATF Plenary. The results of the targeted reviews formed the basis of the two public documents issued by the FATF on 18 February 2010 and updated on 25 June 2010.</p> <p>This is not the end of the FATF’s review of high risk and un-cooperative jurisdictions. Going forward, the FATF is closely monitoring progress of these jurisdictions until adequate progress has been made and jurisdictions can be</p>

		<p>removed from the public documents.</p> <p>The FATF is also continuing to identify jurisdictions that pose risks to the integrity of the international financial system. In this context, FATF has conducted <i>prime facie</i> and targeted reviews of some additional jurisdictions that meet the referral criteria under the ICRG procedures. A further update to the public documents will take place in February 2011.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors reaffirmed their commitment to international assessment and peer review across the FSB membership. They also recommitted to apply measures and mechanisms to address non-cooperative jurisdictions and ensure compliance, including by providing support. They fully supported the work of the FATF in the fight against money laundering and terrorist financing and regular updates of a public list on jurisdictions with strategic deficiencies.</p> <p>At the Toronto Summit, G20 Leaders fully supported the work of the Financial Action Task Force (FATF) and FATF-Style Regional Bodies in their fight against money laundering and terrorist financing and regular updates of a public list on jurisdictions with strategic deficiencies. Leaders also encouraged the FATF to continue monitoring and enhancing global compliance with the anti-money laundering and counter-terrorism financing international standards.</p>
84	We call on the FSB and FATF to report to next Finance Ministers and Central Bank Governors meeting on adoption and implementation by countries.	The FSB has provided interim progress reports describing the measures that have been taken and other progress made since the London Summit to implement the G20 and relevant FSF/FSB recommendations.
ACCOUNTING STANDARDS		
85	We have agreed that the accounting standard setters should improve standards for the valuation of financial instruments based on their liquidity and investor's holding horizons, while reaffirming the framework of fair value accounting.	The International Accounting Standards Board (IASB) published in May 2009 an exposure draft (proposed accounting standard) on fair value measurement that directly incorporates the staff guidance issued in April by the US Financial Accounting Standards Board (FASB) to better identify inactive markets and determine whether transactions are orderly. Comments were due by end-September 2009, with the final standard expected in 2010. IASB and FASB plan to include in 2010 enhancements to their guidance on fair value measurements language

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>addressing valuation uncertainty based on recommendations from the FSB and BCBS. Also, in June 2009 the IASB published a discussion document on the effects of fair value gains arising from deterioration in a company's own credit risk, with comments due by the beginning of September 2009. Based on earlier comments received, the IASB issued a new exposure draft on this topic in May 2010 which proposes that changes in own credit risk of financial liabilities measured at fair value should be recorded in "other comprehensive income" and not in profit and loss.</p>
86	<p>Accounting standard setters should take action to reduce the complexity of accounting standards for financial instruments by the end of 2009.</p>	<p>In November 2009, the IASB issued IFRS 9, Financial Instruments, on classification and measurement of financial assets that establishes a mixed amortized cost and fair value accounting model. In response to comments from stakeholders, the IASB made changes to the approach set forth in its July 2009 exposure draft (ED). Some analysts and banks have noted that these changes increase the possibility that IFRS 9 once implemented may not expand fair value measurement for loans and investments in debt securities. The impact of these changes on the use of fair value will become clearer as IFRS 9 is adopted by a broader sample of firms and as other revisions to IASB financial instruments accounting standards are implemented. While the effective date of IFRS 9 is January 1, 2013, the standard has been available for early adoption starting with 2009 annual reports, subject to the endorsement process in various jurisdictions.</p> <p>In contrast to the IASB three-stage approach, the FASB issued in May 2010 a single ED that incorporates a single, comprehensive model for accounting for financial instruments. The FASB has proposed an approach that is based on fair value measurement for all financial instruments, which would include balance sheet categories for (i) financial instruments for which changes in fair value are recognized in net income and (ii) financial instruments (including loans held to maturity) for which fair value changes are recognized in "other comprehensive income".</p> <p>Although the two standard setters are developing separate proposals for their revised financial instruments standards, they are collaborating in their work. FASB and the IASB will consider together the comments received on the financial instruments EDs issued by the two Boards.</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		<p>In recommending to the Pittsburgh Summit that the IASB and FASB develop improved converged standards that would simplify and improve the accounting principles for financial instruments and their valuation, the FSB noted that it was particularly supportive of continued work in a manner that does not expand the use of fair value in relation to the lending activities (involving loans and investments in debt instruments) of financial intermediaries. However, while the IASB has issued in November 2009 a new standard broadly consistent with this recommendation, the FASB proposal in May 2010 sets forth an approach using fair valuation measurement for loans and investments in debt securities.</p>
87	<p>Accounting standard setters should take action to strengthen accounting recognition of loan-loss provisions by incorporating a broader range of credit information by the end of 2009.</p>	<p>In November 2009, the IASB issued for public comment an ED on expected loss provisioning for financial assets reported at amortized cost, with comments due by 30 June 2010. The FASB has proposed to focus on a credit impairment approach that would require, at the end of each period, an impairment loss measured as the present value of management’s current estimate of cash flows that are not expected to be collected. One FASB Board member has described it as being a “short-term expected loss approach”. In May 2010, the FASB proposed an impairment approach in its comprehensive ED that theoretically could result in an earlier recognition of credit losses than under the current incurred loss impairment approach in existing FASB and IASB standards. Comments are due by 30 September 2010.</p> <p>The IASB and FASB will continue discussions with each other to seek convergence in this area and the two bodies have established an Expert Advisory Panel (EAP) on impairment to assist the Boards in addressing a number of practical issues associated with their respective credit impairment (provisioning) approaches. The EAP, comprised of risk management and accounting experts from major banks and other financial firms, audit firms and regulatory bodies, has been meeting since December 2009.</p> <p>When forming the EAP, the IASB noted that the expected loss proposal has some complexity and operational challenges. The BCBS has been discussing with the IASB and EAP ways to further enhance the IASB’s proposed expected loss approach in a manner that seeks to better integrate expected loss estimation processes with bank risk management systems, draw from information used for Basel II purposes, improve the quality of the expected loss estimates and mitigate</p>

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		risks of procyclicality while reducing undue burden on banks.
88	Accounting standard setters should take action to improve accounting standards for provisioning, off-balance sheet exposures and valuation uncertainty by the end of 2009.	<p>The IASB is working to enhance the accounting and disclosure standards for off-balance sheet entities. The IASB plans to finalize the consolidation standard by the end of 2010, which will also address disclosures about special purposes entities and other unconsolidated.</p> <p>In June 2009, the FASB published its final standards, Financial Accounting Statements No. 166, Accounting for Transfers of Financial Assets, and No. 167, Amendments to FASB Interpretation No. 46(R), which change the way entities account for securitizations and special-purpose entities and require improved disclosures. The new standards impact financial institution balance sheets beginning in 2010.</p> <p>The IASB and FASB are giving further consideration to addressing significant valuation uncertainty through clarifying on the treatment of valuation adjustments in their final fair value measurement standards in 2010.</p>
89	Accounting standard setters should take action to achieve clarity and consistency in the application of valuation and provisioning standards internationally, working with supervisors by the end of 2009.	<p>The IASB published in May 2009 an exposure draft (proposed accounting standard) on fair value measurement that largely incorporates the staff guidance issued in April by the FASB to better identify inactive markets and determine whether transactions are orderly. The IASB and FASB are giving further consideration to addressing significant valuation uncertainty through clarifying the treatment of valuation adjustments as part of their final standards on fair value measurement to be issued in 2010. A summary of the work on provisioning is discussed in the preceding paragraphs.</p> <p>In July 2009 the BCBS proposed to the IASB high-level principles for replacement of IAS 39, which include principles addressing certain valuation and provisioning issues. Also, the BCBS has been discussing with the IASB and EAP (which also includes the FASB) ways to further enhance the IASB's proposed expected loss approach in a manner that seeks to better integrate expected loss estimation processes with bank risk management systems, draw from information used for Basel II purposes, improve the quality of the expected loss estimates and mitigate risks of procyclicality while reducing undue burden on banks.</p>
90	We call on our international accounting bodies to redouble their efforts to	The IASB and FASB held a joint meeting in October 2009 at which the Boards reaffirmed their commitment to improve their accounting standards and to bring

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>achieve a single set of high quality, global accounting standards within the context of their independent standard setting process; and complete their convergence project by June 2011.</p>	<p>about their convergence, and agreed on core principles for working to achieve a converged solution to accounting for financial instruments.</p> <p>In November 2009, the IASB and the FASB issued a joint statement, reiterating the IASB's and FASB's shared commitment to convergence by establishing a comprehensive work plan to complete their joint program by the June 2011 target.</p> <p>The Boards have been meeting monthly to achieve the goal of converging IFRSs and US GAAP to the greatest extent possible by June 2011. The IASB and FASB issued a Quarterly Progress Report on 31 March 2010, which indicated that they have achieved substantially all of their milestone targets for the first quarter of 2010. However, on 2 June 2010, the FASB and IASB Chairmen sent a joint letter to the G20 indicating that while they still are committed to an intense convergence program, they may not be able to achieve convergence by June 2011 for certain projects, which would instead be completed by end-2011. In a letter to the G20 Leaders on 24 June the Boards published a progress report that includes a revised convergence work plan which indicates the prioritized projects to be completed by June 2011. The US SEC Chair issued a statement on 2 June which indicated that this action by the FASB and IASB will not negatively impact the SEC's work plan, announced in February, to consider in 2011 whether and how to incorporate IFRS into the US financial reporting system.</p> <p>In addition, nearly all FSB jurisdictions have adopted or have programs underway to converge with or consider adoption of the standards of the IASB by 2012.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors expressed the importance they place in achieving a single set of high quality, global accounting standards and urged the International Accounting Standards Board and the Financial Accounting Standards Board to redouble their efforts to that end. They encouraged the International Accounting Standards Board to further improve involvement of stakeholders.</p> <p>At the Toronto Summit, G20 Leaders re-emphasized the importance they place on achieving a single set of high quality improved global accounting standards. Leaders urged the International Accounting Standards Board and the Financial</p>
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Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

		Accounting Standards Board to increase their efforts to complete their convergence project by the end of 2011. Leaders encouraged the International Accounting Standards Board to further improve the involvement of stakeholders, including outreach to emerging market economies, within the framework of the independent accounting standard setting process.
91	The IASB's institutional framework should further enhance the involvement of various stakeholders.	<p>The IASB is working together with supervisors in key areas, including provisioning and valuation, and has had a number of meetings with the BCBS on these issues. In addition, supported by the FSB, the IASB held a meeting with senior officials and technical experts of prudential authorities, market regulators and their international organizations to discuss financial institution reporting issues on 27 August 2009. This meeting included senior representatives from a number of emerging market economies that are FSB members. The IASB and FASB Chairmen have also provided updates on their convergence projects to the FSB during 2010.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors expressed the importance they place in achieving a single set of high quality, global accounting standards and urged the International Accounting Standards Board and the Financial Accounting Standards Board to redouble their efforts to that end. We encouraged the International Accounting Standards Board to further improve involvement of stakeholders.</p>
92	Regulators and accounting standard setters should enhance the required disclosure in relation to complex financial products by firms to market participants. (By end 2009).	<p>National authorities have taken, and are continuing to take, steps to encourage firms to provide disclosures consistent with international best practice as set forth in reports by the Senior Supervisors Group and the FSB, as appropriate. Firms have continued to enhance their risk disclosures in their published financial reports. The FSB will examine risk disclosures by major financial institutions as its second thematic peer review in 2010.</p> <p>The IASB plans to improve the consolidation standard by issuing an IFRS on disclosures about unconsolidated intities by the end of 2010, and to issue an IFRS improving disclosures under the derecognition standard by the third quarter of 2010 to prevent entities ceasing accounting for assets they still control.</p>
CREDIT RATING AGENCIES		
93	We have agreed that for all credit rating agencies whose ratings are used for	National and regulatory initiatives are ongoing to implement strengthened oversight of credit rating agencies (CRAs) pursuant to CRA regulatory oversight regimes

Progress report on the economic and financial actions of the previous G20 Summits, July 20, 2010

	<p>regulatory purposes, should be subject to a regulatory oversight regime, including registration, consistent with the IOSCO Code of Conduct fundamentals, by the end of 2009.</p>	<p>adopted in major jurisdictions in line with the London Summit recommendation made in 2009.</p> <p>IOSCO published in March 2009 a report assessing the degree to which credit rating agencies (CRAs) have adopted codes of conduct that reflect the updated provisions of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (CRAs). The report found that a larger proportion of the CRAs reviewed had taken steps to incorporate the provisions of the IOSCO CRA Code into their codes of conduct than when they were previously surveyed for IOSCO's first implementation review in 2007.</p> <p>In May 2010, IOSCO issued for public consultation a report reviewing CRA supervisory initiatives in several of its member jurisdictions in order to evaluate whether, and if so how, these regulatory programs implement the IOSCO CRA Principles.</p> <p>In May 2010, IOSCO published a set of Principles Regarding Cross-Border Supervisory Cooperation, which set out how securities regulators can better build and maintain cross-border cooperative relationships that will allow them to more effectively oversee financial services including CRAs.</p> <p>At Busan G20 Finance Ministers and Central Bank Governors agreed the following: We committed to accelerate the implementation of strong measures to improve transparency, regulation and supervision of hedge funds, credit rating agencies, compensation practices and OTC derivatives in an internationally consistent and non-discriminatory way. We called on the FSB to review national and regional implementation in these areas and promote global policy cohesion. We also committed to improve functioning and transparency of commodities markets.</p> <p>In Toronto, G-20 Leaders committed to accelerate the implementation of strong measures to improve transparency and regulatory oversight of hedge funds, credit rating agencies and over-the-counter derivatives in an internationally consistent and non-discriminatory way. Leaders called on credit rating agencies to increase transparency and improve quality and avoid conflicts of interest, and on national supervisors to continue to focus on these issues in conducting their oversight.</p>
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94	<p>National authorities will enforce compliance and require changes to a rating agencies practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.</p>	<p>National and regional initiatives are ongoing to strengthen oversight of CRAs.</p> <p>At the request of the FSB, the EU, US and Japan are continuing their discussions to resolve any significant inconsistencies or frictions that may arise as a result of differences among their new CRA regulations.</p> <p>In May 2010, IOSCO issued for public consultation a report reviewing CRA supervisory initiatives in several of its member jurisdictions in order to evaluate whether, and if so how, these regulatory programs implement the IOSCO CRA Principles.</p> <p>In May 2010, IOSCO published a set of Principles Regarding Cross-Border Supervisory Cooperation, which set out how securities regulators can better build and maintain cross-border cooperative relationships that will allow them to more effectively oversee financial services including CRAs.</p>
95	<p>BCBS to review the role of external ratings in prudential regulation and determine whether there are any adverse incentives that need to be addressed. (By end 2009).</p>	<p>The BCBS is working to address a number of inappropriate incentives arising from the use of external ratings in the regulatory capital framework. National and regional authorities have also taken or are considering ways of lessening undue reliance on ratings in rules and regulations.</p> <p>The FSB has collected information on the measures taken both at international and national levels to reduce official sector use of ratings, and is discussing the development of high-level principles for use by authorities in reducing their reliance on ratings.</p> <p>At the Toronto Summit, G20 Leaders committed to reduce reliance on external ratings in rules and regulations. Leaders acknowledged the work underway at the BCBS to address adverse incentives arising from the use of external ratings in the regulatory capital framework, and at the FSB to develop general principles to reduce authorities' and financial institutions' reliance on external ratings. Leaders called on them to report to our Finance Ministers and Central Bank Governors in October 2010.</p>
<p>A FAIR AND SUBSTANTIAL CONTRIBUTION BY THE FINANCIAL SECTOR</p>		

<p>96</p>	<p>IMF to prepare a report for June 2010 Summit with regard to the range of options countries have adopted or are considering as to how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system.</p>	<p>The IMF provided an interim report in April 2010 reviewing the options on how the financial sector could contribute to paying for burdens associated with government interventions. During their April meeting, the G20 Finance Ministers and Central Bank Governors called on the IMF for further work on options to ensure domestic financial institutions bear the burden of any extraordinary government interventions where they occur, address their excessive risk taking and help promote a level playing field, taking into consideration individual country's circumstances.</p> <p>The IMF provided a revised report to G20 Finance Ministers and Central Bank Governors in Busan, where they agreed that: "the financial sector should make a fair and substantial contribution towards paying for any burdens associated with government interventions, where they occur, to repair the banking system or fund resolution. To that end, recognizing that there is a range of policy approaches, we agreed to develop principles reflecting the need to protect taxpayers, reduce risks from the financial system, protect the flow of credit in good times and bad, taking into account individual country's circumstances and options, and helping promote level playing field. The IMF will deliver their final report at the Toronto Summit."</p> <p>At the Toronto Summit, G20 Leaders agreed the financial sector should make a fair and substantial contribution towards paying for any burdens associated with government interventions, where they occur, to repair the financial system or fund resolution, and reduce risks from the financial system. To that end, we recognized that there is a range of policy approaches. Some countries are pursuing a financial levy. Other countries are pursuing different approaches. Leaders agreed the range of approaches would follow these principles:</p> <ul style="list-style-type: none"> • Protect taxpayers; • Reduce risks from the financial system; • Protect the flow of credit in good times and bad times; • Take into account individual countries' circumstances and options; and, • Help promote a level playing field.
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