

Progress in implementing the G20 Recommendations on Financial Regulatory Reform

Status report by the FSB Secretariat

The tables that follow provide a simple visual summary of the progress made in global policy development and implementation of financial reforms at the G20 level. The FSB Secretariat, in consultation with the FSB members, has developed these summary tables based on qualitative information from FSB members, including information collected through the FSB's implementation monitoring framework.

Two previous versions of this status report have been submitted to G20 Leaders, for the Cannes Summit in November 2011 and for the Los Cabos Summit in June 2012.

The tables contain the following information for each area of G20 recommendations:

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

The table on page 3 presents those reform areas where the grade assigned to the status of progress has changed since the Los Cabos Summit and the rationale for the changes in grade.

The 4 grades (“traffic lights”) used to assess the status of progress

Global policy development

National/International policy implementation

(1) Completed

- Global policy is fully developed as planned.

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

(2) Green

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

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

(3) Amber

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

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

(4) Red

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

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

Changes to the status from the June 2012 status report

#	Recommendations	Status			Main reasons for change
		(2012)		(2013)	
(1) Global policy development					
1	Development of the Basel III capital and liquidity framework and its full implementation within the agreed timeframe - Liquidity Coverage Ratio (1)	Green	→	Completed	BCBS issued its standard for the Liquidity Coverage Ratio in January 2013.
6	FSB, in consultation with the BCBS, to work on the modalities to extend expeditiously the G-SIFI framework to domestic systemically important banks. (5)	Green	→	Completed	BCBS issued its framework for dealing with domestic systemically important banks in November 2012.
27	Reduce reliance on external ratings in rules and regulation. BCBS and FSB to report to G20. (26)	Amber		Red	The FSB and standard setters are encountering substantial challenges in developing alternative approaches that would eliminate mechanistic reliance on CRA ratings
33	Establishment of FSB on enduring organisational footing with legal personality and greater financial autonomy. (33)	Green	→	Completed	The FSB was established as a legal entity in January 2013, with greater autonomy in its resource use through the establishment of a Standing Committee on Budget and Resources.
(2) National/International policy implementation					
1	Development of the Basel III capital and liquidity framework (including leverage ratio regime and counter-cyclical measures) and its full implementation within the agreed timeframe (1, G20 FM & CBG, July 2013 Para 21)	Amber	→	Green	25 out of 27 BCBS jurisdictions have now issued final rules, with major financial centres having made a number of adjustments to reflect BCBS assessments of their draft rules. Nevertheless, some issues over consistency remain regarding how Basel rules are applied, in particular over risk-weightings of assets. BCBS is reviewing this issue and its assessments of many jurisdictions' final rules are still to come.
2	Adoption of Basel II and II.5 (enhancements to securitisation and trading book exposures) frameworks (2)	Amber	→	Green	22 of the 27 BCBS jurisdictions have implemented Basel II.5, and the remaining major jurisdiction yet to do so has issued final rules to come into force in 2014.
27	Reduce reliance on external ratings in rules and regulation. BCBS and FSB to report to G20. (26)	Amber		Red	Few authorities have developed action plans to reduce reliance by mid-2013 as committed under the FSB roadmap.
31	Initiative to promote adherence to international prudential standards and address non-cooperative jurisdictions (NCJs). (29)	Green	→	Amber	Out of the 61 jurisdictions ranking highly in financial importance that were prioritised for assessment, 17 have yet to demonstrate sufficiently strong adherence to the relevant regulatory and supervisory standards (of which 5 are FSB members).

*: The numbers in brackets are the numbers from the tables in the June 2012 status report, or where indicated, the paragraph numbers from the Los Cabos/Cannes/Seoul/Toronto Summit Communiqués or G20 Finance Ministers and Central Bank Governors' meeting communiqués.

Status Report on the Progress in implementing the G20 Recommendations on Financial Regulatory Reform (As of 5 September 2013)

#	Recommendations*	Global policy development			National/International policy implementation		
		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
A. Building resilient financial institutions							
1	Development of the Basel III capital and liquidity framework (including leverage ratio regime and counter-cyclical measures) and its full implementation within the agreed timeframe (1, G20 FM & CBG, July 2013 Para 21)	BCBS	End-2010 (for capital)	Completed	National authorities, BCBS	Starting on 1 Jan. 2013 and fully phased in by 1 Jan. 2019	Green
		BCBS	End-2012 (for LCR)	Completed	National authorities	Starting on 1 Jan. 2015 and fully phased in by 1 Jan. 2019	Green
		BCBS	Early 2014 (for leverage) End-2014 (for NSFR)	Green	National authorities	To be introduced by 2018	Green
2	Adoption of Basel II and II.5 (enhancements to securitisation and trading book exposures) frameworks (2)	-	-	-	All major G20 financial centres	End-2011	Green
3	Develop guidelines and strengthen supervision on banks' risk management practices, including for securitisation, risk concentration, internal controls, stress testing and counterparty risk. (3)	BCBS	Ongoing	Green	BCBS, National authorities	Ongoing	Amber
		Guidelines on bank risk management are in place but implementation varies across jurisdictions. Continuing assessment is needed.					
4	All jurisdictions to implement the FSB principles and standards on sounder compensation practices. FSB to undertake ongoing monitoring and propose additional measures as required. (31)	FSB	Ongoing	Green	National authorities	Ongoing	Amber
		Almost all FSB member jurisdictions have now completed the implementation of the FSB Principles and Standards (P&S) in national regulation or supervisory guidance. However, more work is needed to ensure that implementation of the P&S is effectively leading to more prudent risk-taking behaviour.					

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
B. Ending “Too-Big-To-Fail”							
5	FSB to develop measures for global SIFIs (G-SIFIs), including a resolution framework, higher loss absorbency capacity, more intensive supervisory oversight, robust core financial market infrastructure and other supplementary prudential requirements. (4)	FSB, BCBS, IAIS, CPSS, IOSCO	Ongoing	Green	FSB, National authorities	Resolution plans: June 2013 for G-SIBs and end-2014 for G-SIIs, Higher loss absorbency: 2016-2019 for G-SIBs and by 2019 for G-SIIs.	Amber
National authorities are in the process of developing and implementing measures for G-SIFIs. Challenges in establishing effective resolution plans remain.							
6	FSB, in consultation with the BCBS, to work on the modalities to extend expeditiously the G-SIFI framework to domestic systemically important banks. (5)	FSB, BCBS	November 2012	Completed	National authorities	January 2016	Not yet applicable
7	FSB in consultation with IOSCO to prepare methodologies to identify systemically important non-bank financial entities. (6)	FSB, IOSCO	End-2013	Green	-	-	-
8	FSB to develop key attributes of effective resolution regimes, including an international framework for cross-border resolution arrangements. Countries to establish a legal framework for crisis intervention, recovery and resolution plans, and crisis management groups for major cross-border firms. (7)	FSB	November 2011	Completed	National authorities, FSB	Ongoing	Red
Although substantive progress has been made, many home and host jurisdictions of G-SIFIs need to take further legislative measures to implement the Key Attributes fully in substance and scope – in particular, the adoption of bail-in powers, powers for cross-border cooperation and the recognition of foreign resolution actions.							

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
9	Supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks. (8)	FSB	Ongoing	Green	National authorities	Ongoing	Red
Findings from IMF-World Bank FSAPs reveal continuing significant weaknesses with regard to supervisory independence and resources, including for FSB members that are home to G-SIFIs.							
10	Establishment of supervisory colleges for significant cross-border firms. (9)	-	-	-	National authorities	June 2009	Amber
While supervisory colleges have been established, work is needed to improve their effectiveness in sharing information and collectively addressing risks.							
11	Regular peer reviews will be conducted by FSB on the effectiveness and consistency of national policy measures for G-SIFIs. (10)	FSB	End-2011	Amber	FSB, National authorities	Ongoing	Amber
The first FSB thematic peer review report of resolution regimes was published in April 2013. A peer-based G-SIFI resolvability assessment process will be launched in early 2014.							
C. Expanding and refining the regulatory perimeter							
12	Develop and implement recommendations to strengthen the oversight of the shadow banking system. (11)	FSB, SSBs	November 2011	Completed	FSB, SSBs, National authorities	Ongoing	Amber
National authorities are still facing challenges in collecting appropriate data to assess the trends and risks especially with regard to non-bank financial entities.							
13	Develop and implement recommendations to strengthen the regulation of the shadow banking system. (12)	FSB, SSBs	September 2013	Green	National authorities, FSB, SSBs	Various	Not yet applicable
14	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis. (13)	IOSCO	2009	Completed	National authorities	Ongoing	Green
15	FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a hedge fund is located in a different jurisdiction from the manager. (14)	FSB, IOSCO	End-2009	Amber	National authorities	Ongoing	Amber
The IOSCO Principles on hedge fund regulation provide for cooperation and information sharing as appropriate. Data collection has been enhanced in some jurisdictions and IOSCO is conducting a second Hedge Funds Survey with wider coverage. However, mechanisms for information sharing to ensure effective oversight remain under development.							

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
16	Securitisation sponsors or originators should retain a part of the risk of the underlying assets. (15)	IOSCO, BCBS, Joint Forum	2010	Completed	National authorities	Ongoing	Amber
IOSCO has reviewed the current status of national policies as part of the FSB shadow banking work, has highlighted the absence of retention requirements in certain jurisdictions and differences between national approaches when they exist, and has issued recommendations to promote global harmonisation of national approaches in aligning incentives of investors and securitisers.							
D. Creating continuous markets - OTC derivatives reforms							
17	All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through CCPs. All derivatives should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. (16)	CPSS, IOSCO, BCBS	End-2012	Green	Relevant authorities	End-2012	Amber
Although the end-2012 deadline was not met, progress has been made by many jurisdictions and by international standard-setting bodies. However, considerable work is needed in many jurisdictions to fully meet the G20 objectives. While progress has been made by the OTC Derivatives Regulators Group, further close cooperation across major markets is needed to address cross-border issues.							
18	Development of standards on margining for non-centrally cleared derivatives (17)	BCBS, IOSCO, Relevant authorities	September 2013	Green	Not yet applicable	Not yet applicable	Not yet applicable
19	IOSCO to assess the functioning of credit default swaps (CDS) markets and the role of those markets in price formation of underlying assets. (18)	IOSCO	December 2014	Green	-	-	-
20	Improvement of regulation, functioning and transparency of commodity derivative markets. (19)	IOSCO, FSB, Relevant authorities	Ongoing	Green	IOSCO, Relevant authorities	Ongoing (Nov.-2012 for report)	Amber
Most jurisdictions are broadly compliant with the <i>Principles for the Regulation and Supervision of Commodity Derivatives Markets</i> . However, delays and challenges in implementing overall OTC derivatives reforms affect commodity derivatives just as they do other asset classes.							

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
E. Creating continuous markets - Strengthening and converging accounting standards							
21	Accounting standard setters to achieve a single set of high quality, global accounting standards, and complete their convergence project. (20, G20 FM & CBGs July 2013 Para 28)	IASB, FASB	end-2013	Amber	-	-	-
The G20 has postponed earlier deadlines to end-2013 as a result of slow progress. Improvements have been made in some areas (e.g. fair value measurement, disclosure of off-balance sheet exposures, disclosure of offsetting/netting, consolidation) but work is continuing in other areas (e.g. impairment and insurance accounting).							
22	Regulators and accounting standard setters to enhance risk disclosure for complex financial products. (21)	Relevant authorities, IASB, FASB	End-2009	Completed	National authorities, FSB	Ongoing	Green
23	IASB to further enhance the involvement of various stakeholders. (22)	IASB	Ongoing	Green	IASB	Ongoing	Green
F. Creating continuous core markets – Other market reforms							
24	FSB to help coordinate work among the regulatory community to prepare recommendations for the appropriate governance framework for global legal entity identifier (LEI). (23)	FSB	June 2012	Completed	National authorities, LEI ROC	Ongoing	Green
25	Ensure market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity. (24)	IOSCO	Mid-2012 (for further work)	Green	National authorities	Ongoing	Green
26	All credit rating agencies (CRAs) to be subject to a regulatory oversight regime consistent with the IOSCO Code of Conduct and across jurisdictions with appropriate sharing of information. (25)	-	-	-	National authorities, IOSCO	Ongoing	Green
27	Reduce reliance on external ratings in rules and regulation. BCBS and FSB to report to G20. (26)	FSB, SSBs	Ongoing	Red	National authorities	Ongoing	Red
Some SSBs and a few national authorities have taken steps to reduce reliance on CRA ratings. However, overall progress (as indicated by interim FSB peer review report) has been patchy. Accelerated progress by standard-setters and authorities is needed to achieve the milestones in the FSB roadmap for reducing reliance..							
28	Improve the oversight and governance frameworks for financial benchmarks (G20 FM/CBG April 2013 Para. 13)	IOSCO, BIS	-	Completed	National authorities, FSB, IOSCO	Ongoing	Green

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
G. Developing macro-prudential frameworks and tools							
29	Amend regulatory systems to enable national authorities to identify and take account of macro-prudential risks across the financial system. (27)	-	-	-	National authorities	Ongoing	Amber
Progress is being made, but national policy frameworks and data are still being developed in many jurisdictions.							
30	FSB, IMF and BIS to do further work on macro-prudential policy frameworks and report progress to G20. (28)	FSB, IMF, BIS	Ongoing	Green	-	-	-
H. Strengthening adherence to international supervisory and regulatory standards							
31	Initiative to promote adherence to international prudential standards and address non-cooperative jurisdictions (NCJs). (29)	FSB	February 2010	Completed	National authorities, FSB, SSBs	Ongoing	Amber
Out of the 61 jurisdictions ranking highly in financial importance that were prioritised for assessment, 17 have yet to demonstrate sufficiently strong adherence to the relevant regulatory and supervisory standards (of which 5 are FSB members).							
32	International assessment and peer review processes to be substantially enhanced to ensure consistency in implementation and identify areas for further improvement. All G20 members to undergo a Financial Sector Assessment Program (FSAP) and the FSB peer review. (30)	FSB, IMF, World Bank	Ongoing	Green	FSB, IMF, World Bank	Ongoing	Green
I. Strengthening of FSB's Capacity, Resources and Governance							
33	FSB to expand upon and formalise its outreach activities beyond the G20 membership. (32)	FSB	Ongoing	Completed	-	-	-
34	FSB to review the structure of its representation. (Los Cabos Para. 46)	FSB	End-2014	Green	-	-	-
35	Establishment of FSB on enduring organisational footing with legal personality and greater financial autonomy. (33)	FSB	Recommendations by June 2012	Completed	-	-	-

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		Responsible institutions	Deadline	Status	Responsible institutions	Deadline	Status
J. Other issues							
36	Continued monitoring of unintended consequences for EMDEs. (Los Cabos, Para. 45)	FSB, SSBs, IOs and national authorities of EMDEs	Ongoing	Green	-	-	-
37	Advanced economies, IMF and other international organisations (IOs) should provide capacity building programs for emerging market economies and developing countries on new regulations. (35)	-	-	-	Advanced economies, IMF and other IOs	Ongoing	Amber
One of the main findings from the FSB's monitoring of the effects of regulatory reforms on EMDEs is the lack of adequate resources and expertise in EMDEs to adequately respond to global regulatory initiatives. Although progress has been made, the capacity-building needs of EMDEs should be continuously assessed.							
38	FSB, in collaboration with OECD and other IOs, to explore and report to the G20 on options to advance consumer finance protection. (36)	FSB, OECD and other IOs	November 2011	Completed	FSB, OECD, Relevant bodies, National authorities	Ongoing	Green
39	FSB to monitor the impact of financial regulatory reforms on the supply of long-term investment financing. (G20 FM/CBG July 2013, Para. 15)	FSB	Ongoing	Green	-	-	-

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