

Ongoing and Recent Work Relevant to Sound Financial Systems

Cover note by the Secretariat for the FSF meeting on 11-12 March 2009

This cover note highlights and summarises those collective and multilateral initiatives started during the previous six months, out of the initiatives in the attached Secretariat detailed note on work relevant to sound financial systems. Contact information for projects is also provided in the detailed note.

The cover note also includes an overview of major ongoing international regulatory initiatives, including information on their schedules for public consultation and target dates for finalisation, so as to inform FSF members and other stakeholders of the international regulatory “pipeline” and the potential bunching of regulatory initiatives.

I. Macroeconomic Management, Surveillance and Transparency

1. Task Force on Sovereign Wealth Funds (IOSCO, page 18)

IOSCO launched the Task Force on Sovereign Wealth Funds (TFSWF) in September 2008. It is intended that the TFSWF will review the regulatory issues related to the activities of sovereign wealth funds and to present related recommendations for consideration by the IOSCO’s Technical Committee.

2. Macroprudential Regulation and Supervision (BIS, page 19)

This work is exploring possible concrete options to strengthen the macroprudential orientation of regulatory and supervisory frameworks. The work considers both the evolution of financial system-wide risk over time (and hence how to address financial system procyclicality) and the distribution of system-wide risk at a point in time across individual financial institutions (resulting from interdependencies and common exposures). The possible calibration of prudential instruments is assessed based on quantitative analysis.

3. Financial Sector Rescue Plan Database (CGFS, page 19)

Following deterioration of financial sector conditions in mid-September 2008, governments around the world have introduced measures to support troubled financial institutions and markets, or, in some cases, to forestall spillovers from other jurisdictions. The CGFS Secretariat initiated in October 2008 an effort to compile and maintain information on government measures to support troubled financial institutions and markets. The database focuses on four main categories of measures: deposit insurance/guarantees, bank debt guarantees, capital injection/emergency loans, and asset purchases/guarantees.

4. Credit Risk Transfer Statistics (CGFS, page 19)

The financial crisis has revealed gaps in statistics on credit risk transfer (CRT) instruments. Against this backdrop, a working group was established in November 2008 with a mandate to explore the feasibility of following issues: (i) revising the current

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reporting on credit default swap (CDS) data to expand on data on reference entity and counterparty type; (ii) widening the coverage of CDS instruments to include more detailed information on multi-name indices, and to enrich current statistics with additional geographical, credit rating and counterparty breakdowns; and (iii) investigating the compatibility of CDS statistics and statistical information on other CRT instruments.

5. *Inter-Agency Group on Economic and Financial Statistics* (IMF, BIS, ECB, Eurostat, OECD, UN and the World Bank, pages 19-20)

The Group was created in late 2008 with the objective of improving data availability in financial and related statistics, taking account of resource constraints. Initially the Group is to promote a global Inter-Agency website that displays a set of economic and financial indicators for a systemic group of countries, with links to relevant websites, including the agencies on the group. The website is expected to be launched in the spring of 2009. Each agency represented in the Group is contributing data. Over time, the group intends to develop “Principal Global Economic Indicators,” a limited set of indicators that cover a broad range, following the example of the European set of “Principal European Economic Indicators.” The Group is also looking at gaps in data availability arising from the crisis.

II. Identifying Financial System Strengths and Weaknesses

1. *Task Force to Assess Implications of Current Financial Crisis within Emerging Markets* (IOSCO, pages 27-28)

In October 2008, the IOSCO Emerging Markets Committee launched a Task Force to assess the implications of the current financial crisis within emerging markets jurisdictions, with a particular focus on structured financial products. The first step was an urgent assessment of the impact of the current turmoil on members’ markets and their regulatory responses. The Task Force has completed a survey of the impact of the crisis on emerging markets. The survey collected information from 38 jurisdictions from all parts of the world on regulatory and supervisory issues arising from the crisis. The Task Force also will address the role of structured financial products in market development and will work closely with the IMF on this issue. The work of the Task Force will lead to the development of standards of good practice for emerging markets aimed at mitigating vulnerabilities in these markets and providing a sound basis for long-term development.

III. Financial Globalisation, Market Functioning/Conduct and Transparency

1. *Task Force on Unregulated Financial Entities* (IOSCO, page 49)

In November 2008, IOSCO launched the Task Force on Unregulated Financial Entities (TFUFE), focusing primarily on hedge funds. Specifically, TFUFE is examining the issues posed by hedge funds to capital markets and lessons to be drawn from the crisis, the current level of regulation of hedge funds, and is comparing the lessons drawn from the crisis and the existing principles and standards. The aim is to work towards the development of recommended regulatory approaches to mitigate risks associated with hedge funds trading activities and traditional opacity. The IOSCO Technical Committee published an interim report in March 2009. This interim report set forth possible recommendations for regulators when dealing with hedge funds and hedge fund managers focused on market integrity and investor protection and invited public comments.

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2. *Task Force on Unregulated Financial Markets and Products* (IOSCO, pages 50-51)

In light of the impact that unregulated financial markets and products have had on global capital markets, IOSCO launched in November 2008 the Task Force on Unregulated Financial Markets and Products (TFUMP). TFUMP is working on an interim report on regulatory measures to improve confidence and transparency in the OTC market, with particular focus on securitized products and credit default swaps (CDS). This interim report will be published in late March 2009. TFUMP is exploring whether and how extending key regulatory principles that apply to regulated products and markets in the areas of transparency, market conduct, and market infrastructure, should apply to securitized products and CDS.

3. *Task Force on Short Selling* (IOSCO, page 51)

In recent months, many jurisdictions have taken steps to restrict short sales in their markets in light of the ongoing financial market turmoil. These efforts have focused particularly on the securities of financial institutions whose health may have an impact on financial stability. Some jurisdictions also have temporarily taken supplementary steps to address particular concerns in their markets, including restrictions on covered short selling. Since the initial restrictions were imposed, these positions have changed, with several jurisdictions relaxing their ban on short-selling but maintaining the temporary disclosure regimes while retaining the option of re-imposing restrictions. The different approaches adopted have created different compliance requirements on the industry and more importantly, may provide the potential opportunity for regulatory arbitrage especially for securities that are traded on different markets. Securities regulators therefore have an interest in attempting to develop and implement a common set of measures related to short selling, including specific ones related to their enforcement. The Technical Committee launched the Task Force on Short Selling in November 2008. The Technical Committee will publish a report for public consultation in mid-March 2009 from the Task Force. The report discusses issues related to naked short selling, the importance of tight settlement discipline to limiting the potential adverse effects of short selling, and the merits of greater reporting of short positions. The report will set forth general principles on the regulation of short selling. The Task force stands ready to add detail to the principles relating to short selling following such consultation.

4. *Task Force on Commodities Futures Market* (IOSCO, page 54)

IOSCO launched in October 2008 the Task Force on Commodities Futures Markets (TFCFM). TFCFM is examining the changing nature of commodities futures markets taking into account issues such as technological developments, globalization, product innovation and composition, and increasing participation of new types of investors. It is also examining whether supervisory approaches are keeping pace with developments in this market and whether regulators are cooperating sufficiently to deal with the increasing globalization of the markets. IOSCO members from both developed and emerging market economies have been involved in the work of the Task Force. The IOSCO Technical Committee has agreed to publish for public consultation a report developed by TFCFM that examines governmental and IMF reviews of the issue of speculation in commodity markets. The report will be published in mid-March 2009.

IV. Prudential Regulation and Supervision

1. *Identification of Regulatory Gaps* (BCBS, IOSCO, and IAIS through the Joint Forum, page 63)

The BCBS, IOSCO and the IAIS, through the Joint Forum, have put in place a framework and process to carry out a stock-take of the issues around regulatory gaps and differences that build on existing work and processes in each sector. The Joint Forum is expected to take forward this work to help identify important regulatory gaps and differences in the regulatory oversight of the three sectors. Work underway or planned to address these gaps will also be identified. The findings and possible next steps have been discussed at the Joint Forum's February 2009 meeting, taking into account the work of other initiatives dealing with the scope of regulation.

International Regulatory Initiatives

This overview table is intended to provide a snapshot of key regulatory initiatives in the implementation, public consultation and development phases, along with an indication of their timing where applicable. It is intended to assist national authorities, firms and other stakeholders in keeping abreast of and better preparing for major regulatory initiatives as they are taken forward. Initiatives are included in this table, drawing on the advice of the principal international institutions, groupings and committees. The table captures only summary information on major initiatives, and is concerned largely with the timing of implementation. Thus readers are encouraged to refer to the accompanying detailed note on Ongoing and Recent Work relevant to Sound Financial Systems for further insight on the background and objectives of these, and other initiatives of the principal international institutions, groupings and committees. Readers should also be aware that decisions regarding implementation are in most cases left to national discretion, and thus the timing of implementation may vary across jurisdictions. Lastly, the timing of initiatives indicated in the table is based on information as of 29 March 2007, and the relevant bodies should be consulted directly for more recent developments.

International regulatory initiatives in the implementation phase													
	2008				2009				2010				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
BCBS <i>Basel II</i>	1 January 2007 for FIRB (credit risk) and BAI/TSA (operational risk); 1 January 2008 for AIRB (credit risk) and AMA (operational risk)												
IAIS <i>Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors</i>	Ongoing validation of applicants and accession to MMOU												
IASB <i>Financial Statement Presentation - Phase A - MOU project</i>					Periods beginning 1 January 2009								
IASB <i>Financial Instruments - Puttable Instruments</i>					Periods beginning 1 January 2009								
IASB <i>IFRS 3 Business Combinations - MOU project</i>					Periods beginning 1 July 2009								
IASB <i>Reclassification of Financial Assets (Amendment to IAS 39)</i>			Periods beginning 1 July 2008										
IOSCO <i>Revised Code of Conduct for Credit Rating Agencies</i>			Discussion on how regulators should check for compliance with the Revised Code										
International regulatory initiatives in the public consultation phase													
	2008				2009				2010				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
IOSCO <i>Periodic Disclosure by Listed Issuers</i>						T.D.(P.C.ended December 2005)							
IOSCO <i>Point of Sale Disclosures to Retail Investors</i>				P.C. on issues ended in October		P.C. on Principles							
IASB <i>IAS 37 Provisions, Contingent Liabilities and Contingent Assets</i>								T.D. (P.C. for ED ended October 2005)					
IOSCO <i>Corporate Governance of Listed Companies</i>						T.D.(P.C.ended January 2007)							
IASB <i>Insurance Contracts</i>							P.C. planned for ED (P.C. for DP ended November 2007)						
IASB <i>Financial Instruments - Liabilities and Equities</i>	DP published in March						P.C. planned for ED						
IASB <i>Financial Instruments - Replacement for IAS 39</i>	DP published in March				Public discussion by IASB-FASB Financial Crisis Advisory Group								
IASB <i>Derecognition</i>						P.C. planned for ED including round-table discussion		T.D.					
IASB <i>Fair Value Measurement Guidance - MOU project</i>						P.C. planned for ED including round-table discussion			T.D.				
IASB <i>Consolidations - MOU project</i>			Round-table discussion	ED published in December	P.C. planned for ED	Round-table discussion planned		T.D.					
IASB <i>Financial Statements Presentation -Phase B- MOU project</i>				P.C. planned for DP					P.C. planned for ED				
IASB <i>Revenue recognition - MOU project</i>					P.C. planned for DP					P.C. planned for ED			
IASB <i>Post-employment benefits (including pensions) - MOU project</i>							P.C. planned for ED						
IASB <i>Income Taxes - Revision of IAS 12</i>					P.C. planned for ED								
IASB <i>Emissions Trading Schemes</i>							P.C. planned for ED						
IASB <i>Management Commentary</i>							P.C. planned for ED				T.D.		
IASB <i>Leases - MOU project</i>					P.C. planned for ED								
IASB <i>Rate Regulated Activities</i>						P.C. planned for ED							

IASB <i>Joint Ventures - MOU Project</i>	P.C. ended 11 January						T.D.					
IASB <i>Embedded Derivatives (Amendments to IAS 39 and IFRIC-9)</i>						P.C. ended 21 January; T.D. March						
IASB <i>Financial Instruments: Enhanced Disclosures (Amendments to IFRS 7)</i>					P.C. ended 15 December							
IOSCO <i>Viability-Secondary Market Reporting System for Structured Products</i>					Consultation with the Industry			P.C. planned				
IOSCO <i>Funds of Hedge Funds</i>					P.C. ended 30 January		T.D.					
BCBS <i>Due Diligence and Transparency Regarding Cover Payment Messages Related to Cross-border Wire Transfers</i>				P.C. ended 15 September			T.D.					
Other international regulatory initiatives under development												
	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BCBS <i>Guidelines for Computing Capital for Incremental Risk in the Trading Book</i>							T.D.					
BCBS <i>Review of Trends in Regulatory Capital Instruments</i>						T.D.						
IAIS <i>Insurers' Solvency: Standard on the Valuation of Assets and Liabilities Including Technical Provisions (*)</i>												T.D.
IAIS <i>Insurers' Solvency: Standard and Guidance on Capital Resources (*)</i>								T.D.				
IAIS <i>Guidance Paper on the Use of a Supervisory College in Group-wide Supervision (*)</i>								T.D.				
IAIS <i>Insurance Groups: Issues Paper on Group Solvency Assessment (*)</i>								T.D.				
IAIS <i>Reinsurance: Standard on Risk Transfer, Disclosure and Analysis of Finite Reinsurance (*)</i>												T.D.
IAIS <i>Reinsurance: Supervision of Reinsurance Cover and Reinsurance Companies (direct and indirect) (*)</i>												T.D.
IAIS <i>Reinsurance: Global Reinsurance Market Report Annual Edition</i>				2008 report complete				T.D.				T.D.
IAIS <i>Life Insurance Securitisation: Review of Issues Paper and Upgrade to a Supervisory Paper</i>								T.D.				
IAIS <i>Non-life Insurance Securitisation: Review of Issues Paper and Upgrade to a Supervisory Paper</i>								T.D.				
IAIS <i>Revision of Insurance Core Principles (*)</i>	Underway - to be completed in 2011											
IAIS <i>Governance & Compliance: Issues Paper (*)</i>								T.D.				
IAIS <i>Governance & Compliance: Supervisory Paper (Standard of Guidance) (*)</i>												T.D.
IAIS <i>Governance & Compliance: Review of Fit and Proper Standard (*)</i>												T.D.
IAIS <i>Microinsurance: Guidance Paper on Regulation and Supervision of Microinsurance (*)</i>												T.D.
IAIS <i>Microinsurance: Issues in the Regulation and Supervision of Mutual Organisations in Emerging Markets (*)</i>												T.D.
IAIS <i>Issues in the Relationship between the Actuary and External Auditor (*)</i>								T.D.				
IAIS <i>Harmonised International Glossary(*)</i>								T.D.				
IOSCO <i>Due Diligence of Asset Managers regarding Structured Finance Products</i>				Survey of regulators and industry regarding due diligence practices			T.D.					
IOSCO <i>Short selling</i>							T.D.					
IOSCO <i>Unregulated Financial Entities</i>							T.D.					
IOSCO <i>Unregulated Financial Markets and Products</i>							T.D.					
IOSCO <i>Principles for Disclosure Associated with ABS</i>					Development Work							

	Agreed international implementation date
	P.C.
	Period of public comment on consultation documents
	T.D.
	Target date for finalisation of initiatives

Note 1: (*) In consultation with IAIS Members and Observers including insurance industry and professionals

Note 2: For IASB projects, DP means Discussion Paper. ED means Exposure Draft, public comment of which is normally 120 days.

Note 3: For IASB's projects, target dates will not correspond to the date when entities must apply the standard, i.e. agreed international implementation date. Each IASB standard will have an 'application date' which is decided when the final standard is published. All standards issued over the next two year period will have an application date of 1 January 2009 or later. Further, target dates will differ in some parts of the world, depending on when a country will adopt IFRS or endorse the published standard into their framework. For further details of the IASB's overall work plan, please refer to the IASB's website link (<http://www.iasb.org/current/iasbworkplan.asp>).

Note 4: The IAASB issues proposals (called Exposure Drafts (EDs)) for new or amended International Standards on Auditing (ISAs) for public comment. ISAs are intended to guide auditors in performing high quality external audits and other assurance work and do not usually include guidance that directly affects private sector firms. However, given the indirect effect that audit standards can have on regulators, audit oversight authorities and private sector firms, the link to the IAASB' EDs (<http://www.ifac.org/Guidance/EXD-Outstanding.php>) is provided for the information of those that use this table.

**Ongoing and Recent Work Relevant to
Sound Financial Systems**

**Note by the FSF Secretariat (with inputs from various bodies)
for the FSF Meeting on 11-12 March 2009**

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For further information, please contact the FSF secretariat at fsforum@bis.org,
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I. Work Completed Since the Last FSF Meeting

(i) Macroeconomic Management, Surveillance and Transparency

1. Generally Accepted Principles for Sovereign Wealth Funds

Agency: IMF and World Bank

Contact Information: Udaibir S. Das (udas@imf.org); Alison M. Stuart, Emerging Markets Division, IMF (astuart@imf.org)

Completion Date: October 2008

Brief Description: Sovereign wealth funds (SWFs) are becoming an increasingly important part of the global financial system. SWFs can play a positive role in financial markets, but have also created concerns, including about their impact on global financial stability, their relative transparency, and their investment motives. SWFs have been a part of IMF surveillance, both bilateral and global, and the International Monetary and Financial Committee has welcomed expanded work by the Fund to analyze issues for investors and recipients of such flows. In coordination with International Working Group on SWFs, the Fund facilitated the development of Generally Accepted Principles for SWFs (also known as the Santiago Principles) which were published at the IMF/World Bank Annual Meetings in October 2008. These aim to improve transparency and reduce the risk of a protectionist backlash in the countries in which they invest.

2. Sovereign Wealth Funds and Recipient Country Policies

Agency: OECD

Contact Information: kathryn.gordon@oecd.org

Completion Date: October 2008.

Website Locator:

http://www.oecd.org/document/19/0,3343,en_2649_34887_41807059_1_1_1,00.html

Brief Description: The OECD Investment Committee has completed its guidance for recipient country policies toward sovereign wealth funds (SWFs). This work benefited from the contributions of officials from many non-OECD countries and is part of ongoing international cooperation on building open and fair international investment markets. The OECD recognized the benefits of SWFs' investments and confirmed that the OECD's established principles for investment policy apply equally well to investments by SWFs. The OECD project complements the SWFs' work, assisted by the IMF, on developing guidance for their own transparency and governance practices. The two projects, taken together, contribute to building a policy framework that will reinforce mutual confidence and trust between recipient countries and SWFs. Ongoing work on the project will involve: (i) peer reviews of participating countries' observance of the guidance; (ii) improved international data on countries' investment policies; and (iii) deeper integration of non-members into the OECD's work on investment policy.

(ii) Accounting, Auditing and Public Disclosure

1. Auditing Standards

Agency: IFAC

Contact Information: Jim Sylph, IFAC Executive Director, Professional Standards (jimsylph@ifac.org)

Completion Date: 4th quarter of 2008

Website locator: http://web.ifac.org/download/Staff_Audit_Practice_Alert.pdf

Brief Description: In response to calls from regulatory groups and others, the IAASB has been working on a program to issue a set of clarified ISAs (International Standards on Auditing). This project is now finished and the complete set of ISAs has now been published.

The IAASB has confirmed that the effective date for the ISAs will be for audits of financial statements for periods beginning on or after December 15, 2009.

Responding to calls from the FSF and other bodies, the IAASB has issued two staff alerts to address issues relevant in the current economic crisis. The purpose of the alerts is to highlight areas within the ISAs that are particularly relevant in the audit of fair value accounting estimates and going concern in times of market uncertainty. The first alert issued in October 2008 is entitled *Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment*. The second alert issued in January 2009 is entitled *Audit Considerations in respect of Going Concern in the Current Economic Environment*.

The independent Consultative Advisory Group continues to provide input from numerous stakeholder groups to IAASB in the direction of its projects and the content of its agenda.

The BCBS, IAIS and IOSCO continue to evaluate ISAs in order to provide supervisory input.

2. Application of Fair Value Measurement of Financial Instruments when Markets Become Inactive

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: October 2008

Website Locator: <http://www.iasb.org/Current+Projects/IASB+Projects/Fair+Value+Measurement/Fair+value+of+financial+instruments+in+markets+that+are+no+longer+active.htm>

Brief Description: The IASB published *Educational Guidance on the Application of Fair Value Measurement of Financial Instruments when Markets Become Inactive*. The guidance took the form of a summary document prepared by IASB staff and the final report of the expert advisory panel established to consider the issue.

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The summary document sets out the context of the expert advisory panel report and highlights important issues associated with measuring the fair value of financial instruments when markets become inactive. It took into consideration and is consistent with documents issued by the US Financial Accounting Standards Board (FASB) on 10 October 2008 and by the Office of the Chief Accountant of the US Securities and Exchange Commission (SEC) and FASB staff on 30 September 2008.

The report of the expert advisory panel is a summary of the seven meetings of experts who are users, preparers and auditors of financial statements, as well as regulators and others. The IASB has also used the work of the panel to address the issues of disclosure, an area identified by the FSF along with fair value measurement and off-balance sheet accounting. The feedback from the panel was incorporated in the preparation of the exposure draft proposing improvements to IFRS 7 *Financial Instruments: Disclosures* published on 15 October and will be used in the development of the forthcoming standard on fair value measurement.

3. Financial Statement Presentation

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: October 2008

Website Locator:

<http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Statement+Presentation/Financial+Statement+Presentation.htm>

Brief Description: The IASB and the US FASB issued in mid October 2008 a joint Discussion Paper for comment, with a 180 day comment period. The Boards' goal is to improve the usefulness of the information provided in an entity's financial statements to help users make decisions in their capacity as capital providers. The proposed objectives state that information should be presented in the financial statements in a manner that portrays a cohesive financial picture of an entity's activities; disaggregates information so that it is useful in predicting an entity's future cash flows; and helps users assess an entity's liquidity and financial flexibility.

4. Reclassification of Financial Assets

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: October 2008

Website Locator:

<http://www.iasb.org/News/Press+Releases/IASB+amendments+permit+reclassification+of+financial+instruments.htm>

Brief Description: The IASB published an amendment to IAS 39 *Financial Instruments: Recognition and Measurement* to permit reclassifications of some financial assets in particular circumstances. The amendment addressed

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concerns from the EC that entities using International Financial Reporting Standards (IFRSs) were at a disadvantage in comparison to their US counterparts. While bringing US GAAP and IFRSs more in line, different scope, transition and impairment requirements meant that differences in treatment would still exist. The incident revealed sharply the problems for investors if two different sets of accounting rules for identical situations exist.

5. Improving Disclosures about Financial Risk

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: October 2008

Website Locator:

<http://www.iasb.org/Current+Projects/IASB+Projects/Amendments+to+IFRS+7+Financial+Instruments+Disclosures/Amendments+to+IFRS+7+Financial+Instruments+Disclosures.htm>

Brief Description: The IASB released proposals to amend its fair value disclosure requirements based on a three-level fair value hierarchy (similar to that used in Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* issued by the US FASB). The proposed amendments would require disclosures about the level of the fair value hierarchy into which fair value measurements are categorised in their entirety, the fair value measurements resulting from the use of significant unobservable inputs to valuation techniques and the movements between different levels of the fair value hierarchy.

The exposure draft also proposes amendments that would clarify the definition of liquidity risk, improve the quantitative disclosures about liquidity risk, and strengthen the relationship between qualitative and quantitative disclosures about liquidity risk.

6. Credit Crisis Public Roundtables

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: December 2008

Website Locator:

<http://www.iasb.org/About+Us/About+the+IASB/Response+to+the+credit+crisis.htm>

Brief Description: The IASB and US FASB jointly held three public roundtables in London, Norwalk and Tokyo to identify any accounting issues that might require the urgent and immediate attention of the Boards. The roundtables took place in November and December 2008.

Roundtable participants supported reconsideration of the fair value option alongside a broader reconsideration of the classification categories. At the same time, almost all the users of financial statements at the roundtables said that permitting reclassification out of the fair

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value option now, without proper consideration of all the issues, would not improve financial reporting or enhance investors' confidence in financial markets – reclassifications out of the fair value option would permit losses to be hidden. Both Boards found the views of those user participants compelling and believe that any change in the fair value option should be made only as part of a broader examination of accounting for financial instruments. Participants at the roundtables saw an urgent need for a broader examination by the IASB and the FASB of the role of fair value measurement for financial instruments, including the issues of improving the impairment requirements, classification issues, the fair value option, and transfers between the categories. The Boards have agreed to fast track this urgent project, which could involve significant changes to IAS 39 and the relevant US standards. Given the urgency of the matter, the Boards' intention is to work to finish this project in a matter of months rather than years.

7. Consolidated Financial Statements and Off-balance Sheet Risk

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: December 2008

Website Locator:

<http://www.iasb.org/Current+Projects/IASB+Projects/Consolidation/Consolidation.htm>

Brief Description: The IASB released proposals on 18 December 2008 to strengthen and improve the requirements for identifying which entities a company controls. The proposals form part of the IASB's comprehensive review of off-balance sheet activities. The use of special structures by reporting entities, particularly banks, to manage securitisations and other more complex financial arrangements was highlighted by the FSF as a matter of concern. The proposals, which are open for public comment until 20 March 2009, present a new, principle-based, definition of *control of an entity* that would apply to a wide range of situations and be more difficult to evade by structuring. The proposals also include enhanced disclosure requirements that would enable an investor to assess the extent to which a reporting entity has been involved in setting up special structures and the risks to which these special structures expose the entity. The proposals would apply not only to the banking sector but to any entity that uses legal entities to manage its activities.

8. Revenue Recognition

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: December 2008

Website Locator:

<http://www.iasb.org/Current+Projects/IASB+Projects/Revenue+Recognition/Revenue+Recognition.htm>

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Brief Description: The IASB and the US FASB released a joint Discussion Paper in December 2008 with a 180 day comment period. The discussion paper contains proposals on when and how entities should recognise revenue arising from contracts with customers to provide goods and services. These proposals are intended to improve existing practice by clarifying the principles for revenue recognition and by ensuring that entities in different industries recognise revenue more consistently. The proposals should also significantly simplify the existing requirements in US GAAP.

9. Embedded Derivatives

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: December 2008

Website Locator:

<http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Instruments/Exposure+Draft+and+Comment+Letters+-+Embedded+Derivatives/Exposure+Draft+and+Comment+Letters.htm>

Brief Description: The IASB published proposals in December 2008 to clarify the accounting treatment for embedded derivatives. The proposals respond to requests to clarify the requirements in IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives* received from those who participated in the credit crisis roundtable discussions organised by the IASB and the US FASB.

10. Investments in Debt Instruments

Agency: IASB

Contact Information: Alan Teixeira (ateixeira@iasb.org)

Completion Date: December 2008

Website Locator:

<http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Instruments/Exposure+Draft+and+Comment+Letters+-+IFRS+7/Exposure+Draft+and+Comment+Letters+-+IFRS+7.htm>

Brief Description: The IASB published proposals in December 2008 to require entities to provide additional disclosures on all investments in debt instruments, other than those classified in the fair value through profit or loss category. The proposals, in the form of proposed amendments to IFRS 7 *Financial Instruments: Disclosures*, would require an entity to state in tabular form the fair value, amortised cost and amount at which the investments are actually carried in the financial statements. The amendments would also require an entity to also disclose the effect on profit or loss and equity if all debt instruments had been accounted for at fair value or at amortised cost. As a result of comment letters received, the IASB decided not to proceed with the proposed amendments at this time but to consider the issues addressed in the

exposure draft in its broader project on improving the accounting for financial instruments.

(iii) Financial Globalisation, Market Functioning/Conduct and Transparency

1. Capital Flows and Emerging Market Economies

Agency: CGFS

Contact Information: Michael Chui (michael.chui@bis.org)

Completion Date: November 2008

Website Locator: <http://www.bis.org/publ/cgfs33.pdf?noframes=1>

Brief Description: The flow of capital between nations, in principle, brings benefits to both capital-importing and capital-exporting countries. But very large flows can also create new exposures and bring new risks. This CGFS report takes stock of the policy debate in this complex area over the past 20 years. It finds that many crises have clearly demonstrated that reliance on short-term, foreign currency denominated inflows can increase a country's vulnerability. The report also discusses the advantages and drawbacks of the various market and non-market instruments central banks use to manage large capital flows. It also reviews the two-way link between capital flows and domestic financial markets; as well as the impact of the increasing participation of foreign banks in emerging market economies (EMEs). The report concludes that it was a combination of policies – sound macroeconomic policies, prudent debt management, exchange rate flexibility, the effective management of the capital account, the accumulation of appropriate levels of reserves as self-insurance and the development of resilient domestic financial markets – that has provided the optimal response to the large and volatile capital flows to the EMEs. How these elements are best combined will depend on the country and on the period: there is no “one size fits all”.

2. Regulatory Oversight of Intermediaries' Adherence to Rules of Conduct

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Completion Date: February 2009

Brief Description: Although the IOSCO members' approaches and policies to promote compliance with their regulations differ, they share the common belief that rules of conduct play an essential role in promoting investor protection, market integrity and ethical behavior. They believe that the supervision of market intermediaries' conduct through different tools helps to ensure the maintenance of high standards and the protection of investors. In November 2006, the IOSCO Technical Committee approved a project for examining the methods used by its members to oversee market intermediaries' compliance with rules of conduct and potentially developing principles to assist IOSCO member regulators in improving their oversight programs regarding firms' compliance with rules of conduct. The Technical Committee Standing Committee on the Regulation of Market Intermediaries (TCSC3) has surveyed the

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approaches and methods used by its members and regulators not represented in TCSC3 to oversee market intermediaries' compliance with rules of conduct. The Technical Committee made this report available to the IOSCO members in February 2009.

(iv) Prudential Regulation and Supervision

1. Supervision of Financial Conglomerates

Agency: Joint Forum

Contact Information: Joint.Forum@bis.org

Completion Date: February 2009

Brief Description: The Joint Forum undertook a stocktaking of the extent to which supervisors have implemented the 1999 Joint Forum principles on the supervision of financial conglomerates. In the interest of promoting the work of the Joint Forum beyond its traditional boundaries, this workstream involved non-member agencies. The work was conducted principally by means of a self-assessment completed by working group members. A final report was issued to the parent committees during the first quarter of 2009.

2. Supervision of Bank Liquidity Risk Management

Agency: BCBS

Contact Information: baselcommittee@bis.org

Completion Date: September 2008

Website Locator: <http://www.bis.org/publ/bcbs144.htm>

Brief Description: The BCBS's Working Group on Liquidity issued its *Principles for Sound Liquidity Risk Management and Supervision* in September 2008. Among other things, the guidance highlights the importance of an adequate liquidity buffer, competent governance, enhanced stress testing and contingency funding plans, and public disclosures. The document also expands the guidance for supervisors regarding both periodic and continuous monitoring, the use of remedial action, and communication with other supervisors and public authorities.

In February 2008, the group published a report reviewing different jurisdictions' approaches to supervising and regulating funding liquidity risk. It also assessed preliminary lessons and implications arising from the market turmoil.

3. Supervision and Assessment of Insurer's Solvency

Agency: IAIS

Contact Information: iaais@bis.org

Completion Date: October 2008

Website Locator:

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- 1) http://www.iaisweb.org/temp/14_Standard_No_2_1_1_on_the_structure_of_regulatory_capital_requirements.pdf
- 2) http://www.iaisweb.org/temp/13_Guidance_paper_No_2_1_1_on_the_structure_of_regulatory_capital_requirements.pdf
- 3) http://www.iaisweb.org/temp/15_Standard_No_2_2_6_on_ERM_for_capital_adequacy_and_solveny_purposes.pdf
- 4) http://www.iaisweb.org/temp/14_Guidance_paper_No_2_2_5_on_ERM_for_capital_adequacy_and_solveny_purposes.pdf
- 5) http://www.iaisweb.org/temp/16_Standard_No_2_2_7_on_the_use_of_Internal_Models_for_regulatory_capiital_purposes.pdf
- 6) http://www.iaisweb.org/temp/15_Guidance_paper_No_2_2_6_on_the_use_of_Internal_Models_for_regulatory_capital_purposes.pdf

Brief Description: In October 2008, the IAIS adopted six solvency related papers. The papers consist of three solvency Standards and three corresponding Guidance papers. The Guidance papers released in 2007 were enhanced and reissued to take into account financial stability issues. The papers include:

Standard and Guidance on the Structure of Regulatory Capital Requirements

These papers focus on the principles-based requirements for a solvency regime in relation to regulatory capital requirements. They outline the key features expected in a solvency regime, with the objective of facilitating greater comparability and convergence in the assessment of insurer solvency internationally.

Standard and Guidance on Enterprise Risk Management for Capital Adequacy and Solvency Purposes

These papers stress the importance, from an operational and supervisory perspective, of enterprise risk management frameworks. Insurers are encouraged to establish risk and capital management policies, practices and structures, to apply them consistently across their organisations and to use them in their management and solvency assessment processes.

Standard and Guidance on the Use of Internal Models for Risk and Capital Management Purposes by Insurers

These papers set out a high-level framework for supervisors to use in reviewing insurers' internal models. Internal models can be used to assess risk, both quantitatively and qualitatively, and manage capital. The papers consider the use of internal models in the dual contexts of determining the insurer's own economic capital needs and assessing the insurer's regulatory capital requirements.

4. Insurance Groups

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: October 2008

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Website Locator: 1) [http://www.iaisweb.org/ temp/7 Principles No 3 4 on Group-Wide Supervision.pdf](http://www.iaisweb.org/temp/7_Principles_No_3_4_on_Group-Wide_Supervision.pdf)

2) [http://www.iaisweb.org/ temp/18 Guidance Paper No 3 7 on the role and responsibilities of a group-wide supervisor.pdf](http://www.iaisweb.org/temp/18_Guidance_Paper_No_3_7_on_the_role_and_responsibilities_of_a_group-wide_supervisor.pdf)

Brief Description: In October 2008, the IAIS adopted the following two supervisory papers in respect of group-wide supervision:

Principles paper on Group-Wide Supervision

The Principles paper is designed to establish an internationally acceptable framework that contributes to ensuring appropriate streamlining, consistency, efficiency and effectiveness of supervision on a group-wide basis. The Principles focus on the aims of group-wide supervision and the mechanisms to achieve these aims.

Guidance on the Role and Responsibility of a Group-Wide Supervisor

The guidance paper discusses the factors to consider in the identification of a group-wide supervisor and describes the range of responsibilities and functions that a group-wide supervisor may undertake in providing for effective and efficient group-wide supervision. Further, it provides guidance on mechanisms for cooperation and collaboration between the supervisors involved in the supervision of a group.

5. Mutual Recognition

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: October 2008

Website Locator: [http://www.iaisweb.org/ temp/16 Guidance paper No 3 5 on the mutual recognition of reinsurance supervision.pdf](http://www.iaisweb.org/temp/16_Guidance_paper_No_3_5_on_the_mutual_recognition_of_reinsurance_supervision.pdf)

Brief Description: In October 2008, the IAIS adopted a *Guidance paper on Mutual Recognition of Reinsurance Supervision*. The paper provides guidance on cross-border recognition of reinsurance supervision. It identifies criteria that supervisors should consider when making judgements as to whether to recognise supervision of reinsurers by other jurisdictions and aspects to be evaluated in the course of creating any supervisory recognition arrangement.

6. Regulation and Supervision of Captive Insurers

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: October 2008

Website Locator: [http://www.iaisweb.org/ temp/17 Guidance paper No 3 6 on regulation and supervision of captive insurers.pdf](http://www.iaisweb.org/temp/17_Guidance_paper_No_3_6_on_regulation_and_supervision_of_captive_insurers.pdf)

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Brief Description: In October 2008, the IAIS adopted a *Guidance paper on the Regulation and Supervision of Captive Insurers*. The paper provides guidance to insurance supervisors on the aspects of regulation and supervision that are specifically relevant to captive insurers or reinsurers.

7. Global Reinsurance Market Report

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: December 2008

Website Locator:

[http://www.iaisweb.org/_temp/Global Reinsurance Market Report 2008.pdf](http://www.iaisweb.org/_temp/Global_Reinsurance_Market_Report_2008.pdf)

Brief Description: The Global Reinsurance Market report assesses reinsurance market stability and linkages of the reinsurance sector as well as the impact of the current financial market turmoil on the reinsurance sector. The report is based on data submitted by the world's largest reinsurers. Over the years, the report has evolved from facilitating reinsurance market transparency on an on-going basis to providing a basis on which up to date coverage of market trends and developments can be analysed and reported. The report covers issues beyond the confines of reinsurance supervision such as cross-sectoral interlinkages using data on credit risk transfer activity between reinsurers and banks.

II. Ongoing Work

(i) Macroeconomic Management, Surveillance and Transparency

1. External Vulnerability Assessments

Agency: IMF

Contact Information: IMF Surveillance Policy Division (uvonallmen@imf.org)

Target Date: Ongoing

Brief Description: In light of the emphasis of surveillance on external stability, key objectives of IMF surveillance (Article IV) country reports are to provide in-depth analysis of exchange rate and financial sector issues, debt sustainability, regional and global spillovers, and balance sheet vulnerabilities. In recent years, there has been a general shift in the emphasis of Fund surveillance from real sector to financial developments and their interactions, a greater focus on balance sheet linkages and the sources of financing, and more emphasis on risk-based scenario analysis.¹

In the Fall 2008, the IMF completed its Triennial Surveillance Review. The review found that the overall quality of Fund surveillance is held in high regard by its key stakeholders and that significant progress has been made since the previous review, notably in sharpening focus of surveillance on the Fund's core mandate. Nonetheless, the review identified areas where more is needed to meet expectations.

Drawing on these findings, the IMF Executive Board subsequently adopted a Statement of Surveillance Priorities for 2008-2011, including four operational priorities, namely: (i) risk assessment; (ii) financial sector surveillance and real-financial linkages; (iii) multilateral perspective (spillovers and cross-country perspective); and (iv) analysis of exchange rates and external stability risks. Work is now underway to foster progress on these priorities, including through initiatives seeking to extend the analytical frontier.

2. Transparency of IMF Policies and Assessments

Agency: IMF

Contact Information: IMF Surveillance Policy Division (uvonallmen@imf.org)

Target Date: Ongoing

Brief Description: Under the IMF's transparency policy, publication is voluntary but presumed for most country documents, including Article IV consultation, Use of Fund Resources, country policy intention, regional surveillance, and related documents. Publication of Financial System Stability Assessments (FSSAs) and Reports on the Observance of Standards and

¹ Some recent examples of balance sheet work are: the coverage of the U.S. household sector and mortgage markets in the *WEO* and *GFSR*, the long-term public sector balance sheet issues set out in Germany's Article IV report, and the analysis of the credit derivatives market in the United Kingdom Article IV report.

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Codes (ROSCs) is voluntary. (“Voluntary” means that publication requires the member’s explicit consent. “Presumed” means that a document is expected to be published within 30 calendar days following the Board meeting.) For countries with programs involving exceptional access to IMF resources, the Managing Director will generally not recommend Board approval of a program or completion of a review unless the authorities consent to publication of the staff report. The IMF’s transparency policy allows for the deletion of specified sensitive material prior to publication at the relevant member country’s request. In addition, publication of Fund policy papers, except those pertaining to administrative matters of the IMF, is presumed, and the Executive Board agenda is made public several days in advance. The vast majority of IMF staff reports are now published. Detailed publication statistics and trends are available at <http://www.imf.org/external/np/pp/eng/2008/013108.pdf>. It is expected that the next review of transparency will take place in 2009.

3. Sovereign Asset Management: Guidelines for Foreign Exchange Reserves Management

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Sovereign Asset and Liability Management Division, IMF (udas@imf.org)

Target Date: Ongoing

Brief Description: The *Guidelines for Foreign Exchange Reserves Management* have been developed as part of the IMF’s broader program to help strengthen the international financial architecture, promote policies and practices that contribute to stability and transparency in the financial sector, and reduce external vulnerabilities (see <http://www.imf.org/external/pubs/ft/ferm/guidelines/2004/index.htm>).

The Guidelines are intended to assist governments in strengthening their policy frameworks for reserve management so as to help increase their country resilience to shocks that might originate from global financial markets or within the domestic financial system. The aim is to help the authorities articulate appropriate objectives and principles for reserve management and build adequate institutional and operational foundations for good reserve management practices. The Guidelines are being used as a framework to review reserve management practices. Key issues regarding reserve adequacy, strategic asset allocation framework, transparency, and accounting and measurement of reserves are covered in IMF’s work on Article IV surveillance, FSAPs, as needed, and through technical assistance work.

4. Sovereign Liability Management: Guidelines for Public Debt Management

Agency: IMF and World Bank

Contact Information: Monetary and Capital Markets Department, Sovereign Asset and Liability Management Division, IMF; the World Bank Treasury and the Economic Policy and Debt Department, World Bank

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Udaibir S. Das (udas@imf.org); Phillip R. D. Anderson (prdanderson@worldbank.org); and Carlos Alberto Primo Braga (cbraga@worldbank.org)

Target Date: Ongoing

Brief Description: The *Guidelines for Public Debt Management*, developed by the IMF and the World Bank in 2001, are used as a framework to review debt management framework and practices and as a tool in assisting governments in designing debt management reforms. An assessment of public debt management has been incorporated into surveillance work, where relevant, and included in other Bank and Fund advisory and technical assistance work. A paper reviewing Bank-Fund staff experience with applying the Guidelines in strengthening public debt management frameworks and capacity in developing countries was discussed by the Boards of the two institutions in May 2007 and led to endorsement of an agenda for strengthening debt management practices, including strategy development in middle- and low-income countries (*Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward*, Prepared by the Staff of the IMF and the World Bank <http://www.imf.org/external/np/pp/2007/eng/032707m.pdf>). One item on the agenda was the development and implementation of the *Debt Management Performance Assessment* (DeMPA) tool. Building on the Guidelines and modeled on the Public Expenditure and Financial Accountability Framework (PEFA), DeMPA is a methodology for identifying strengths and weaknesses in debt management operations through a comprehensive set of indicators. DeMPA assessments are ongoing and are coordinated with wider capacity building efforts related to strengthening debt management within the context of a broader asset-liability management framework.

5. Methodological Framework for Medium-Term Debt Management Strategies

Agency: IMF and World Bank

Contact Information: Udaibir S. Das (udas@imf.org); Carlos Alberto Primo Braga (cbraga@worldbank.org); and Philip R. D. Anderson (prdanderson@worldbank.org)

Target Date: Ongoing

Brief Description: The Boards of the two institutions in May 2007 endorsed the development of a methodological framework for the design of *Medium-Term Debt Management Strategies* (MTDS) in low-income countries (LICs). A joint Bank-Fund technical working group is developing an MTDS toolkit including a guidance note on the process of designing and implementing a debt management strategy in a LIC context, a template for strategy documentation, and a quantitative cost-risk analysis tool. The objective of the program is to help LICs make well-informed decisions about public debt and its management that is consistent with maintaining debt sustainability and limiting portfolio and default risk over the medium term (see <http://www.imf.org/external/np/mae/pdebt/2000/eng/index.htm>). The

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MTDS toolkit has been field-tested in Bangladesh, Cameroon, Ghana and Nicaragua and two additional tests are expected this year. The work has been undertaken in close cooperation with various stakeholders - including other technical assistance providers and donors. The progress in this program as well as in the *Debt Management Performance Assessment* (DeMPA) program has been reviewed by both institutions.

6. Debt Sustainability Framework for Low Income Countries

Agency: IMF and World Bank

Contact Information: Debt Policy Division, IMF and PRMED, World Bank Herve Joly (hjoly@imf.org) and Carlos Alberto Primo Braga (cbraga@worldbank.org)

Target Date: Ongoing

Brief description: The apparent borrowing space created by debt relief to low income countries (LICs) - and the extent to which it should be filled - has raised new policy challenges. Debt relief frees up resources that LICs may wish to use to make faster progress toward achieving the MDGs. Meanwhile, the emergence of potential new lenders, both public and private, presents new opportunities. Such lending, however, if in excessive volumes or on unfavorable terms, could contribute to the re-emergence of debt vulnerabilities in these countries and create risks to financial and macroeconomic stability. The increasing tendency of some governments to borrow domestically - and the impact on overall debt risks - adds to the complexity of assessing these risks. The ultimate objective of the IMF-WB's Debt Sustainability Framework is to help LICs themselves identify debt-related vulnerabilities so that they can be adequately taken into account in policy formulation. Ongoing work consists of outreach to debtors and creditors so that they can use debt sustainability analyses to inform their borrowing and lending decisions, and refining the framework as a direct input for the formulation of medium-term debt strategies. To that end, the Export Credit Group of the OECD has adopted *The Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to LICs*.

7. Sovereign Liability Management: Leading Practices in Debt Management and Government Securities Markets

Agency: OECD

Contact Information: Hans J. Blommestein (hans.blommestein@oecd.org)

Target Date: Ongoing

Brief description: The OECD provides authoritative information on technical and policy issues in the area of public debt management and government securities markets through its Working Party on Public Debt Management (WPDM). The WPDM formulates leading practices based on discussions among OECD debt managers. For example, a report on *Advances in Risk Management of Government Debt* deals with practices on market, credit, and operational risk as well as guarantees. Other reports are in

preparation, including on liquidity in secondary bond markets, on issuing techniques and on electronic trading systems.

The WPDM has achieved a singular international status in the international community of debt managers, while its activities have resulted in a set of leading practices that function de facto as global standards. (Many of them are reflected in the IMF-WB *Guidelines for Public Debt Management*.)

The WPDM is addressing the implications of the global credit crisis for public debt management policies and operations. Policy issues for debt management offices (DMOs) include challenges to funding operations, the provision of liquidity, role of DMOs in the pricing and management of guarantees, including responsibility for new guarantees, new asset classes such as government-guaranteed bonds issued by banks, and rating issues. Other ongoing work includes policy challenges related to primary market systems such as auction systems and the scope and usefulness of market-making obligations in electronic markets, cash management and risk management, sovereign asset and liability management (SALM) and balance sheet (centralised) risk management, Best Practices for Central Government Financial Management.

The *Annual OECD Global Forum on Public Debt Management* brings together debt managers from all over the world to discuss viewpoints and experiences relating to policies and techniques in the field of government debt management. The focus of the *Annual OECD/World Bank/IMF Global Bond Market Forum* is on the latest developments in worldwide bond markets and to share and learn from country cases and leading practices in developing efficient public and corporate bond markets. Conclusions from the last two forums are incorporated in the OECD/WB/IMF reports and published as *Use of Derivatives for Debt Management and Domestic Debt Market Development* and *Secondary Market Liquidity in Domestic Debt Markets*.

8. Public Debt Management and Bond Markets in Africa

Agency: OECD

Contact Information: Hans J. Blommestein (hans.blommestein@oecd.org)

Target Date: Ongoing

Brief description The project, organised under the aegis of the OECD Working Party on Public Debt Management, has three principal pillars. The OECD Forum on African Public Debt Management constitutes the *first*, the Regional Workshops on African Debt Management and Bond Markets, the *second*. Both pillars seek to promote frank and open policy discussions between African and OECD debt managers on the one hand, and African market participants like banks, exchanges and rating agencies, on the other. The regional workshops focus on market infrastructure issues. Forum meetings address specific problems, issues, and public debt management policies of particular relevance to African countries. Forum meetings also function as an efficient clearing house to share and exchange information on the activities by the various international and regional

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players involved in different aspects of African debt management, including the IMF, World Bank, African Development Bank, NEPAD, MEFMI, WAIFEM and BCEAO/BEAC.

The *third* pillar concerns the construction of a database on African debt statistics (see section on Database on African Central Government Debt below).

9. Database on African Central Government Debt

Agency: OECD

Contact Information: Hans J. Blommestein (hans.blommestein@oecd.org)

Target Date: Ongoing

Brief description A *Database on African debt statistics* is being developed as part of OECD's Africa project. This new data project responds to a statement by the G7 meeting of May 2007. The new database will give a comprehensive and detailed view of African public debt and that will be on par with the best practices used among OECD member countries. The database will be built according to OECD methodology as set out in the publication "Central Government Debt: Statistical Yearbook 1997-2006", 2007 ed. Progress on this new database has been reported at OECD's Africa Forums and Regional Workshops as at workshops of the G8 (also attended by the IMF, World Bank, African Development Banks and other institutions).

10. Sovereign Wealth Funds and Government Bond Markets

Agency: OECD

Contact Information: hans.blommestein@oecd.org

Target Date: Ongoing

Brief Description: The Working Party on Public Debt Management assesses the impact of the investment strategies of sovereign wealth funds (SWFs) on domestic government bond markets. This includes a quantification of the effect on yields. The work also focuses on the potential influence of SWFs on the global bond market. A related joint project with the IMF focuses on work related to debt management within the context of a broader sovereign asset-liability management framework.

11. Task Force on Sovereign Wealth Funds

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: The Technical Committee launched the Task Force on Sovereign Wealth Funds (TFSWF) in September 2008. It is intended that the TFSWF will review the regulatory issues related to the activities of sovereign wealth funds and to present related recommendations for consideration by the Technical Committee.

12. Macroprudential Regulation and Supervision

Agency: BIS
Contact Information: claudio.borio@bis.org
Target Date: 1st half of 2009
Brief Description: This work is exploring possible concrete options to strengthen the macroprudential orientation of regulatory and supervisory frameworks. The work considers both the evolution of financial system-wide risk over time (and hence how to address financial system procyclicality) and the distribution of system-wide risk at a point in time across individual financial institutions (resulting from interdependencies and common exposures). The possible calibration of prudential instruments is assessed based on quantitative analysis. Some of this work is done jointly with the Bank of Spain.

13. Financial Sector Rescue Plan Database

Agency: CGFS
Contact Information: Corrinne Ho (corrinne.ho@bis.org)
Target Date: Ongoing
Brief Description: Following the marked deterioration of financial sector conditions in mid-September 2008, governments around the world have introduced measures to support troubled financial institutions and markets – or, in some cases, to forestall spillovers from other jurisdictions. The CGFS Secretariat initiated in October 2008 an effort to compile and maintain information on government measures to support troubled financial institutions and markets. The database focuses on four main categories of measures: deposit insurance/guarantees, bank debt guarantees, capital injection/emergency loans, and asset purchases/guarantees.

14. Credit Risk Transfer Statistics

Agency: CGFS
Contact Information: Michael Chui (michael.chui@bis.org)
Target Date: June 2009
Brief Description: The financial crisis has revealed gaps in statistics on credit risk transfer (CRT) instruments. Against this backdrop, a working group was established in November 2008 with a mandate to explore the feasibility of following issues: (i) revising the current reporting on credit default swap (CDS) data to expand on data on reference entity and counterparty type; (ii) widening the coverage of CDS instruments to include more detailed information on multi-name indices, and to enrich current statistics with additional geographical, credit rating and counterparty breakdowns; and (iii) investigating the compatibility of CDS statistics and statistical information on other CRT instruments.

15. Inter-Agency Group on Economic and Financial Statistics

Agency: IMF (chair), BIS, ECB, Eurostat, OECD, UN, and the World Bank

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Contact Information: Alfredo Leone (aleone@imf.org; +1 202 623 8628)

Completion Date: Ongoing

Brief Description: The Group was created in late 2008 with the objective of improving data availability in financial and related statistics, taking account of resource constraints. Initially the Group is to promote a global Inter-Agency website that displays a set of economic and financial indicators for a systemic group of countries, concentrated on the G20 list of countries, with links to relevant websites, including the agencies on the group. The website is expected to be launched in the spring of 2009. Each agency represented in the Group is contributing data. Over time, the group intends to develop "Principal Global Economic Indicators," a limited set of indicators that cover a broad range, following the example of the European set of "Principal European Economic Indicators." The Group is also looking at gaps in data availability arising from the crisis.

(ii) Identifying Financial System Strengths and Weaknesses

1. Reports on Financial Stability and Regulatory Risk Assessments

A number of central banks, regulators and international institutions now publish reports that attempt to identify current and prospective risks to institutions and financial systems operating in their jurisdictions. Below is a list of website links of reports regularly published by the members of the FSF (similar reports are, needless to say, also published by bodies outside the FSF membership).

- Reserve Bank of Australia: Financial Stability Review
(http://www.rba.gov.au/FinancialSystemStability/financial_publications.html)
- Bank of Canada: Financial System Review
(<http://www.bankofcanada.ca/en/fsr/index.htm>)
- Banque de France: Financial Stability Review
(http://www.banque-france.fr/gb/publications/rsf/rsf_b.htm)
- Deutsche Bundesbank: Financial Stability Review
(http://www.bundesbank.de/presse/presse_finanzstabilitaetsbericht.en.php)
- Hong Kong Monetary Authority: Monetary and Financial Stability Report
(<http://www.info.gov.hk/hkma/eng/public/index.htm>)
- Bank of Japan: Financial System Report: An Assessment of Financial System Stability
(<http://www.boj.or.jp/en/theme/finsys/fsys/index.htm>)
- De Nederlandsche Bank: Overview of Financial Stability in the Netherlands
(http://www.dnb.nl/dnb/home/news_and_publications/dnb_publications/overview_of_financial_stability/en/13-66426-64.html)
- Monetary Authority of Singapore: Financial Stability Review
(http://www.mas.gov.sg/masmcm/bin/pt1MAS_FSR.htm)
- Financial Services Authority, UK: Financial Risk Outlook
(http://www.fsa.gov.uk/pubs/plan/financial_risk_outlook_2006.pdf)
- Bank of England: Financial Stability Report
(<http://www.bankofengland.co.uk/publications/fsr/2006/fsr20.htm>)

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- European Central Bank: Financial Stability Review (<http://www.ecb.int/pub/pdf/other/financialstabilityreview200612en.pdf>)
- International Monetary Fund: Global Financial Stability Report (<http://www.imf.org/external/pubs/ft/gfsr/index.htm>)
- World Bank: Global Development Finance Report (<http://www.worldbank.org/reference/>)

2. Financial Sector Assessment Program

Agency: IMF and World Bank

Contact Information: IMF, Monetary and Capital Markets Department, Financial Sector Policy Division, Mark Swinburne (mswinburne@imf.org, + 1 202 623 4777); World Bank, Financial Systems Department, FSAP Unit, Mario Guadamillas (mguadamillas@worldbank.org, +1 202 473 0344)

Target Date: Ongoing

Brief Description: The Financial Sector Assessment Program (FSAP) provides a comprehensive framework for identifying financial system strengths, risks, and vulnerabilities, assessing development needs and priorities, and helping to develop appropriate policy responses. These analyses provide the basis for the IMF's Financial System Stability Assessments (FSSAs) which are discussed by the IMF Executive Board within the context of a country's Article IV consultation (see <http://www.imf.org/external/np/fsap/fsap.asp> for published FSSAs). They also provide the basis for the World Bank staff's Financial Sector Assessments (FSAs), which are distributed to the World Bank Executive Board for information (see <http://worldbank.org/fsap> for published FSAs). Offshore financial centers (OFCs) have started to be assessed under the FSAP. The IMF/World Bank work on anti-money laundering and combating terrorist financing continues to be undertaken in connection with the FSAP.

In all, 152 countries and economies, including all G-20 member countries, and three regional supervisory bodies have undergone, or have requested, an initial assessment under the program (for Argentina, a G20 country, an initial assessment started in 2001, but was interrupted by the financial crisis). 62 countries, including some G-20 countries, have undergone or requested an update of their initial assessment, and 6 countries have undergone or requested a second update.

The IMF and World Bank Boards last reviewed the FSAP in March 2005 (see <http://www.imf.org/external/np/sec/pn/2005/pn0547.htm>; http://www1.worldbank.org/finance/html/policy_fsap.html); the next review will be presented to the Boards late Summer or early Fall 2009.

3. External Assessments of Implementation through Reports on the Observance of Standards and Codes (ROSCs)

Agency: IMF and World Bank

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Contact Information: IMF Surveillance Policy Division (uvonallmen@imf.org); World Bank, Financial Systems Department, Consulate Rusagara (crusagara@worldbank.org)

Target Date: Ongoing

Brief Description: The IMF and the World Bank have recognized 12 areas as useful for their operational work and endorsed associated standards in 11 areas, which fall in three broad categories: transparency, financial sector, and market integrity. The financial sector standards include banking supervision, securities, insurance, payments and securities settlement systems, and AML/CFT, and are usually assessed under the FSAP. Reports on the Observance of Standards and Codes (ROSCs), which are prepared and published at the request of the member country, summarize the extent to which countries observe these standards and codes. ROSCs and FSAP can be accessed at <http://www.imf.org/external/standards/index.htm> and <http://www.worldbank.org/ifa>.

As of end-November 2008, 1,056 ROSC modules and updates (for 144 economies) have been completed, of which 77 percent have been published.

Following the review of the standards and codes initiative in July 2005 (<http://www.imf.org/external/np/sec/pn/2005/pn05106.htm>), the IMF issued in June 2006 a paper laying out operational changes made to its work on standards and codes to implement its recommendations as well as those of the Managing Director's medium-term strategy. The changes aim at improving the country coverage and prioritization of ROSCs, the integration of ROSCs with IMF surveillance and technical assistance, and the quality and timeliness of ROSCs (<http://www.imf.org/external/pp/longres.aspx?id=566>). The *Code of Good Practices on Fiscal Transparency* was revised in May 2007 (<http://www.imf.org/external/np/fad/trans/index.htm>).

4. Financial Soundness Indicators

Agency: IMF

Contact Information: S. Rajcoomar (brajcoomar@imf.org); Andreas Georgiou (ageorgiou@imf.org)

Target Date: Ongoing

Brief Description: The work program on the Financial Soundness Indicators (FSIs) involves a number of initiatives. In the period 2004-2007, the IMF conducted a coordinated compilation exercise (CCE), which aimed to support efforts by 62 participating countries to compile and disseminate cross-country comparable FSIs. Along with FSAP and other IMF surveillance work, the CCE was to lead to an increasing number of countries compiling FSIs on an ongoing basis. The data and metadata compiled under the CCE for 58 countries were disseminated by the IMF on its website.

In November 2007, the Executive Board of the IMF reviewed the experience with the work program on FSIs, and in particular the CCE, and discussed proposals for taking forward the work on FSIs. The

Executive Board discussion was based on a paper entitled *Financial Soundness Indicators: Experience with the Coordinated Compilation Exercise and Next Steps*, and on supporting information provided in a background paper. The paper, among others, reflected the CCE participating countries' views on and experience with compiling FSIs.

In the November 2007 Board meeting, Executive Directors had a positive assessment of the CCE and underscored the importance of continued IMF engagement with regard to FSIs. In this context, Directors saw clear value in the regular collection and dissemination of FSIs by the IMF, with the creation of a centralized public FSI database that would be available to member countries, international institutions, and markets. Directors agreed that countries should be encouraged – but not required – to report FSIs to the IMF. The IMF Statistics Department, in coordination with other IMF departments, is preparing for the regular collection and dissemination by the IMF of FSI data and metadata of 51 countries that already participated in the CCE. Dissemination of the FSI data and metadata for these countries is envisaged for end-April 2009. The IMF Statistics Department is also initiating a process to identify and invite non-CCE countries to regularly report FSIs to the IMF. It is currently envisaged that about 10 new countries would be added each year to those whose FSI information is disseminated via the IMF.

In the CCE, the recommendations of the *Compilation Guide on Financial Soundness Indicators* (Guide), available on the IMF external website, were used as a reference in compiling FSIs and producing the metadata for the indicators. In the November 2007 IMF Board meeting, Directors noted that the Guide had been helpful during the CCE, and acknowledged the need for some amendments to the Guide in light of experience. The amendments, presented and discussed at that 2007 IMF Board meeting, were outlined in a note labelled “*Amendments to the Financial Soundness Indicators: Compilation Guide*” that was posted on the IMF's external website (<http://www.imf.org>) in July 2008. Further methodological work will be dedicated to refining/expanding the current list of FSIs (e.g., by including additional FSIs for the sectors of other financial corporations, nonfinancial corporations, and households and for important markets).

In parallel with this statistical development work, there has been ongoing analytic work on FSIs aimed at enhancing their usefulness as a surveillance tool. This work has been integrated with the development of other surveillance tools, such as stress testing and standards assessments, and the FSAP. It includes guidance on how to interpret FSIs and apply them to different country situations and work to clarify how to integrate the analysis of FSIs with other financial data and early warning indicators. This work is summarized in the *Handbook of Financial Sector Assessment*, a joint publication of the IMF and the World Bank, which was released in late 2005. The IMF, in collaboration with the BIS, conducted a conference on real estate indicators and financial stability during October 2003. A volume on conference proceedings was released in April 2005. The publication is also posted on the IMF and BIS

websites. Work is ongoing as a part of IMF and the World Bank efforts to further develop and refine macro-prudential analysis.

5. Joint External Debt Statistics Hub

Agency: BIS, IMF, OECD, and World Bank

Contact Information: http://www.jedh.org/jedh_contact.html

Completion Date: Ongoing

Brief description: To increase the availability of external debt data to the public, the BIS, IMF, OECD, and the World Bank have developed a joint external debt hub (JEDH) (<http://www.jedh.org/>). The JEDH brings together national external debt data (from the Quarterly External Debt Statistics (QEDS) database, see below) provided by most of the subscribers to the IMF's Special Data Dissemination Standard (SDDS); creditor/market sourced external debt and selected foreign assets data for 175 countries; and associated metadata for the two sets of statistics. A major enhancement, made possible by ongoing work with the Berne Union (the International Union of Credit & Investment Insurers), was the availability from end-January 2008 of data collected from its members on export credit exposures, as an alternative source following the discontinuation of the collection of data on official and officially-supported trade credits at the OECD. The JEDH will also benefit at a later stage in 2009 from a joint project between the IMF and World Bank aimed at extending their QEDS database to subscribers of the IMF's General Data Dissemination Standards (GDDS), particularly low-income countries. The project focuses on disseminating public and publicly guaranteed external debt stock data in line with the GDDS data category (see below, Point 6). The data will also be available from the JEDH in the coming months.

6. Expansion of Debtor Data Coverage in QEDS

Agency: IMF and World Bank

Contact Information: Ralph Kozlow (rkozlow@imf.org, +1 202 623 9398); Eric Swanson (eswanson@worldbank.org); Ibrahim Levent (Ilevent@worldbank.org)

Target Date: Ongoing

Brief description: The IMF and the World Bank have developed a project to improve the availability of developing countries' quarterly external debt data to the public (<http://www.worldbank.org/qeds>). The project aims to extend the Special Data Dissemination Standards-based Quarterly External Debt Statistics (QEDS) to participants of the IMF's General Data Dissemination Standards (GDDS), particularly low-income countries (LICs). At present, GDDS participants are not required to report these data for GDDS purposes but rather to provide metadata to be posted on the IMF website. Considering the capacity constraints to produce external debt data in most LICs, the project focuses on the public external debt stock data, as the mandatory item for participation in QEDS, but encourages the dissemination of other data in line with the GDDS framework. The first results of the project were made available with the

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publication of data for nine LICs in the QEDS database in February 2008. Much work was completed near the end of 2008 and early in 2009 to expand the number of GDDS countries providing data to the QEDS database. As of early February 2009, 20 additional GDDS countries have agreed to work toward providing data to the QEDS database.

7. International Reserves and Foreign Currency Liquidity

Agency: IMF

Contact Information: Ralph Kozlow (rkozlow@imf.org, +1 202 623 9398)

Target Date: Ongoing

Brief Description: To promote transparency on countries' international reserves and foreign currency liquidity positions, the International Reserves and Foreign Currency Liquidity Data Template (reserves template) is a prescribed item of the IMF's Special Data Dissemination Standard (SDDS). The SDDS calls for subscribing countries to disseminate timely, accurate, and comprehensive template data on their national websites, which are hyperlinked to the IMF's Dissemination Standards Bulletin Board (DSBB). The DSBB is accessible to the public at <http://www.dsbb.imf.org>. In addition, to bring together comparable data for SDDS-subscribing countries in one central location, since 2000 the IMF has invited subscribers, both existing and new, to provide their reserves template data to the IMF for re-dissemination on the IMF's external website (<http://www.imf.org/external/np/sta/ir/index.htm>). This website also disseminates countries' time series data on key components of the reserves template, facilitating research and analysis. 63 economies (inclusive of the ECB and the Eurosystem) currently transmit their template data to the IMF for re-dissemination. Countries' template data are to be compiled under an internationally agreed framework set out in the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (Guidelines). The Guidelines will be reviewed in the context of the new *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*.

8. Coordinated Portfolio Investment Survey

Agency: IMF

Contact Information: Emmanuel Kumah (ekumah@imf.org, +1 202 623 6003); John Joice (jjoisce@imf.org, +1 202 623 6136)

Target Date: Ongoing

Brief Description: The annual Coordinated Portfolio Investment Survey (CPIS) provides information on reporting countries' end-of-year holdings of portfolio investment securities (equities, bonds, and money market instruments) valued at market prices and allocated by country of issuer. Seventy-four economies participated in the 2006 survey. The partner country information permits the derivation of the partner countries' portfolio investment liabilities, valued at market prices and allocated by country of investor. The coverage of the CPIS is augmented by a survey of

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securities held as foreign exchange reserves assets. CPIS information and data are available on <http://www.imf.org/external/np/sta/pi/cpis.htm>

9. Effectiveness and Efficiency of Financial Regulation

Agency: OECD

Contact Information: André Laboul (andre.laboul@oecd.org, +33 145 24 91 27)

Target Date: Ongoing

Brief Description: The OECD Committee on Financial Markets (CMF) and the OECD Insurance and Private Pensions Committee are conducting an analysis of regulatory effectiveness and efficiency in selected sub-components of financial services via a case-study approach. Participating delegations with regulatory review procedures in place will provide information on their methodology, how they identify costs and benefits, and resultant outcomes. Selected good practices will be identified, including on preconditions for regulatory effectiveness and efficiency. The CMF agreed on a general guidance and checklist for effective and efficient financial regulation and policy, which will be upgraded in 2009.

10. Financial Management of Large-Scale Disasters

Agency: OECD

Contact Information: Timothy Bishop (timothy.bishop@oecd.org, +33 145 24 84 66)

Target Date: Ongoing

Brief Description: The OECD has established an International Network and a High Level Advisory Board on the Financial Management of Large-Scale Catastrophes, operating under the aegis of the Insurance and Private Pensions Committee and the Committee on Financial Markets. The Network promotes the exchange of information regarding the mitigation and financial management of large-scale natural and man-made disasters, reviews the tools and schemes implemented in OECD and non-OECD countries, and develops policy analysis and recommendations aimed at improving catastrophe mitigation and compensation strategies and addressing financial and systemic risks that may arise from large-scale disasters. A policy handbook on awareness for catastrophic risks has been prepared for review by OECD members. Other current studies include the analysis of alternative financial instruments. A conference under the auspices of the Network was held in Hyderabad, India, on 26-27 February 2007, in cooperation with the Insurance Regulatory and Development Authority of India. A high level seminar was held in September 2008 in Beijing, in cooperation with the Chinese authorities.

11. Financial Sector Capacity Enhancement Program

Agency: World Bank

Contact Information: ssmith7@worldbank.org; Afleming@worldbank.org (learning); jpesme@worldbank.org (AML/CFT)

Target Date: Ongoing

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Brief Description: The Financial Sector Capacity Enhancement Program of the World Bank has three main components: the Financial Sector Learning Program; the Anti-Money Laundering and Combating the Financing of Terrorism; and the Financial Sector Assessment Capacity Enhancement Initiative. The program offers a range of training activities, including institution building, that foster a firm foundation for financial services, sound banking systems, strong capital markets, a diversified financial system, and improved access by the poor and small- and medium-sized enterprises to financial services. The topics range from risk management to financial infrastructure and access to finance. Activities, which include global, regional and country focus events, are steadily growing.

In delivering training activities, the Financial Sector Capacity Enhancement Program partners with various multilateral, bilateral and academic organizations as well as standard setting agencies, private sector institutions, and NGOs at the local level.

The AML/CFT capacity enhancement program has been rolled out in all regions except Central Asia (in the pipeline). It has been customized by countries as training modules to build up a cadre of experts on AML/CFT. In recent months, the risk assessment templates in the program have been updated under a joint project with the Asian Pacific Group.

12. Dialogue with Financial Market Stakeholders

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD278.pdf>

Brief Description: IOSCO is continuing to enhance its dialogue with financial market stakeholders. As a follow on to its November 2007 and March 2008 meetings with stakeholders, representatives of the IOSCO Technical Committee met with an expanded group of stakeholders in January 2009 to discuss current IOSCO workstreams related to the global financial crisis. The matters discussed included the work of the Task Forces on Credit Rating Agencies; Short Selling; Unregulated Financial Entities; and Unregulated Financial Markets and Products. The group also discussed IOSCO work on accounting. IOSCO is using the input of the stakeholders to inform the work of its task forces and standing committees. IOSCO expects to have another meeting like the January meeting in the later part of 2009 and to continue the ongoing informal dialogue between stakeholders and task force and standing committee chairs on specific workstreams.

13. Task Force to Assess Implications of Current Financial Crisis within Emerging Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

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Website Locator: <http://www.iosco.org/news/pdf/IOSCONEWS131.pdf>

Brief Description: In October 2008, the IOSCO Emerging Markets Committee launched a task force (EMC Task Force) to assess the implications of the current financial crisis within emerging markets jurisdictions, with a particular focus on structured financial products. The first step was an urgent assessment of the impact of the current turmoil on members' markets and their regulatory responses. The EMC Task Force has completed a survey of the impact of the crisis on emerging markets. The survey collected information from 38 jurisdictions from all parts of the world on regulatory and supervisory issues arising from the crisis. The Task Force also will address the role of structured financial products in market development and will work closely with the IMF on this issue, as the IMF has worked on case studies on securitization in emerging markets. The work of the EMC Task Force will lead to the development of standards of good practice for emerging markets aimed at mitigating vulnerabilities in these markets and providing a sound basis for long-term development.

14. Working Group on Market and Institutional Resilience

Agency: FSF

Contact Information: fsforum@bis.org

Target Date: Ongoing

Brief Description: Following a request by the G7, the FSF has established a Working Group on Market and Institutional Resilience (the FSF WG). The FSF WG comprises national authorities, the chairs of international supervisory, regulatory and central bank bodies and the relevant international institutions as members. The FSF WG worked to develop a diagnosis of the causes of the current turmoil, identify the weaknesses that merit attention for policymakers, and recommend actions needed to enhance market discipline and institutional resilience.

After presenting to the G7 a preliminary report in October 2007 (http://www.fsforum.org/publications/r_0710a.pdf?noframes=1), and an interim report in February 2008 (http://www.fsforum.org/publications/r_0802.pdf?noframes=1), the FSF delivered in April 2008 specific recommendations in its Report to the G7 on Enhancing Market and Institutional Resilience (http://www.fsforum.org/publications/r_0804.pdf).

Since the publication of the April report, the FSF and its WG conducted a follow-up of the implementation process of the recommendations. The FSF Chairman presented to the G8 Finance Ministers meeting in June 2008 an update report on the implementation of the recommendations (http://www.fsforum.org/publications/r_0806.pdf), and the FSF submitted a follow-up report at the G7 meeting in October 2008 (http://www.fsforum.org/press/pr_081009f.pdf).

Since October, the FSF has continued to monitor and coordinate the implementation process of its recommendations, while working on additional issues it has committed to address in its October follow-up report. The main work taken forward by the FSF itself includes work on

establishment of supervisory colleges, procyclicality, compensation, and cross-border financial crisis management. As many of the FSF recommendations are included or relevant to the Action Plan adopted by the G20 Summit on Financial Markets and the World Economy in November 2008, the FSF has been feeding its input into the G20 process.

15. Early Warning Exercise

Agency: IMF and FSF

Contact Information: Martin Mühleisen (mmuhleisen@imf.org); fsforum@bis.org

Completion Date: Ongoing

Brief Description: In view of the ongoing financial crisis and against the background of the G20 Leaders' Summit on Financial Markets and the World Economy (November 2008), the IMF and the FSF have agreed to cooperate in conducting early warning exercises.

The Early Warning Exercise (EWE) is envisaged as a recurrent process to identify, prioritize and suggest policy responses to macro-financial and regulatory risks and vulnerabilities. To provide integrated perspective, the Fund and the FSF will cooperate closely, with the IMF taking the lead on macro-financial concerns and the FSF on regulatory challenges.

The EWE will be conducted twice-yearly, and timed around the Annual and Spring Meetings, with the first exercise to take place in Spring 2009. The EWE will involve four phases: (i) *consultations* with external sources (including policy makers, market participants, analysts, and academics); (ii) *distillation* of this information through an Early Warning Group (comprised of a few Fund staff), in close cooperation with the FSF; (iii) *prioritization* by Fund management and the FSF Chair, including policy responses and areas where more analysis is needed; (iv) *presentations* to the IMF Board and other forums (including IMFC), as well as public dissemination through the IMF's standard vehicles, notably the WEO and GFSR.

(iii) Market Infrastructure

1. Principles of Corporate Governance

Agency: OECD and World Bank

Contact Information: mats.isaksson@oecd.org

Target Date: Ongoing

Brief Description: Building on the OECD *Principles of Corporate Governance* and the OECD's *Methodology for Assessing the Implementation of the OECD Principles on Corporate Governance*, the Steering Group on Corporate Governance is analysing current corporate governance issues in order to provide policy guidance based on interpreting the Principles. The first study in the new series (commentaries) concerns alternative investors and forthcoming topics will include the proportionality debate (i.e. one-share-one-vote, and control enhancing mechanisms) and takeover arrangements where there is an insider involved. The Steering Group will also release a

paper for consultation in Spring 2009 dealing with rules governing cooperation between shareholders.

At its meeting in November 2008, the Group considered the financial market turmoil and the relevance of the Principles. This work will be further developed and focused on risk management standards, remuneration systems, the responsibility of company boards, and the performance of institutional investors. An initial note on these issues has been posted on the OECD website (<http://www.oecd.org/dataoecd/32/1/42229620.pdf>) and will be the basis for a consultation with stakeholders, including from emerging economies, on 18 March 2009.

Under the ROSCs initiative, the World Bank takes the lead in assessing the compliance of the corporate governance of emerging market countries with the OECD Principles. As of end-December 2008, 71 Corporate Governance ROSCs have been completed or were underway for 58 countries, including 13 updates; 50 assessments have been published. The World Bank assisted in the development of the OECD's Methodology, and has now incorporated the Methodology into the ROSC process. The OECD is also using the Methodology and its State-Owned Enterprises Guidelines as a basis for carrying out corporate governance reviews of Chile, Estonia, Israel, Russia and Slovenia during 2009 as part of its accession review process of candidates for OECD membership.

The OECD and World Bank Group regularly organize Regional Roundtable meetings in key emerging and developing markets. These are also supported by the IFC-administered multi-donor funded Global Corporate Governance Forum. The Roundtables are working to implement priorities agreed to in White Papers on Corporate Governance issued for Asia and Latin America. This has led to the establishment of a new task force in Asia to study related party transactions and to the preparation of a new White Paper in Latin America focused on institutional investors. The OECD also has corporate governance programmes in China, Russia, the Middle East North Africa (MENA), and in southern Africa (see <http://www.oecd.org/daf/corporate-affairs/roundtables>).

2. Corporate Governance of State-Owned Enterprises

Agency: OECD and World Bank

Contact Information: Mats Isaksson (mats.isaksson@oecd.org); Alex Berg (aberg@worldbank.org)

Target Date: Ongoing

Brief Description: The OECD promotes the active use and implementation of the OECD *Guidelines on Corporate Governance of State-Owned Enterprises* (SOEs) through a Global Network on Privatisation and Corporate Governance of SOEs, and regional networks in Asia, Southern Africa and MENA. The Global Network, which convened for the first time in March 2008, reviewed the OECD Working Group's *Accountability and Transparency Guide* for the state as a shareholder, and will meet again in October 2009

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to consider best practices in governance of SOEs as well as in privatisation. The Asia Network on SOEs has met annually since 2006 and developed a policy brief with recommendations for SOEs adapted to the Asian context. The Southern Africa network had its inaugural meeting in May 2008 in Cape Town and will meet again in Mozambique in mid-2009. The MENA Task Force is just beginning its work to develop an SOE survey for the region in partnership with the Hawkamah Institute. Corporate Governance Roundtables in Russia, Eurasia and Southeast Europe have also promoted use of the OECD *Guidelines*.

In response to demand from its client countries, the World Bank has also developed a set of diagnostic tools to review the corporate governance of SOEs and the performance of client governments as owners, in line with the OECD Guidelines. Four pilot reports have been drafted to date, and five more are on-going. The reviews cover the corporate governance of SOEs, as well as the performance and professionalism of the state acting as the owner/shareholder of the enterprises.

3. Temporary Government Control over Commercial Entities

Agency: OECD

Contact Information: Mats Isaksson (mats.isaksson@oecd.org)

Target Date: Ongoing

Brief Description: The OECD Working Group on Privatisation and Corporate Governance of State Owned Assets has established an Expert Group to examine the challenges for the state ownership function and other corporate governance issues that arise when governments unexpectedly have to take control of commercial entities. The project is mostly motivated by the recent wave of public investment in financial institutions, but is expected to address issues arising from government equity investment in other sectors as well. The main concerns to be discussed, against the background of the values espoused by the OECD *Guidelines for Corporate Governance of State-Owned Enterprises*, include the separation of the ownership and regulatory functions during temporary government control; the role of incumbent state-ownership institutions; non-commercial objectives; the maintenance of a level playing field with private institutions; and equitable treatment of remaining non-state shareholders. A Workshop organised under the auspices of the Expert Group is foreseen around 1 June 2009.

4. Assistance for Countries in Reviewing Corporate Governance in Banking Organizations

Agency: World Bank

Contact Information: Laura Ard (lard@worldbank.org, +1 202 473 9662)

Target Date: Ongoing

Brief Description: In concert with the BCBS revision and issuance of the revised principles for “Enhancing Corporate Governance in Banking Organizations”, the World Bank is assisting partner countries to review the state of their commercial bank governance framework. Since inception, six reviews have been completed with additional reviews planned. The objectives of

each review are tailored to a country's existing settings and circumstances. The final report, in the form of a technical note, includes key findings and recommendations for bank governance enhancement at the country level.

A toolkit with which to conduct the bank governance reviews has been developed. This toolkit includes a comprehensive methodology, a set of benchmarks based on the BCBS guidance, and a set of questionnaires for banks and the bank supervisor. Following the review, the toolkit will be published and posted on the World Bank website.

The World Bank also has recently developed guidelines for the corporate governance of state-owned commercial and development banks and is preparing case studies that highlight good practices. The objective of the work is to clarify the essential components of good corporate governance in a state bank and how demanding and costly it can be to put in place. The work is a response to resurging interest in state banking, especially state development banking, in many client countries.

In the coming months, the World Bank will be enhancing already existing modules designed to review the state of governance in insurance companies, pension funds, and mutual funds.

5. Impact Assessment and Better Regulation in the Area of Corporate Governance

Agency: OECD

Contact Information: mats.isaksson@oecd.org

Target Date: Ongoing

Brief description: The OECD Steering Group on Corporate Governance is examining ways to improve evaluation of the regulatory impact and regulatory costs in the area of corporate governance. The ambition is partly to investigate the scope for more evidence-based reform and thereby prepare policy-makers and regulators for taking adequate and more informed actions in response to perceived or real shortcomings in the corporate governance framework. The work is also addressing the issue of unintended consequences, including unforeseen compliance, surveillance or enforcement costs. The study will cover various techniques such as regulatory impact assessment, risk-based regulation and cost-benefit analysis as tools for better regulation. It will examine how these techniques may be used, both ex ante and ex post, in the formulation/assessment of policy responses to corporate governance issues that also may have impact on financial market integrity and efficiency. A preliminary paper including market failure analysis and case studies has been published by the OECD. The activity will be extended in 2009 to include regular updates of experience in OECD countries.

6. Corporate Governance of Listed Companies

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

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Target Date: June 2009

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD238.pdf>

Brief Description: In collaboration with the OECD, IOSCO's Task Force on Corporate Governance (TFCG) is examining how different jurisdictions address important issues relating to the corporate governance of companies on stock exchanges. IOSCO published in February 2007 a Report entitled *Board Independence of Listed Companies*, which contains a useful review of the various definitions and roles of independent directors on the board of issuers as they apply in many capital markets. In November 2006, the Technical Committee also agreed to approve detailed terms of reference for a mandate on the protection of minority shareholders. TFCG is concentrating on Principle III A.2 as applied to listed companies in major securities markets. The focus is on minority shareholders holding ordinary voting stock, but also covers some issues arising out of the use of different classes of equity securities, the mechanisms for minority shareholders to participate in corporate decisions and the impact on them of certain corporate events, including take-over bids. A preliminary draft report is under discussion within TFCG. TFCG circulated a questionnaire to TFCG members that is intended to broadly capture all protections afforded to minority shareholders in listed issuers. TFCG is in the process of compiling the responses to the survey questionnaires. TFCG has prepared corresponding amended draft terms of reference. The aim of the report will be to describe, in a fact-finding approach, the different mechanisms in place, including the principles and objectives that inspire them, without establishing recommendations or best practices among them.

7. Corporate Governance of Insurers and Reinsurers

Agency: IAIS and OECD

Contact information: iais@bis.org; andre.laboul@oecd.org

Target Date: Ongoing

Brief Description: The mandate of the IAIS Governance and Compliance Subcommittee is to develop high level corporate governance principles and guidance applicable to the insurance industry and provide input to the revision of the Insurance Core Principles, specifically on those elements relating to corporate governance. The OECD reviewed its 2005 guidelines on governance of insurers, which were developed based on the *OECD Principles of Corporate Governance*. Together, the OECD and IAIS conducted a survey of corporate governance practices. A joint issues paper has been drafted for discussion at the IAIS Technical Committee meeting in March. The survey findings will aid the standard development process by identifying and explaining best practices for corporate governance.

8. Assessments and Technical Assistance for Insolvency and Creditors Rights Reform

Agency: World Bank

Contact Information: vtata@worldbank.org; muttamchandani@worldbank.org

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Target Date: Ongoing

Brief Description: In July 2005, the World Bank reported to its Board on the experience in carrying out assessments of insolvency and creditor rights systems under the ROSC programme.

The World Bank is the designated institution for the conduct of ROSC assessments in the area of insolvency and creditor rights (ICR). To date, ICR ROSC assessments have been completed or are underway in 45 countries. Assessments typically lead to a dialogue on legal modernization initiatives and have led to assistance on reform in 80% of the countries where assessments have been completed. The World Bank continues to review the contributions of the ROSC programme in order to consolidate lessons learned.

In regions where the lack of development of insolvency systems has been particularly acute, the World Bank has launched region-wide initiatives (e.g. MENA) to catalyze the ICR reform process.

The World Bank Group's follow-on technical assistance projects have included (i) supporting the legislative reform and drafting process (numerous countries, particularly in LAC and ECA), (ii) implementing collateral registries (Nepal and Honduras), and (iii) providing specific, tailored advice to governments on the implementation of specific ROSC recommendations (Nigeria, India and Sri Lanka).

9. Principles and Guidelines for Effective Insolvency and Creditor Rights Systems

Agency: World Bank

Contact Information: vtata@worldbank.org; muttamchandani@worldbank.org

Target Date: Ongoing

Brief Description: The revised version of the World Bank's *Principles and Guidelines for Effective Insolvency and Creditor Rights Systems* (Revised Principles 2005) and the *Creditor Rights and Insolvency Standard* (ICR Standard), comprising the Revised Principles 2005 and the recommendations that form part of the UNCITRAL Legislative Guide on Insolvency Law, have been posted on the Bank's website at http://www.worldbank.org/ifa/rosc_icr.html.

Working with the IMF and UNCITRAL staff and experts, World Bank legal staff and internationally recognized experts have completed the *ICR ROSC Assessment Methodology* (ICR ROSC Methodology). The ICR ROSC Methodology is based on the World Bank's Principles, as well as UNCITRAL's Legislative Guide on Insolvency Law.

The World Bank is continuing to dialogue with other key stakeholders to develop a more concise version of the ICR Standard and expects to report to the Board on those efforts in 2009.

In addition, as part of the World Bank's ongoing standard-setting functions, the World Bank, UNCITRAL and other international partner continue to examine emerging issues in insolvency through colloquia involving experts and stakeholders, and publications. Current issues most relevant to systemic stability include (i) the need for a legal

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framework for the treatment of corporate groups in insolvency, (ii) the impact of the extensive use of derivative instruments as loan-risk hedging tools and (iii) the insolvency of state-owned enterprises.

The Global Insolvency Law Database (GILD), which, inter alia, provides an information portal for policy-makers to access both global and region-specific information on insolvency reform (<http://www.worldbank.org/gild>), was launched as a companion piece to the initiative and is currently undergoing a major overhaul to serve as a global hub for comparative insolvency information. The web architecture of Phase 1 is now completed and data migration is expected to be completed by mid-April 2009.

10. Global Forum on Insolvency Risk Management and Regional Roundtables

Agency: OECD and World Bank

Contact Information: Mathilde.Mesnard@oecd.org;
vtata@worldbank.org; muttamchandani@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank organized the Forum on Insolvency Risk Management (FIRM) to sustain a global dialogue on the fundamental role and importance of insolvency and creditor rights systems. The Forum is being promoted in collaboration with the OECD to coordinate outreach on insolvency and creditor rights systems through a series of regional roundtables, including the Forum for Asian Insolvency Reform (FAIR) and the Forum on Insolvency in Latin America (FILA).

Organized by the OECD, and co-sponsored by the World Bank and ADB, in partnership with the Governments of Australia and Japan, the FAIR seeks to promote a regional dialogue on initiatives related to insolvency, risk management and credit systems. The FAIR will shift its focus from stocktaking and raising awareness of international guidance to building capacity and implementation. It will draw on a dedicated Network of policy makers and practitioners from the region, established in 2007. The FAIR will reconvene in 2009 and will discuss the adequacy of insolvency regimes in the current financial market turmoil focus. In June 2004, the World Bank and OECD launched the FILA, to promote a dialogue in the Latin American region on the topic of enterprise restructuring and revitalizing business environments. The OECD, in conjunction with the World Bank and Hawkamah organized a meeting in Cairo on insolvency as part of the MENA Working Group on Corporate Governance.

11. Global Judges Forum

Agency: World Bank

Contact Information: vtata@worldbank.org;
muttamchandani@worldbank.org; arouillon@worldbank.org

Target Date: Ongoing

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Brief Description: The World Bank launched the Global Judges Forum in 2003 to promote the sharing of experience among insolvency and commercial law judges from around the world, bringing together more than 100 judges from 70 countries. In 2007, the first joint judicial colloquium between the Bank, UNCITRAL and INSOL International (the leading insolvency NGO) was held in Cape Town, South Africa and was hailed as a huge success. This represented the first such joint effort and the first major international insolvency conference to ever be held on the African continent. The next such event is scheduled for 2009.

The World Bank continues to work towards the development of protocols that permit court-to-court communication and facilitate the reduction of duplicative and contradictory processes in multi-jurisdictional insolvencies. In addition, the World Bank continues to facilitate knowledge sharing and policy dialogue *within* countries and, in particular, between policy-makers, judges, academics and private-sector actors (most recently in Honduras, Sri Lanka and Nigeria).

12. Bank Insolvency Initiative

Agency: World Bank and IMF

Contact Information: Ernesto Aguirre (eaguirre@worldbank.org, +1 202 473 4912); Maike Luedersen (mluedersen@imf.org, +1 202 623 7795)

Target Date: Ongoing

Brief Description: The project, closely related to the work on effective insolvency described above (see Point 9), seeks to identify an appropriate legal, institutional and regulatory framework to deal with bank insolvency, including in the context of systemic crisis, and to develop an international consensus regarding that framework. Significant attention is devoted to participation of the highest possible number of countries. The initiative is being coordinated with other international efforts in related areas.

A number of global and regional seminars, as well as a series of consultation meetings with supervisory/legal authorities in all areas of the world, have been completed. A Core Consultative Group with participation of 17 important countries and a number of international agencies has been actively cooperating in the preparation of the Main Document under the initiative.

A version of the Main Document was presented for a technical briefing to the World Bank Board of Directors in January 2004. The Document and its supporting and complementary papers are being used as benchmarks for voluntary policy dialogue with countries and for the respective reviews of their framework for bank insolvency. A number of pilot country reviews (including Chile, Czech Republic, South Africa and Brazil) have been completed and sent to the respective country authorities. An additional Annex to the Main Document, with a comparative analysis of the pilot country reviews undertaken by the World Bank was completed. An updated version of the Main Document was presented to the IMF Board of Directors in March 2009.

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13. Collective Action Clauses

Agency: IMF

Contact Information: IMF Sovereign Asset and Liability Management Division
(udas@imf.org)

Target Date: Ongoing

Brief Description: A working group of the G10 Ministers and Governors developed recommendations for Collective Action Clauses (CACs) in international sovereign bond contracts in September 2002 (Report of the G10 Working Group on Contractual Clauses). The use of such clauses has steadily increased since the first such bond was issued in March 2003. By the second half of 2004, almost all bonds issues issued under New York law by emerging market countries included CACs, which has become the market standard. As of February 2009, bonds with CACs represented 75 percent of the value of the outstanding stock of bonds issued by emerging market countries. In response to calls by the IMFC, the IMF has continued to promote the use of CACs in international sovereign bonds. Progress has also been made in the design of CACs. It now appears that market practice for bonds issued under New York law has rapidly converged to a 75 percent voting threshold (based on outstanding principal) for majority restructuring provisions, in line with the G-10 recommendations. The inclusion of CACs in sovereign bonds has not resulted in any observable impact on pricing.

14. Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets

Agency: G20/IIF

Contact Information: IMF Emerging Markets Division (lgiorgianni@imf.org); IMF Sovereign Asset and Liability Management Division (jroaf@imf.org)

Target Date: Ongoing

Brief Description: In September 2005, the IMFC welcomed the efforts by emerging market issuers and private sector creditors to broaden the consensus on the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets*. These Principles could facilitate dialogue between creditors and debtors, promote corrective policy action to reduce the frequency and severity of crises, and improve the prospects for an orderly and expeditious resolution of crises. The Principles are based on four pillars: information sharing and transparency, close debtor-creditor dialogue and cooperation, good faith actions during debt restructuring, and fair treatment of all parties. A three-tier process for monitoring implementation of the Principles has been developed, including the completion of technical work (Tier One), the creation of the Principles Consultative Group (Tier Two), and the formation of the Group of Trustees (Tier Three).

15. Crisis Resolution

Agency: IMF

Contact Information: IMF Emerging Markets Division (lgiorgianni@imf.org)

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Target Date: Ongoing

Brief Description: The IMF's most recent crisis related work has focused on analysing the possible channels of future financial crises, and the new challenges they pose for the Fund. Looking ahead, work in the area of crisis resolution will include a review of the IMF's lending into arrears policy. The IMF's efforts on crisis resolution also remain supportive of initiatives to improve the process of restructuring sovereign debt within the existing legal framework, including through (i) the inclusion of collective action clauses in international sovereign bonds; (ii) the acceptance of the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets* (discussed above); and (iii) continuing efforts to enhance the IMF's capacity to assist members in resolving crises. The IMF has continued to analyse cross-country experience with debt restructuring and the restoration of debt sustainability, along with policy issues raised by specific cases (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=19634.0>). It has examined issues related to the restoration of international capital market access following crises, and studied factors that help explain the duration of capital account crises (<http://www.imf.org/external/pubs/ft/wp/2007/wp07258.pdf>). It is also reexamining policy responses to surges and reversals in capital flows to emerging markets.

16. Foreign Exchange Settlement Risk Management

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 2nd half of 2009

Brief Description: Following the publication of the May 2008 CPSS report "*Progress in reducing foreign exchange settlement risk*", the CPSS will be working with the BCBS to engage market participants on the development of best practices for managing foreign exchange settlement risk, and to revise the BCBS's *Supervisory guidance for managing settlement risk in foreign exchange transactions*.

17. Operational Resilience of Major Payment and Settlement Organisations

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 2nd half of 2009

Brief Description: Following its fact-finding effort on the operational resilience of major settlement organisations in early 2008, the CPSS has established a small task force to work with major payment and settlement organisations, national authorities, and other international bodies to develop lessons learned in adopting stronger business continuity planning (BCP) arrangements and engender support for further improvements. Potential actions include preparing a report and multilateral workshop and identifying sound practices for cross-border BCP testing and information sharing related to operational outages.

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18. Standards for Payment and Settlement Systems

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 2nd half of 2009

Brief Description: The CPSS is reviewing a number of aspects of the CPSS *Core Principles for Systemically Important Payment Systems*, CPSS/IOSCO *Recommendations for Securities Settlement Systems*, and CPSS/IOSCO *Recommendations for Central Counterparties*. Among other considerations, the working group on standards will be updating the implementation guidance provided in these standards with respect to operational risk management and reviewing whether the standards need to be adapted to reflect issues addressed in the CPSS report “*The interdependencies of payment and settlement systems*”.

19. Conceptual Developments and Compilation Guidance for Measuring Remittance-related Flows in the Balance of Payments Framework

Agency: IMF and World Bank

Contact Information: Emmanuel Kumah (ekumah@imf.org, +1 202 623 6003); Tamara Razin (trazin@imf.org, +1 202 623 8364)

Target Date: 2nd half of 2009

Brief Description: The IMF and the World Bank are leading efforts to improve data on remittances in the balance of payments statistics framework. This project is being carried out mainly in response to the outcome of the G8 summit on Sea Island in 2004 which emphasized the importance of remittances and called for better data. The Luxembourg Group (a consultative group formed to develop proposals for improved compilation guidance) held its final meeting in Brazil, where a draft of the compilation guide on remittances statistics was discussed. A final draft of the compilation guide (subject only to final editing) was posted on the IMF website (<http://www.imf.org/external/np/sta/bop/remitt.htm>) at the end of 2008. An edited draft will be released in 2009.

20. Bilateral Remittance Corridor Analysis (BRCA)

Agency: World Bank

Contact Information: jpesme@worldbank.org

Target Date: Ongoing

Brief Description: The World Bank has been conducting bilateral remittance corridor analysis (BRCA) between several countries. These studies are based on a research guideline that allows for consistency, quality, and comparability of results from the different corridor analyses. The guideline is continuously revised to reflect lessons from new BRCA studies. Seven corridor studies have been published: US-Mexico, Canada-Vietnam, Germany-Serbia, Italy-Albania, Malaysia-Indonesia, US-Guatemala, and UK-Nigeria. Two other reports were initiated and financed by a third party and conducted employing the BCRA guideline compiled by the

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Bank: Netherlands-Suriname and Netherlands-Morocco. Currently, reports on five other corridors are being finalized: Canada-Caribbean, US-Honduras, South Korea-Mongolia, Qatar-Nepal, and UK/US/South Africa-Uganda. It is expected that these studies will be published in 2009. In addition, the World Bank will hold workshops to share the findings from the BRCA studies in 2009-10. By the end of 2009, results from studies of these 14 corridors will be compiled into a comprehensive report that will draw lessons and options for public policy on remittances that protect the integrity of remittance flows, maximize development impact of remittances, and improve access by remittance senders and beneficiaries to financial services. For more information, visit <http://www.worldbank.org/amlcft>.

21. Enhancing Information Exchange among Securities Regulators

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD126.pdf>

Brief Description: To enhance information exchange among the signatory securities regulators and facilitate financial crime investigation, the President's Committee of IOSCO endorsed the IOSCO Multilateral Memorandum of Understanding (MOU) during its May 2002 annual meeting (http://www.iosco.org/library/index.cfm?section=mou_main). The MOU builds on the many previously existing IOSCO Resolutions and Principles to establish an international benchmark for cooperation and information sharing. Prior to signing the MOU, member regulators must establish through a fair and transparent process, that they have the legal capacity to fulfill its terms and conditions. The process adopted for the implementation of the MOU provides incentives for members that do not have the legal capacity to sign the MOU to raise their respective national standards. Currently, 52 IOSCO members have completed the application process and have become signatories to the MOU. Also, 21 IOSCO members have expressed their commitment to become signatories and are currently listed on Appendix B of the MOU.

Part of the IOSCO strategic direction involves giving greater prominence to the MOU. At its April 2005 Annual Conference, IOSCO adopted a timetable by which all member regulators, which are not already signatories to the MOU, have been asked to meet this international benchmark by 1 January 2010. By this date, all member regulators should have applied for and been accepted as signatories or have expressed a commitment to seek the legal authority that would enable them to become signatories. In order to achieve these objectives, through its MOU Assistance Program, IOSCO is currently providing additional assistance to members, including technical support.

22. Dealing with Uncooperative Jurisdictions in Cross-border Cooperation

Agency: IOSCO

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Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/news/pdf/IOSCONEWS80.pdf>

Brief Description: IOSCO has been examining the problems of cross-border cooperation for a number of years. During its 2005 Annual Conference, IOSCO took the opportunity to re-confirm its commitment to raising the standards for cross-border cooperation among securities regulators as a priority task. IOSCO has identified jurisdictions that appear to be unable or unwilling to cooperate, and it has been engaging a dialogue with the relevant authorities in order to resolve outstanding issues. At the 2008 Annual Conference, IOSCO noted that good progress has been made with a number of previously unresponsive jurisdictions. A number of jurisdictions with which IOSCO has been engaged in a dialogue are expected to apply to join the IOSCO Multilateral Memorandum of Understanding soon. While some contacts have been constructive, there still remain a number of jurisdictions that require further attention.

Given the progress made by jurisdictions initially contacted as part of this initiative, IOSCO has expanded the group of jurisdictions with which it is dealing.

(iv) Accounting, Auditing and Public Disclosure

1. Accounting

a) International Financial Reporting Standards

Agency: IASB

Contact Information: http://www.iasb.org/about/contact_details.asp

Target Date: Ongoing

Brief Description: The IASB is focused on its convergence efforts aimed at eliminating differences among existing national and international accounting standards (IFRSs). A number of jurisdictions including Canada, India, Japan and Korea have announced plans to adopt or converge with IFRSs from 2011. Mexico has announced plans to adopt IFRSs for all listed entities from 2012.

The IASB and the United States Financial Accounting Standards Board (FASB) have a Memorandum of Understanding (MoU) which sets out a roadmap of projects designed to eliminate major differences between IFRS and US GAAP. Projects include major conceptual accounting issues such as insurance, performance reporting, a re-examination of financial instruments accounting, consolidations, leases and the conceptual framework. In addressing convergence projects, the IASB will balance the desire of many for stability with the need to progress these projects.

The successful achievement of the MoU project milestones led to the removal, in 2007, of the US reconciliation requirements for non-US companies using IFRSs that are registered with the US Securities and Exchange Commission (SEC).

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The IASB and FASB updated the MoU in April 2008, setting new milestones to eliminate remaining differences by 2011.

On 14 November 2008 the US SEC published for public comment a proposal, entitled *Roadmap for the Potential Use of Financial Statements Prepared in accordance with International Financial Reporting Standards by U.S. Issuers*. The publication of the roadmap followed a unanimous vote taken by the five SEC Commissioners in August. The proposed roadmap sets out milestones that, if achieved, could lead to the adoption of IFRSs in the United States in 2014. The roadmap also proposes to permit the early adoption of IFRSs from 2010 for some US entities.

Completing the MoU in 2011 will avoid the need for those jurisdictions to make major changes shortly afterwards as MoU projects are completed.

The IASB has prioritised and accelerated two of the projects that were under way before the credit crisis and that relate directly to off-balance sheet vehicles. The Consolidation project identifies when an entity should be brought on to another entity's balance sheet, whilst the Derecognition project examines when assets should be removed from the balance sheet. The IASB published a proposed new IFRS to address Consolidation in December 2008. A draft of a proposed derecognition standard is expected to be published in March or April 2009. The full Boards of the IASB and FASB are meeting together in March 2009 to discuss a strategy to converge their consolidation and derecognition requirements.

The IASB has accelerated its project on Fair Value Measurement. The IASB expects to publish its proposed Fair Value Measurement Guidance in March 2009.

At the end of 2008 the IASB and the FASB announced the membership of their Financial Crisis Advisory Group (FCAG). The FCAG is the high-level advisory group set up by the Boards to consider financial reporting issues arising from the global financial crisis. The group includes recognised leaders from the fields of business and government with a broad range of experience in international financial markets. The FCAG is being invited to discuss, among other issues, the following:

- Areas where financial reporting helped identify issues of concern during the credit crisis;
- Areas where financial reporting standards could have provided more transparency to help either anticipate the crisis or respond to the crisis more quickly;
- Whether priorities for the IASB and the FASB should be reconsidered in light of the credit crisis;
- Potential areas that require future attention of the IASB and the FASB in order to avoid future market disruption;
- The implications of the credit crisis for the interaction between general purpose financial reporting requirements for capital

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markets and the regulatory reporting, particularly for financial institutions;

- The relationship between fair value and off-balance sheet accounting and the current crisis, both during and leading up to the crisis;
- The findings and relevance of conclusions of various studies underway, including the US SEC's study under the Emergency Economic Stabilization Act of 2008;
- The need for due process for accounting standard-setters and its implications on resolving emergency issues on a timely and inclusive basis; and
- The independence of accounting standard-setters and governmental actions to the global financial crisis.

The group met in London on 20 January 2009 and in New York City on 13 February and 5 March 2009. It is scheduled to meet again in London in April 2009.

b) Banking

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The Accounting Task Force (ATF) is continuing its ongoing program to evaluate proposals for new standards put forward by the IASB (accounting) and the IAASB (auditing and assurance). Additionally, the ATF is evaluating implementation efforts of banks on the recent BCBS publications regarding fair value accounting, loan valuation, and compliance. The ATF will also concentrate on emerging accounting and auditing issues related to fair value measurements and loan loss provisioning. The BCBS is also participating as an observer in the IASB's international working groups dealing with financial instruments, insurance and performance reporting.

c) Insurance

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Throughout the IASB project on accounting for insurance contracts, the IAIS will continue to be actively involved. In establishing a close working relationship with the IASB, the IAIS's goal is to facilitate as much consistency as possible between the general purpose accounting model and the approach used for prudential purposes. It is important that the accounting model recognises the specific characteristics of insurance in order to avoid accounting rules that lead to misleading information being provided.

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The IAIS also continues to monitor and comment on the international standards on auditing (ISAs) issued by the International Federation of Accountants (IFAC).

Between 2004 and 2006, the IAIS issued three key disclosure standards (*Disclosures Concerning Technical Performance and Risks for Non-Life Insurers and Reinsurers*; *Disclosures Concerning Investment Risks and Performance for Insurers and Reinsurers*; and, *Disclosures Concerning Technical Risks and Performance for Life Insurers*). The IAIS recently conducted a high-level survey on the implementation by members of these disclosure standards. Based on the survey findings and taking into account the G20 Action Plan, the IAIS will raise focus and priority of public disclosure requirements, notably by further reviewing its disclosure standards and considering enhancements or the development of new standards where necessary, and respond to implementation needs of its membership.

The IAIS is also monitoring developments on the IASB's Phase II project with respect to its likely impact upon the public disclosure requirements for insurers of general purpose financial reports.

d) Securities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <https://www.iosco.org/ifrs/>

Brief Description: The IOSCO Technical Committee launched a project on "Regulatory Interpretations of International Financial Reporting Standards" to address communications among IOSCO members to promote the consistent application and enforcement of IFRS. The major output of this project is a central database of regulatory decisions and a process for facilitating communications and cooperation among regulators and other enforcers relating to IFRS, which was made operational in January 2007. 52 members have up to now agreed to participate in the IOSCO IFRS Interpretation Database, which is now fully operational. The Technical Committee team is communicating and coordinating with CESR-FIN regarding a similar project in the EU.

2. Accountancy Profession

Agency: PIOB

Contact Information: Donna Bovolaneas, Secretary General (dbovolaneas@piob.org)

Target Date: Ongoing

Brief Description: The PIOB, established on 28 February 2005 to oversee the public interest activities of the IFAC, focuses its attention on IFAC's international standard-setting activities in the areas of audit performance standards, independence and other ethical standards for auditors, audit quality control and assurance standards, and education standards (http://www.fsforum.org/press/press_releases_71.html). It also oversees

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IFAC's program to monitor member body compliance with these same standards.

The PIOB's ongoing operations are focused primarily on active observation of the groups responsible for these activities, including the Consultative Advisory Groups constituted to provide ongoing input to each of the three standard setting boards. This activity is supplemented by regular dialogue with the Chairs of these groups and other IFAC leaders and by additional staff assessments and recommendations regarding the completeness of related due process. The PIOB also oversees and continuously assesses all elements of the annual due process used by IFAC to recruit and select members for these groups and approves all final nominees. Finally, the PIOB reviews the future strategic plans and work programs of the three standard-setting boards.

The PIOB's key oversight task in the first quarter of 2009 has been to complete its evaluation of whether the three final standards of the Clarity Project have been developed in accordance with approved due process and can therefore be published. PIOB evaluation of the final redrafted IFAC Code of Ethics is targeted for completion by the end of the second quarter. Remaining monitoring work will focus increasingly on Compliance Program initiatives designed to promote national adoption of international standards and, as appropriate, to support local implementation efforts.

In addition to its oversight tasks, the PIOB maintains ongoing relations with various external stakeholder groups having a common interest in the improvement of audit quality. During the last quarter of 2008, the PIOB engaged with key bodies and individuals involved in EU activities for endorsing International Standards on Auditing (ISAs) to ensure a clear understanding of the PIOB's governance role in the setting of international standards. It will continue this effort in 2009 and stands ready to engage with legislative and decision-making bodies in other jurisdictions that may be considering adoption of ISAs.

3. Ethical Standards for Auditors

Agency: IFAC

Contact Information: Jim Sylph, IFAC Executive Director, Professional Standards (jimsylph@ifac.org)

Target Date: 2nd quarter of 2009

Brief Description: The existing provisions of the IFAC Code of Ethics were issued in 2005 and became effective in June 2006. Responding to changes in expectations of auditor independence over the last 3-4 years, the IFAC International Ethics Standards Board for Accountants (IESBA) commenced a project to revise certain of the independence requirements. The IESBA has agreed changes to the exposure drafts and has issued for public comment a redrafted Code with clarified wording. It is expected the final Code will be issued in 2009 Q2.

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The independent Consultative Advisory Group continues to provide input from numerous stakeholder groups to IESBA in the direction of its projects and the content of its agenda.

The BCBS and IOSCO continue to evaluate the Code of Ethics in order to provide supervisory input.

4. The Clearinghouse of Information Related to Global Financial Crisis

Agency: IFAC

Contact Information: Jim Sylph, IFAC Executive Director, Professional Standards (jimsylph@ifac.org)

Target Date: Ongoing

Website locator: <http://www.ifac.org/financial-crisis/>

Brief Description: Accountancy organizations, regulatory bodies, standard setters, and other international organizations have developed guidance, articles, and resources on issues related to the global financial crisis. IFAC has developed a section of its website to serve as an international clearinghouse of programs, articles, speeches, and other initiatives undertaken by IFAC, its independent standard setting boards, members and associates and others that are relevant to professional accountants and its many stakeholders.

5. Strengthening Country Capacity for Improving the Quality of Corporate Financial Reporting

Agency: World Bank

Contact Information: John Hegarty (jhegarty@worldbank.org);
M. Zubaidur Rahman (mrahman@worldbank.org)

Target Date: Ongoing

Brief Description: The World Bank support for improving corporate financial reporting in member countries includes analytical and advisory activities, knowledge sharing programs, and technical assistance for capacity building. The ROSC (Reports on the Observance of Standards and Codes) Accounting and Auditing (ROSC A&A) program is used as the entry point for carrying out accounting and auditing reform and development activities. The ROSC A&A assesses the strengths and weaknesses of existing corporate financial reporting infrastructure, the comparability of national accounting and auditing standards with internationally recognised standards IFRS and ISA, the degree of effective compliance with the applicable accounting and auditing standards and the strength of enforcement mechanisms. By end-February 2009, the number of completed ROSC A&A reviews was 87, and underway 16. There are 73 ROSC A&A reports published and available at http://www.worldbank.org/ifa/rosc_aa.html. The main purpose of ROSC A&A exercise is to assist the development and implementation of a Country Action Plan (CAP) for strengthening all areas of a country's corporate financial reporting infrastructure. Based on the unique country circumstances and stage of development, the CAP addresses

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the most significant areas where there is opportunity for improvement, with a focus on specific, realistic, and achievable objectives.

6. Issues on Audit Services of Auditors

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD269.pdf>
<http://www.iosco.org/library/index.cfm?section=pubvids&pubvidID=1>
<http://www.iosco.org/news/pdf/IOSCONEWS119.pdf>

Brief Description: The Technical Committee created a Task Force on Audit Services (TFAS) in June 2006. TFAS has undertaken work in two areas: (i) development of a regulator's contingency plan in the event of an audit crisis or the demise or suspension of a major audit firm; and (ii) exploring the possible drivers of audit quality. The paper, *Contingency Planning for Events and Conditions Affecting Availability of Audit Services* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD269.pdf>) was published in May 2008. In connection with exploring the possible drivers of audit quality, TFAS organized a roundtable discussion on *Quality of Public Company Audits from a Regulatory Perspective*, in June 2007 (Roundtable). A written transcript and video of the Roundtable are available on the IOSCO website. TFAS has prepared a comprehensive list of issues raised during the Roundtable and will consider these issues. In May 2008, it was agreed that TFAS would focus its future work on transparency and governance of audit firms, including the intersection of governance with both firm viability and audit quality, the scope of audit reports, including varying levels of assurance in different circumstances, the possibility of enhanced disclosure of the bases for different levels of assurance, and the potential role of joint audits; and potential expansion of allowable organizational structures and forms to allow for greater firm viability and industry competition. In this regard, the Technical Committee has agreed to publish for public consultation three papers on (i) auditor communications; (ii) transparency of firms that audit public companies; and (iii) the ownership structure of audit firms. These papers will be published by mid-March 2009.

7. Periodic Disclosure by Listed Issuers

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: (1) 2009 (2) Linked to IASB work

Brief Description: (1) The Technical Committee's Standing Committee on Multinational Disclosure and Accounting (TCSC1) is developing principles for the disclosure that listed issuers provide in their periodic reports. These principles should facilitate an international consensus on minimum standards for disclosures to be included in periodic reports, particularly annual reports.

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(2) As a result of the work in connection with the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), the Technical Committee will consider whether additional guidance and disclosure relating to (i) off-balance sheet entities and (ii) measurement at fair value would be valuable in meeting the needs of investors. TCSC1 has provided and will continue to provide related input to the IASB in connection with the IASB's work in this area.

8. Disclosure Practices and Requirements for Asset Backed Securities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that the recent market turmoil had relatively less effect on publicly traded structured finance products in some markets. Given this finding, the Technical Committee Standing Committee on Multinational Disclosure and Accounting (TCSC1) will consult with market participants about the typical structures and disclosure practices (including disclosure practices for the risks associated with underlying assets) for private placements of asset backed securities (ABS), using disclosure requirements pertaining to public offerings and trading of ABS as a point of comparison.

In connection with the request of the FSF for IOSCO to assess the adequacy of recent recommendations made by the industry to restore confidence in securitization, TCSC1 will assess the adequacy of recent recommendations made by a coalition of securitization groups in the report, *Restoring Confidence in the Securitization Markets* (December 2008). This report includes a range of recommendations, some related to disclosure practices and valuation. Additionally, the recommendations in this report related to due diligence by originators and sponsors of securitization programs will be assessed by Technical Committee Standing Committee on Investment Management.

TCSC1 also will review the degree to which existing IOSCO issuer disclosure standards and principles are applicable to public issuance of ABS, and will develop international principles regarding disclosure requirements for public offerings of ABS if it finds that existing standards and principles are inapplicable to such offerings.

9. Internal Controls

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As a result of the findings presented in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, the Technical Committee Standing Committee on

Multinational Disclosure and Accounting will review the degree to which existing internal controls and due diligence documentation procedures regarding the ownership rights attached to the assets underlying publicly traded securitized products protect the interests of investors in such products.

(v) Financial Globalisation, Market Functioning/Conduct and Transparency

1. Hedge Funds

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org, +1 202 623 7151)

Target Date: Ongoing

Brief Description: This work program aims to take stock of developments in the hedge fund industry, focusing on: (i) counterparty exposure; (ii) use and measurement of leverage; (iii) sources of market discipline; (iv) disclosure practices and transparency; and (v) hedge funds' impact on smaller and developing markets, including emerging markets. An initial report was published in the September 2004 Global Financial Stability Report (<http://www.imf.org/external/pubs/ft/gfsr/2004/02/index.htm>). Update was published in the April 2005 and April 2007 issues of the GFSR (<http://www.imf.org/external/pubs/ft/gfsr/2005/01/index.htm> and <http://www.imf.org/external/pubs/ft/gfsr/2007/01/index.htm>).

2. Task Force on Unregulated Financial Entities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: March 2009

Website Locator: <http://www.iosco.org/news/pdf/IOSCONEWS134.pdf>

Brief Description: In November 2008, the IOSCO Technical Committee launched the Task Force on Unregulated Financial Entities (TFUFE), focusing primarily on hedge funds. Specifically, TFUFE is examining the issues posed by hedge funds to capital markets and lessons to be drawn from the crisis, the current level of regulation of hedge funds, and is comparing the lessons drawn from the crisis and the existing principles and standards. The aim is to work towards the development of recommended regulatory approaches to mitigate risks associated with hedge funds trading activities and traditional opacity. The Technical Committee published an interim report in March 2009. This interim report set forth possible recommendations for regulators when dealing with hedge funds and hedge fund managers focused on market integrity and investor protection and invited public comments.

3. Funds of Hedge Funds

Agency: IOSCO

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Contact information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Summer 2009

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD276.pdf>

Brief Description: The Technical Committee Standing Committee on Investment Management (TCSC5) is working on a mandate on funds of hedge funds: to review the content of the February 2003 report *Regulatory and Investor Protection Issues Arising from the Participation by Retail Investors in (Funds-of) Hedge Funds* (February 2003 Report) in light of the tremendous increase in the volume of traded funds of hedge funds and significant regulatory developments that had taken place in several jurisdictions; in particular, to assess whether the regulatory principles presented in the February 2003 Report need to be amended and/or completed. In June 2008, the Technical Committee published a final report, *Report on Funds of Hedge Funds* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD276.pdf>) (Final Report). The Final Report proposes to consider the potential development in specific areas of elements of international regulatory standards for funds of hedge funds based on best market practices in areas where additional investor protection regulatory issues are identified, namely the methods by which funds of hedge funds' managers deal with liquidity risk, and the nature and conditions of the due diligence process conducted by funds of hedge funds prior to and during investment. In October 2008, the Technical Committee published *Proposed Elements of International Regulatory Standards on Funds of Hedge Funds Related Issues Based on Best Market Practices, Report of the Technical Committee of IOSCO* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD281.pdf>) (Consultation Report). The comment period on the Consultation Report ended on 30 January 2009. TCSC5 expects to submit a finalized version of the Funds of Hedge Funds general principles to the Technical Committee for approval in June 2009.

4. Task Force on Unregulated Financial Markets and Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: March 2009

Website Locator: <http://www.iosco.org/news/pdf/IOSCONEWS134.pdf>

Brief Description: In light of the impact that unregulated financial markets and products have had on global capital markets, in November 2008, the Technical Committee launched the Task Force on Unregulated Financial Markets and Products (TFUMP). TFUMP is working on an interim report on regulatory measures to improve confidence and transparency in the OTC market, with particular focus on securitized products and credit default swaps (CDS). This interim report will be published in late March 2009. TFUMP is exploring whether and how extending key regulatory principles that apply to regulated products and markets in the areas of

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transparency, market conduct, and market infrastructure, should apply to securitized products and CDS.

5. Task Force on Short Selling

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: March 2009

Website Locator: <http://www.iosco.org/news/pdf/IOSCONEWS134.pdf>

Brief Description: In recent months, many jurisdictions have taken steps to restrict short sales in their markets in light of the ongoing financial market turmoil. These efforts have focused particularly on the securities of financial institutions whose health may have an impact on financial stability. Some jurisdictions also have temporarily taken supplementary steps to address particular concerns in their markets, including restrictions on covered short selling. Since the initial restrictions were imposed, these positions have changed, with several jurisdictions relaxing their ban on short-selling but maintaining the temporary disclosure regimes while retaining the option of re-imposing restrictions. The different approaches adopted have created different compliance requirements on the industry and more importantly, may provide the potential opportunity for regulatory arbitrage especially for securities that are traded on different markets. Securities regulators therefore have an interest in attempting to develop and implement a common set of measures related to short selling, including specific ones related to their enforcement. The Technical Committee launched the Task Force on Short Selling in November 2008. The Technical Committee will publish a report for public consultation in mid-March 2009 from the Task Force. The report discusses issues related to naked short selling, the importance of tight settlement discipline to limiting the potential adverse effects of short selling, and the merits of greater reporting of short positions. The report will set forth general principles on the regulation of short selling. The Task force stands ready to add detail to the principles relating to short selling following such consultation.

6. Aspects of Global Asset Allocation

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (contact: Laura Kodres; lkodres@imf.org, +1 202 623 7151)

Target Date: Ongoing

Brief Description: This work program aims at reviewing and assessing the influences underpinning asset allocation decisions by institutional investors (including changes in regulatory frameworks and prudential standards, legal frameworks and accounting regimes, development of market infrastructures and investment products), and their implications for the conduct of surveillance of global financial markets. The factors that determine changes in asset allocation and therefore, capital flows across

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national borders and sectors have significant implications for financial stability.

7. Foreign Direct Investment Flows and Stocks: Revised World Standards to Measure FDI

Agency: OECD

Contact Information: Ayse Bertrand (ayse.bertrand@oecd.org, +33 145 24 91 24)

Target Date: End 2010- beginning or 2011 for reference year 2009

Brief Description: OECD revised its *Benchmark Definition of Foreign Direct Investment* (BMD4) which sets the world standards to measure FDI and includes, for the first time, globalisation indicators. The technical work was conducted by the Working Group on International Investment Statistics (WGIIS) of the Investment Committee which also has the responsibility of overseeing OECD's regular FDI statistics by partner country and by industry for FDI financial and income flows and stocks. These data provide detailed information on equity financing and intercompany loans separately. The implementation of revised BMD4 standards will improve the quality, the comparability and analytical coverage of FDI statistics of OECD countries. The BRICS and other non-member countries cooperate with WGIIS to improve their FDI statistics in light of BMD4. In addition, WGIIS started work on its research agenda with the main focus on globalisation.

8. Coordinated Direct Investment Survey

Agency: IMF

Contact Information: Ralph Kozlow (rkozlow@imf.org, +1 202 623 9398); John Joisce (jjoisce@imf.org, +1 202 623 6136)

Target Date: End 2010 to early 2011 (disseminate initial results)

Brief Description: With its interagency partners, the IMF is undertaking a Coordinated Direct Investment Survey (CDIS) in respect of end-2009. As of the beginning of 2009, about 130 economies responded positively to the IMF's invitation to participate in the CDIS. The IMF formed a Task Force, comprising 6 international organizations and 11 economies, to provide advice and content for a survey guide, and a draft survey guide has been released on the IMF CDIS Home Page (<http://www.imf.org/cdis>). The CDIS will collect data on inward and outward direct investment positions for participating economies.

9. Local Capital Market Development in Emerging Market Countries

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Capital Market Development and Financial Infrastructure Division (contact: cpazarbasioglu@imf.org, +1 202 623 5967)

Target Date: Ongoing

Brief Description: A work is ongoing on local capital market development in emerging market countries (EM) and development of the investor base for EM debt

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instruments. It examines trends in local market development and broadening of the investor base for EM debt, which have allowed many EM to reduce debt-related vulnerabilities, especially foreign exchange, rollover, and interest rate risks. This work is designed at bolstering financial stability in EM through initiatives to develop deeper and more efficient local markets and broaden the EM investor universe, which provides a more stable funding base for EM and leaves them less vulnerable to adverse developments. This ongoing work also examines how appropriate regulation supports a balanced development of local markets and a broader investor base to reinforce financial stability.

10. Broadening the Local Bond Market Database in Emerging Market Economies

Agency: IMF

Contact Information: Armida San Jose (contact: asanjose@imf.org, +1 202 623 6327)

Target Date: Ongoing

Brief Description: To facilitate the development of a common methodological framework for securities statistics that could be used by IMF member countries, the reconvened Working Group on Securities Database (chaired by the IMF and includes the BIS, ECB, and the World Bank) is producing the first part of the *Handbook on Securities Statistics* (focusing on debt securities issues). The draft of the *Handbook* is now posted on the IMF website (<http://www.imf.org/external/np/sta/wgsd/index.htm>) for general public comment through 13 March 2009. The *Handbook* is expected to be finalized by end-April 2009. After this, the second part of the *Handbook* (focusing on holdings of debt securities) will be initiated.

11. Global Emerging Markets Local Currency Bond (Gemloc) program

Agency: WBG

Contact Information: Shidan Derakhshani (sderakhshani@ifc.org);
Alison Harwood (aharwood@ifc.org)

Completion date: Ongoing

Website locator: <http://www.gemloc.org>

Brief Description: The Gemloc Program represents a new initiative by the World Bank Group to promote development of local currency bond markets in emerging market countries and enhance financial stability through market-based incentives. The focus is on middle and low income countries. This initiative is closely aligned to priorities on local bond market development as expressed by the G8. The Gemloc Program consists of three separate but complementary pillars: (i) investment strategies developed and managed by a private investment manager to promote investment in emerging market local currency bonds; (ii) an index (“GEMX”) developed in cooperation with IFC that will serve as a benchmark for this asset class (inclusion in the index is based on a country’s bond market size and “investability” as determined by key market features such as regulation, taxation, infrastructure, and liquidity); and (iii) advisory services provided by the World Bank Group, paid for from fees generated by the investment strategies, to support country

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efforts to strengthen their local markets and improve their investability. The three pillars will operate separately but are expected to complement one another and generate positive externalities. The investment manager (PIMCO) and index provider (Markit) were announced on February 19, 2008. 20 countries were included in the first phase of the GEMX index. Additional 14 are being considered for inclusion. The Advisory Services program was officially launched at the end of May 2008.

12. Task Force on Commodities Futures Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: March 2009

Website Locator: <http://www.iosco.org/news/pdf/IOSCONEWS128.pdf>

Brief Description: In October 2008, the Technical Committee launched the Task Force on Commodities Futures Markets (TFCFM). TFCFM is examining the changing nature of commodities futures markets taking into account issues such as technological developments, globalization, product innovation and composition, and increasing participation of new types of investors. The work of TFCFM is examining whether supervisory approaches are keeping pace with developments in this market and whether regulators are cooperating sufficiently to deal with the increasing globalization of the markets. The decision to establish a task force was taken following discussions amongst members focusing on concerns around increases and volatility in commodity futures markets. IOSCO members from both developed and emerging market economies have been involved in the work of the Task Force. The Technical Committee has agreed to publish for public consultation a report developed by TFCFM that examines governmental and IMF reviews of the issue of speculation in commodity markets. The report will be published in mid-March 2009.

13. Capital Markets Assessment Tool (EM)

Agency: WB/IFC

Contact Information: Capital Markets Advisory Group - CCGCM (contact: cdelvalle@worldbank.org, + 1 202 458 8276)

Target Date: Ongoing

Brief Description: Ongoing work to produce a Capital Markets Assessment Tool that provides a methodology for conducting a thorough diagnostic of an emerging market country's level of capital market development (e.g. as part of an FSAP). The methodology is intended to serve several purposes: (i) to provide a disciplined and objective framework for assessing major obstacles to a market's development and a more consistent basis for recommending and implementing strategies to help develop individual markets; (ii) to provide a methodology for evaluating, in the early stages, a country's potential for developing capital markets to support private-sector financing; and (iii) to help formulate a sequenced capital markets development strategy in countries with

differing economic and legal infrastructure conditions. The methodology is intended for use in countries that have, or have the potential to develop, traditional markets for equities and corporate debt securities, and in countries where the development of such markets, in whole or in part, could be challenging and other alternatives to access long term capital should be considered.

14. Financial Education

Agency: OECD

Contact Information: Andre.laboul@oecd.org; +33 145 24 91 27

Target Date: Ongoing

Website locator: <http://www.financial-education.org>

Brief Description: In 2003 the OECD launched a comprehensive project on financial education, conducted by the Committee on Financial Markets, the Insurance and Private Pensions Committee and the Working Party on Private Pensions.

A key milestone was the 2005 publication, *Improving Financial Literacy: Analysis of Issues and Policies*. Current analytical work focuses on financial education in selected sectors (credit and pensions), locations (schools, workplace), institutions (financial intermediaries), as well as more fundamental issues related to risk transfer to households and a new methodology to assess financial education and literacy.

In 2005, the OECD Council agreed the *Recommendation on Principles and Good Practices for Financial Education and Awareness*. In 2006, G8 Finance Ministers called on the OECD for “*further development of financial literacy guidelines based on best practices*”. Recommendations on good practices for financial awareness and education in the areas of pensions and insurance and the related publication were issued in 2008. The OECD committees are currently developing financial education guidelines and good practices in the fields of school, annuities, financial intermediaries and pension information. A policy handbook to enhance risk awareness and education on natural catastrophes, and a set of good practices on financial education relating to credit are currently circulated for public consultation.

High-level international events on financial education have been held in India, Russia, Turkey, and jointly with the US Treasury in Washington in May 2008. A further international conference was held in Indonesia in October 2008. The OECD has recently established the International Network on Financial Education, bringing together officials from over 50 OECD and non-OECD countries for discussion, and to provide input to OECD guidelines and principles. Another important new component is the *International Gateway for Financial Education*, <http://www.financial-education.org>, which was launched in 2008. The gateway serves as an international clearinghouse for exchange of information on financial education programs, issues and good practices.

15. Longevity Risks, Annuities and Financial Markets

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Agency: OECD
Contact Information: Pablo.antolin@oecd.org, +33 145 24 90 86
Target Date: Ongoing
Brief Description: Several OECD bodies, including the Committee on Financial Markets, its Working Party on Debt Management, the Insurance and Private Pensions Committee and its Working Party on Private Pensions are developing work related to the impact of increased longevity on financial and annuities markets and the possible role of governments (including for instance on the bond markets). This project will also include work on annuities and more generally the payout phase, to begin soon in several countries. A high level conference was organized in November 2008.

16. Private Equity

Agency: IOSCO
Contact Information: Greg Tanzer (g.tanzer@iosco.org)
Target Date: Late 2009- Early 2010
Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD274.pdf>
Brief Description: In February 2007, the Technical Committee created a Task Force on Private Equity (TFPE). The Technical Committee released in June 2008 a final report, *Private Equity*, based on the work of TFPE (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD274.pdf>) (Private Equity Report). The Private Equity Report identified two workstreams for the future. One workstream is a survey of the complexity and leverage of capital structures employed in leveraged buyout transactions across relevant IOSCO jurisdictions. No work is being undertaken in this area in the immediate future. The other workstream is an analysis of conflicts of interest that arise during the course of private equity business and the controls utilized across relevant IOSCO member jurisdictions that aim to provide appropriate levels of investor protection. Key areas of focus will be public-to-private transactions and the listing (or subsequent re-listing) of private equity portfolio companies. These situations potentially have a heightened impact on public securities markets and investors. This work will incorporate both private equity firms and market intermediaries and will focus on identifying conflicts which are present, or are unique, within the context of private equity transactions as they relate to public markets. In completing this work, consideration will be given to participation by industry and investors and to work already done within IOSCO and in other international fora. The Technical Committee Standing Committee on Investment Management is working on a report on private equity firms' good practices in the identification and mitigation of conflicts of interest to be submitted to the Technical Committee in late 2009 or early 2010.

17. Code of Conduct for Credit Rating Agencies

Agency: IOSCO
Contact Information: Greg Tanzer (g.tanzer@iosco.org)

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Target Date: (i) and (ii) March 2009; (iii) ongoing

Website Locator <http://www.iosco.org/news/pdf/IOSCONEWS126.pdf>
<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf>
<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf>

Brief Description In May 2008, the Technical Committee published the final report, *The Role of Credit Rating Agencies in Structured Finance Markets* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD270.pdf>), which results from the work of the Task Force on Credit Rating Agencies (TFCRA) and contains amendments to the Code of Conduct Fundamentals for Credit Rating Agencies (CRA Code of Conduct) (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf>). The changes to the CRA Code of Conduct were adopted following a public consultation process. IOSCO's members expect credit rating agencies (CRAs) to give full effect to the CRA Code of Conduct and to demonstrate to regulators and market participants how they implement the CRA Code of Conduct through their own codes of conduct. (i) The Technical Committee will publish a report by mid-March 2009 on implementation of the CRA Code of Conduct. This implementation report assesses the degree to which CRAs have adopted codes of conduct that reflect the CRA Code of Conduct. (ii) TFCRA has developed a common inspection module for regulators undertaking inspections of CRAs in their jurisdictions. This module provides a baseline for developing inspections based on the CRA Code of Conduct. (iii) In view of recent events, there is a need for greater interaction between CRAs and regulators, and greater coordination among securities regulators overseeing globally active CRAs. TFCRA is drafting a report outlining an approach securities regulators can use to oversee globally active CRAs. This approach will include a permanent IOSCO committee for dialogue with the CRA industry and for information sharing among IOSCO members regarding regulation of CRAs. This report will also discuss a college of regulators approach enhanced by bilateral arrangements regarding ongoing supervision of globally active CRAs.

18. Asset Managers Due Diligence Relating to Structured Finance Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: June 2009

Brief Description: As a result of the findings regarding investor due diligence presented in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, the Technical Committee Standing Committee on Investment Management (TCSC5) will review the degree to which investment managers who offer collective investment schemes to retail investors have invested in structured finance products; the type of due diligence typically conducted when making these investments; the degree to which these investment managers have been affected by the current market turmoil; and if and how investment managers may have shielded retail investors from the effects of their exposure to losses from structured

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finance products and any broader market implications such activity may have. TCSC5 submitted a questionnaire to TCSC5 members to obtain the regulators' perspective and identify the key regulatory aspects. TCSC5 submitted a different questionnaire to market practitioners, through their trade associations, in order to identify the industry's good and bad practices in this area. Completed questionnaires were returned in Fall 2008. TCSC5 has established a working group that includes industry representatives to identify issues in this area and consider if and how it would be appropriate to address any such issues. TCSC5 expects to submit a report on investment managers' due diligence practices to the Technical Committee in June 2009.

19. Due Diligence/Risk Management Practices of Sponsors of Structured Finance Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Summer 2009

Brief Description: In connection with the request of the FSF for IOSCO to assess the adequacy of recent recommendations made by the industry to restore confidence in securitization, the Technical Committee Standing Committee on Investment Management will assess the adequacy of recent recommendations made by a coalition of securitization groups in the report, *Restoring Confidence in the Securitization Markets* (December 2008) that relate to due diligence by originators and sponsors of securitization programs. The recommendations in this report related to disclosure practices and valuation will be assessed by the Technical Committee Standing Committee on Multinational Disclosure and Accounting (TCSC1). The work of TCSC1 on this matter has been provided to the IOSCO Task Force on Unregulated Financial Markets and Products, for inclusion in that Task Force's work.

20. Financial Firm Internal Controls Relating to Structured Finance Products

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: June 2010

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that many institutional investors and investment banking firms had inadequate risk modeling and internal controls in place to understand and address the risks they were assuming when buying many types of structured finance products. The Technical Committee Standing Committee on the Regulation of Market Intermediaries (TCSC3) has been in contact with the Senior Supervisors Group (SSG) regarding its work on internal controls to coordinate the work of these two groups. TCSC3 will undertake a study of the internal control systems of independent investment banks. As part of its work on the due diligence of asset managers, Technical Committee Standing Committee on Investment Management is reviewing aspects of

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asset managers' internal controls.

21. Human and Technological Resources for Asset Valuation

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2009

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that some financial firms appear to have inadequate human and technological resources to model their financial positions using fair value accounting principles under illiquid market conditions. The Technical Committee Standing Committees on Regulation of Market Intermediaries and Investment Management will explore whether, as a matter of internal control, registered intermediaries and investment advisors avail themselves of practitioners who are skilled or trained enough to model fair valuation adequately in illiquid market conditions.

22. Structured Finance Product Market Transparency

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: June 2009

Brief Description: Given that among other things, the Technical Committee's Task Force on the Subprime Crisis found, in its *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), that secondary trading of structured finance products, for a variety of reasons, is opaque, the Technical Committee asked its Standing Committee on the Regulation of Secondary Markets (TCSC2) to work with the financial service industry to examine the viability of a secondary market reporting system for different types of structured finance products. In particular, they will focus on whether the nature of structured finance products lends itself to such reporting and the cost and benefits such a system might entail. TCSC2 sent questionnaires to the financial services industry and regulators, with responses due 30 January 2009. TCSC2 is in the process of analysing the responses to the questionnaires and will discuss their preliminary findings at the TCSC2 meeting in late March 2009. TCSC2 also has sought industry input through meetings with industry. TCSC2 will hold an industry roundtable jointly with the IOSCO Task Force on Unregulated Financial Markets and Products in April 2009. TCSC2 expects to present a report to the Technical Committee in June 2009.

23. Point of Sale Disclosure to Retail Investors

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: June 2009

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Brief Description: Many retail investors who buy investment products, particularly interests in a collective investment scheme (CIS) and possibly similar products, do not clearly understand the products or the layers of costs associated with those products. Also, many retail investors may not clearly understand their intermediary's financial stake in selling those products, including so-called "revenue sharing" arrangements. Therefore, they might end up purchasing a product that they would not have otherwise, had they understood the true costs of the product and/or their intermediary's conflicts.

IOSCO is currently considering the key information that investors should receive prior to or at the point of sale in order to support sound investment decision-making. The Technical Committee Standing Committees on the Regulation of Market Intermediaries and Investment Management (Standing Committees) prepared an issues paper that builds upon a review of industry and academic reports on the types of information that investors expect and find meaningful at the time they make an investment decision, primarily for investments in CIS, and a questionnaire regarding the related regulatory requirements and initiatives in the jurisdictions of members of the Standing Committees. The issues paper was distributed in July 2008 to representative industry and investors associations for the purpose of informing the industry and investors of the work in progress, as well as the issues identified at this stage and receiving any comments in relation thereto. The Standing Committees are in the process of considering the comments received on the issues paper and assessing whether and how relevant general principles in this area should be developed. The Standing Committees will submit their report to the Technical Committee in June 2009 for publication for public consultation.

24. Direct Access to Exchanges and Other Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Late 2009

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD284.pdf>

Brief Description: With electronic trading, intermediaries are able to transmit orders electronically and markets are able to offer "direct" electronic access to clients of the intermediaries. In this way, intermediaries' clients could be given access to markets through either a registered intermediary's system (or system provided by a third party, but effectively branded as the system of the intermediary) or via an arrangement set up by the intermediary whereby the intermediary provides or requires few controls, but allows its client to access the market utilizing the intermediary's exchange identification. Some derivatives exchanges also permit intermediated access through registered intermediaries and, in addition, direct access by non-intermediaries may be granted. Such non-intermediary entities are permitted to become members or participants on an exchange, if they meet certain eligibility requirements. The various permutations of direct market access (DMA)

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raise important related regulatory issues. Pursuant to mandates approved by the Technical Committee, the Technical Committee Standing Committees on the Regulation of Secondary Markets and Regulation of Market Intermediaries (Standing Committees) have conducted surveys and held meetings with market participants to identify DMA models used in markets and practices of intermediaries in jurisdictions of the Standing Committees' members. A report for public consultation containing possible principles relating to DMA was published in February 2009 (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD284.pdf>). Comments are due 20 May 2009.

25. Dark Liquidity Pools

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Late 2010

Brief Description: The Technical Committee approved a project mandate for its Standing Committee on the Regulation of Secondary Markets (TCSC2) to assess the regulatory issues that may be raised by the growing use of dark pools of liquidity, including those related to market fragmentation, fair access, transparency, determining trading volumes resulting from dark liquidity, and price discovery. TCSC2 will conduct surveys of regulators and industry. TCSC2 expects to develop a report to be submitted for public consultation in mid-2010 and finalise a report in late 2010.

26. Exchange Traded Funds

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: Given the growing interest in exchange traded funds (ETFs) worldwide as evidenced by the amount of money invested in ETFs, the Technical Committee Standing Committee on Investment Management (TCSC5) initiated preliminary work on regulatory approaches in the area in order to identify the issues associated with such products. In March 2008, TCSC5 organized a hearing with ETFs experts in order to have a global picture of the ETFs market. TCSC5 intends to pursue the work it initially conducted in this area, and from mid/end 2009, prepare an issues paper for the purpose of discussion with the industry.

27. Mutual Recognition

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

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Brief Description: In the course of the ongoing dialogue with financial market stakeholders, stakeholders suggested that IOSCO should start working on the issue of mutual recognition. The IOSCO General Secretariat has surveyed work done within IOSCO that could provide an infrastructure for potential multilateral regulatory recognition. For example, for jurisdictions undertaking a recognition assessment process, the IOSCO Principles² would be relevant, and may provide a framework for such assessment process. Further, whether the jurisdictions involved in such a process are signatories to the IOSCO Multilateral Memorandum of Understanding would likely be considered in such a recognition assessment. Additionally, the IOSCO General Secretariat will survey the work of IOSCO members regarding principles for recognition. IOSCO is continuing to assess developments in a bilateral context.

28. Bond Market Microstructure: Lessons from best practice countries

Agency: WB/IFC

Contact Information: Capital Markets Advisory Group - CCGCM (contact: cdelvalle@worldbank.org, +1 202 458 8276)

Target Date Ongoing

Brief Description: This technical note seeks to identify the key factors responsible for the development of a corporate bond market focusing on the capital raising function of the primary market for new issues and the liquidity provision and price discovery function of the secondary or trading market. It discusses important differences between debt and equity from an issuer and investor perspective, the impact these have had on the evolution of successful bond market infrastructures and seeks to draw out the regulatory and legislative implications which flow from them. The note illustrates these points by reference to two of the largest and most successful corporate bond markets to have developed in recent decades—the US corporate bond and the Europe based but global Eurobond market.

29. Outsourcing Arrangements for Markets

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Late 2009

Website Locator: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD283.pdf>

Brief Description: Market operators are increasingly using third party service providers to perform processes, services or activities (regulated or not) that would otherwise be undertaken by the market operators themselves (outsourcing arrangements). This may bring benefits for market operators, in particular cost reductions resulting from the use of

² *IOSCO Objectives and Principles of Securities Regulation*, March 2008, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD265.pdf>.

specialized expertise and improved technology. However, an increased reliance on outsourcing of activities may impact the ability of markets to manage risks and monitor compliance with regulatory requirements. This may have an impact on market integrity and on the ability of regulators to fulfil their missions. The Technical Committee report entitled *Principles on Outsourcing of Financial Services for Market Intermediaries*, the February 2005 Joint Forum report entitled *Outsourcing in Financial Services* and the November 2006 Technical Committee report entitled *Regulatory Issues Arising from Exchange Evolution* do not assess risks nor identify principles related to outsourcing arrangements made by markets. The Technical Committee Standing Committee on the Regulation of Secondary Markets (TCSC2) has surveyed markets and regulators in the jurisdictions of the members of TCSC2 to identify different regulatory regimes in place regarding outsourcing by exchanges and operators of exchanges. The mandate also involves assessing the impact of various types of outsourcing arrangements, and evaluating the main challenges faced by regulators arising from such arrangements. TCSC2 assessed related risks and developed possible principles for outsourcing. The Technical Committee published a consultation report on principles on outsourcing in February 2009 (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD283.pdf>). Comments are due 20 May 2009.

(vi) Prudential Regulation and Supervision

1. Identification of Regulatory Gaps

Agency: BCBS, IOSCO, IAIS (through the Joint Forum)

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The BCBS, IOSCO and the IAIS, through the Joint Forum, have put in place a framework and process to carry out a stock-take of the issues around regulatory gaps and differences that build on existing work and processes in each sector. The Joint Forum is expected to take forward this work to help identify important regulatory gaps and differences in the regulatory oversight of the three sectors. Work underway or planned to address these gaps will also be identified. The findings and possible next steps have been discussed at the Joint Forum's February 2009 meeting, taking into account the work of other initiatives dealing with the scope of regulation.

2. Implementation of the New Capital Adequacy Framework (Basel II)

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The BCBS has expanded the mandate of its Accord Implementation Group (AIG) to review the implementation of a full range of prudential standards and guidance issued by the Committee. The renamed Standards

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Implementation Group (SIG) will continue to provide a forum for information sharing in order to promote consistency in the implementation of the new capital framework. The SIG regularly discusses practical issues related to cross-border implementation of Basel II for internationally active banks.

The challenges of coordination between home and host supervisors go beyond Basel II's Pillar 1 (minimum capital requirements) and have clear implications for Pillar 2 (supervisory review process), particularly around topics like global risk management, diversification effects and treatment of risks beyond those captured in Pillar 1. The BCBS and the SIG are devoting significant resources to the Pillar 2 implementation process, including better understanding supervisory approaches to implementation of Pillar 2 for non-complex banks. In May 2008, as predecessor of the SIG, the AIG conducted a workshop on this topic together with the International Liaison Group's Working Group on Capital (ILGC). The SIG continues to assess banks' Pillar 3 disclosures.

The SIG has two subgroups to address specific issues that are of particular concern to the banking industry and supervisors in the implementation of Basel II. The first subgroup is addressing issues related to validation of the most advanced credit risk approaches in Basel II. The second subgroup is addressing issues related to the cross-border implementation of the advanced measurement approaches (AMA) for operational risk in Basel II.

Lastly, the BCBS has established a Basel II Capital Monitoring Group that will analyse the level and cyclicity of capital requirements based on data collected through the reporting systems of national supervisory agencies. Semi-annual reports will be provided to the BCBS starting in the first quarter of 2009.

3. Refinements to the Basel II Framework

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: March/April 2009 and ongoing

Brief Description: In January 2009, the BCBS issued a consultative package of proposed enhancements to the Basel II regulatory capital framework. The proposed changes to capital requirements cover trading book exposures, including complex and illiquid credit products; certain complex securitisations in the banking book (e.g., CDOs of ABS); and exposures to off-balance sheet vehicles (i.e., ABCP conduits). The Committee also proposed supplementary Pillar 2 standards to promote more rigorous supervision and risk management of risk concentrations, off-balance sheet exposures, securitisations and related reputation risks. Through the supervisory review process, the Committee is promoting improvements to valuations of financial instruments, the management of funding liquidity risks and firm-wide stress testing practices. In addition, the Committee has proposed enhanced Pillar 3 disclosure requirements for securitisations and sponsorship of off-balance sheet vehicles, which should provide

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market participants with a better understanding of an institution's overall risk profile. The BCBS has requested comments on the proposals related to trading book exposures by no later than 13 March 2009. Comments on the proposals related to the banking book as well as Pillar 2 and Pillar 3 should be received by 17 April 2009.

4. Supervision of Bank Liquidity Risk Management

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Summer 2009 and ongoing

Brief Description: The BCBS's Working Group on Liquidity (WGL) is examining ways to promote greater consistency of liquidity regulation and supervision for cross-border banks. This includes a review of tools, metrics and benchmarks that supervisors can use to assess in a more consistent manner the resiliency of banks' liquidity cushions and constrain any weakening in liquidity maturity profiles, diversity of funding sources, and stress testing practices, among other things. WGL will present concrete proposals for such metrics and benchmarks for review at the Committee's July 2009 meeting.

WGL members are also monitoring banks' implementation of the recently issued *Principles for Sound Liquidity Risk Management and Supervision*. A thorough review of the progress of implementation will be made in the second half of 2009.

5. Liquidity Risk Management

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: As discussed in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, IOSCO's Task Force on the Subprime Crisis found that many institutional investors and investment banking firms had inadequate balance sheet liquidity even when adequately capitalized. Given this finding, the Technical Committee has asked its Standing Committee on the Regulation of Market Intermediaries (TCSC3) to survey members' experience on liquidity risk management and liquidity standards to assist and supplement the work undertaken jointly with BCBS. In this regard, TCSC3 submitted comments on the BCBS consultation paper, *Principles for Sound Liquidity Risk Management and Supervision*. In addition, TCSC3 intends to undertake work on the liquidity risk management at securities firms.

6. Review of Trends in Regulatory Capital Instruments

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Mid 2009

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Brief Description: The BCBS has launched an initiative to review the definition of regulatory capital across jurisdictions. The Definition of Capital subgroup has undertaken a stock-take of the current definition of capital used in member jurisdictions as well as in a number of non-member jurisdictions. The subgroup has evaluated how market participants, including rating agencies, perceive and value the equity-like characteristics of various capital instruments. This fact-finding work is focusing on the fundamental aspects of capital such as its loss absorbency. The subgroup has also reviewed the role of accounting in the calculation of regulatory capital and the components of capital tools used by various central banks during the crisis.

7. Computation of Capital for Incremental Risk in the Trading Book

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: July 2009

Brief Description: The BCBS's Trading Book Group (TBG) was set up to provide further clarification for computing an incremental risk charge in the trading book as required in the Basel/IOSCO Agreement reached in July 2005³, as well as to share experience in overseeing banks' implementation of the trading book capital regime. The TBG reviewed the comments received on its two consultative documents, *Proposed Revisions to the Basel II Market Risk Framework* and *Guidelines for Computing Capital for Incremental Risk in the Trading Book*, issued in July 2008. Based on feedback received from the industry, the BCBS issued revised consultative documents in January 2009. The BCBS will conduct an impact assessment and aims to finalise both documents in July 2009.

8. Risk Management Practices at Securities Firms

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: As a result of the findings regarding firm risk management and prudential supervision of firm operations during the subprime market turmoil presented in the *Report on the Subprime Crisis* (<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf>), published in May 2008, the Technical Committee Standing Committee on the Regulation of Market Intermediaries (TCSC3) will monitor the work of the Senior Supervisors Group (SSG) and review any report of the SSG and determine whether further work is warranted by IOSCO. TCSC3 has been in contact with the SSG regarding its work on internal controls to coordinate the work of the SSC and TCSC3.

³ Basel Committee on Banking Supervision, *The Application of Basel II to Trading Activities and the Treatment of Double Default Effects*, July 2005.

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9. Initiatives on Risk-based Supervision and Microfinance

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The BCBS established the International Liaison Group (ILG) to provide a forum for deepening its engagement with supervisors around the world on a broad range of issues. The ILG survey on risk-based supervision has been completed and covers 36 banking supervisors in 33 countries. The report was approved by the Committee in December 2008 and was circulated to regional groups of banking supervisors in February 2009. Concerning microfinance, a questionnaire has been developed with the assistance of CGAP, the World Bank, the IMF and the Association of the Banking Supervisors of the Americas (ASBA). The focus is on the taking of deposits from the public in a microfinance environment. The ILG intends to identify issues and emerging supervisory responses to microfinance. The objective is not to create new standards but to draw on the collective experience of some of its members with microfinance in order to identify supervisory issues and illustrate accepted practices.

10. Valuation Practices

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: March 2009

Brief Description: In November 2008, the BCBS published consultative guidance on sound principles for the valuation of financial instruments at financial institutions. The principles reinforce efforts to strengthen the accounting framework in this area. They promote a strong governance process around valuations, the use of prudent measures that reflect uncertainty, the allocation of sufficient resources and independence from the business lines. Comments were requested by 6 February 2009. Based on consideration of these comments, the Committee will then issue final guidance.

11. Stress Testing

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The BCBS's Risk Management and Modelling Group has begun work to assess the industry range of stress testing practices, including an examination of how banks' stress testing practices have held up under the recent market turmoil, where key challenges lie, and where the industry plans to make enhancements. It also aims to determine where industry practices and supervisory guidance could be strengthened. In January 2009, the Committee published consultative guidance that articulates the key elements of a rigorous firm-wide stress testing framework, currently

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a major gap in the supervisory toolkit. Supervisors and banks can use the principles as a key element in validating banks' risk management and capital adequacy and to assess the adequacy of capital buffers over the cycle. Comments were requested by 13 March 2009. Based on consideration of these comments, the Committee will then issue final guidance.

12. Bank Resolution

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: September 2009 (deposit insurance Core Principles March 2009)

Brief Description: The BCBS's Cross-border Bank Resolution Group (CBRG) is reviewing and analysing issues relating to the resolution of large banks with cross-border operations. An interim report has been approved by the Committee in December 2008 and will be shared with the FSF and other official bodies. The CBRG is now focusing on reviewing recent individual bank failures and rescues to draw out the lessons of the current crisis. It will also work on possible responses to improve bank resolution mechanisms and their application across borders. The CBRG is scheduled to report to the Committee in September 2009. The CBRG is also working with the International Association of Deposit Insurers on Core Principles for Effective Deposit Insurance Systems. This was submitted to the Committee in March 2009.

13. Supervision and Assessment of Insurers' Solvency

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS has a strong commitment to the development of a cohesive set of standards and guidance on solvency assessment – with an overall objective of facilitating greater comparability and improved convergence over the long term of supervisory practice towards a risk based solvency regime.

Work continues in expanding and improving the suite of solvency assessment papers. The next priority is to develop supervisory papers on capital resources and the valuation of assets and liabilities for solvency purposes. In addition, the IAIS is undertaking a review of existing IAIS papers on solvency assessment against lessons learnt from the financial crisis. Although issues such as procyclicality, liquidity risk, concentration risk, contagion risk and stress testing highlighted in the G20 Action Plan were not mainly directed at insurance supervisors, the planned review of the existing suite of solvency supervisory papers has been expanded to consider the extent to which these papers address the identified risks.

14. Reinsurance

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Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: i) Standard-setting on reinsurance and other forms of risk transfer

Over the next year, the IAIS will review and upgrade the current guidance on risk transfer, disclosure and analysis of finite reinsurance to a standard. In addition, the issues papers on life insurance and non-life insurance securitisation will be reviewed and upgraded to guidance papers. Over the longer term, the IAIS will develop guidance on contract certainty.

ii) IAIS Global Reinsurance Market Report 2009

In 2009, the IAIS will publish its sixth annual global reinsurance market report based on 2008 data provided by supervisors of the largest global reinsurers in Bermuda, France, Germany, Japan, Spain, Switzerland, the UK and the US. The report aims to improve the transparency of the global reinsurance industry by providing analysis of financial position, monitoring trends and considering risks and challenges for the reinsurance industry. Each year the report is enhanced to provide up-to-date coverage of emerging macro risks and trends of systemic importance to the insurance and reinsurance sector. In 2009, the IAIS will consider elaborating further on relevant macro-economic aspects. The IAIS is also considering integrating the catastrophe related function of the Global Reinsurance Market Report with other elements in a crisis management framework, including a list of supervisory contact points.

15. Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The increasing integration of financial markets and the growing number of internationally active insurers and reinsurers has made the need for mutual cooperation and information exchange more urgent both under normal circumstances and in times of crisis. In response to members' desire for more concrete arrangements, the Multilateral Memorandum of Understanding (MMOU) framework was adopted in February 2007 as an important step towards broadening contacts and creating mutual trust and confidence amongst insurance supervisory authorities. The framework establishes a formal basis for facilitating cross-border communication between supervisors, regarding the supervision of both insurance companies and insurance groups, where cross-border matters arise. The IAIS is currently validating applicants for accession to the MMOU and taking steps to expedite operation of the framework.

16. International Colleges of Supervisors for Insurers and Reinsurers

Agency: IAIS

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Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: In response to the FSF recommendation on the setting-up of supervisory colleges for large financial institutions, the IAIS undertook a stocktaking exercise in summer 2008 to identify existing supervisory colleges arrangements (home supervisor, supervisors meeting, date of next meeting) for the largest global insurance groups. It is foreseen that this list will be kept updated and be used to provide input into the FSF review of experience on college arrangements in summer 2009.

Further as a high priority, the IAIS plans to complete a guidance paper on the use of supervisory colleges in group-wide supervision by October 2009, which will provide guidance to insurance supervisors on the role of supervisory colleges and their member authorities as well as the practical issues to consider in the establishment and operation of the colleges. For cross-sectoral consistency, the IAIS is liaising with the BCBS as regards financial conglomerates and collaborating with the FSF on how, using the IAIS guidance paper as a basis, the protocols for the largest global financial conglomerates could be adapted for insurance entities.

17. Implementation of IAIS Principles and Standards and Emerging Markets

i) Insurance Regional Seminars and Training

Agency: IAIS and FSI

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS organizes, in collaboration with the FSI and national insurance supervisory authorities and other bodies, about 10-15 regional seminars and workshops annually to assist insurance supervisors to implement IAIS principles and standards on insurance supervision.

ii) Issues in Regulation and Supervision of Microinsurance

Agency: IAIS and CGAP Working Group on Microinsurance

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Following the completion of an issues paper on microinsurance, the IAIS undertook a survey on the role of mutuals and cooperatives in microinsurance. The survey findings along with issues identified in developing the issues paper will form the basis for the development of principles and guidance on the regulation and supervision of microinsurance. In addition, an issues paper will be completed on the regulation and supervision of mutual organisations, in relation to microinsurance in emerging markets.

18. Supervision of Insurance Groups

Agency: IAIS

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Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Groups are the most common organisational structure of international active insurers. As a result, the IAIS aims to establish a comprehensive framework for streamlining group supervision. The main goal is to achieve efficient group supervision which preserves the level of policyholders' protection while avoiding unnecessary supervisory burden.

The IAIS is developing an Issues paper on Group-Wide Solvency Assessment. The purpose of the paper is to explore the issues in relation to group-wide solvency assessment and supervision. The paper considers the practical issues and challenges associated with the establishment of a risk-sensitive approach to group-wide solvency assessment. The paper will be discussed at the IAIS Technical Committee meeting in March.

Through an active contribution to the work of the FSF, and through close coordination with BCBS and IOSCO, the IAIS will contribute to establishing effective supervision of financial conglomerates and non-regulated entities, which will enable all financial supervisors to minimise regulatory arbitrage among financial sectors. Non-regulated entities (such as financial derivative units in some groups) or lightly regulated activities (such as securities lending at the holding company level) have been highlighted as particular regulatory gaps in group supervision which require a common cross-sectoral response.

The IAIS has established a task force to elaborate on proposals for the medium- to long-term focus of the IAIS. The task force is examining issues such as the quantitative and qualitative aspects in the supervision of internationally active insurance groups, macro elements of prudential supervision including contagion effects and the issue of non-regulated entities, and regulatory consistency among financial sectors. It is expected that the new strategic focus of the IAIS will address some regulatory gaps that have emerged from the current crisis including the regulation of systemically important institutions as well as the potential for regulatory arbitrage, notably in the case of credit-related products.

19. Review of Insurance Core Principles

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The Insurance Core Principles (ICPs) are the foundation on which all standard setting activities of the IAIS build. However, as the range and scope of supervisory and other papers of the IAIS expand, and as practice in the industry and supervisory sector evolves, it is appropriate to periodically take stock of the foundation principles to ensure they remain appropriate, comprehensive and current. In 2007, the IAIS established a task force to review and revise the ICPs with the goal to finalise revised ICPs for adoption at the October 2011 General Meeting.

20. Market Conduct of Insurers

Agency: IAIS

Contact information: iais@bis.org

Target Date: Ongoing

Brief Description: In June 2008, the IAIS announced the formation of a new Market Conduct Subcommittee, charged with developing international supervisory standards on insurers' behaviour in the marketplace. The subcommittee will build on existing work on market conduct and consider the market conduct of insurers and intermediaries in the selling and handling of insurance products and services and in disclosure of information to customers.

21. Harmonized International Glossary

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS Glossary provides definitions of the main terms used by IAIS working parties in their work. A project to develop a harmonized international glossary of insurance terminology is being undertaken jointly between the IAIS, IAA, CEA and Groupe Consultatif, based on their respective existing glossaries. The partnership agreement has been finalised, and the editorial group, comprising member representatives of the four organizations, established. The priority area of focus will be solvency issues. It is anticipated that the first outputs from the project could be expected during 2009.

22. Strategic Direction of IOSCO Activities

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: 2010

Brief Description: IOSCO formally endorsed in April 2005 a range of operational priorities that will further strengthen its effectiveness in this regard.

a) Maintaining the role of IOSCO as the international standard setter for securities regulation

IOSCO has proven successful at setting international securities regulatory standards and IOSCO is recognized as the international standards setter for securities markets. Its current position must be maintained by constant work to upgrade the *Objectives and Principles of Securities Regulation* (Principles) and *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* (Methodology) to take into account emerging regulatory issues and to protect this key international standard setting responsibility. In this regard, the Executive Committee authorized the Task Force on

the Implementation of the Principles to initiate a substantive review of the Principles.

IOSCO recently approved an updated version of both its Principles and Methodology to take into account Technical Committee, Emerging Markets Committee and Executive Committee documents, and other relevant documents, issued since the Principles were last updated in 2003. The updated versions uses footnotes to reference those more current IOSCO and related organization (e.g., Joint Forum) publications, which are consistent with the existing Principles and Methodology. The updated versions of the Principles and Methodology are available on the IOSCO website at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD265.pdf> and <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD266.pdf>, respectively.

b) Improving enforcement related cross-border cooperation

IOSCO is pushing forward in identifying obstacles that prevent enforcement cooperation and exchange of information within its membership and with non-member securities regulators.

The IOSCO Presidents Committee endorsed in April 2005 the IOSCO Multilateral Memorandum of Understanding as the international benchmark for enforcement related cooperation and exchange of information and to move forward with its implementation by 1 January 2010 as being a signatory or through a commitment to seek the legal authority to do so (see paragraph 21 in section (iii)).

c) Implementing the Principles

Now that IOSCO has endorsed a full set of Principles and has an operational Methodology to practically assess the level of implementation of the Principles, IOSCO is focusing on the systematic assessment of the level of implementation of the Principles within the jurisdiction of each one of IOSCO's members and will provide technical and policy level assistance, whenever needed, to achieve this objective (see below regarding the IOSCO Principles Assessment and Implementation Program).

In this respect, in February 2008, the Executive Committee adopted an action plan for the period 2008-2010, that includes among other things a work program to improve awareness of the Principles and to encourage members to work towards their full implementation. This has involved and will continue to involve making related focused presentations at Regional Committee meetings.

d) Continuing to raise the international profile of IOSCO and the level of internal communications

IOSCO has decided to continue to improve communications so that its initiatives, objectives and priorities become better known to the international financial community. One of the great advantages of IOSCO is its wide membership and the fact that its members regulate most of the world's securities markets. For that purpose IOSCO is using

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ways to leverage as much as possible the communications' aspects of this broad membership in order to facilitate the diffusion of IOSCO's messages and actions to its members' jurisdictions.

23. The IOSCO Principles Assessment and Implementation Program

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Brief Description: IOSCO is increasingly focusing its efforts on promoting the implementation of its *Objectives and Principles of Securities Regulation* (Principles) by its members. To assist its members in this task, the Executive Committee approved in February 2003 a pilot program to assist its members in the completion of an assessment of their level of implementation of the Principles. Pursuant to this pilot program, experts selected by IOSCO from among its membership assist each participating jurisdiction in an assessment of its level of implementation of the Principles using an innovative *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* (Methodology) and in the development of an action plan to correct identified deficiencies. This program was extended in October 2004.

To date a number of IOSCO members have greatly benefited from assistance in this initiative including those from El Salvador, Turkey, Thailand, Morocco, Sri Lanka, Ecuador, Peru, Romania, WAMU, Uruguay, Honduras, Venezuela, Tunisia and Costa Rica. As part of the new IOSCO strategy the program will cover all IOSCO members.

In connection with the detailed action plan for the implementation of the Principles for 2008-2010, the IOSCO General Secretariat has begun a process by which IOSCO members' requests for technical assistance will be prioritized. In addition to providing direct assistance to members, the General Secretariat is developing a network of experts who have gathered experience from direct participation in the IOSCO Principles Assessment and Implementation Program and is using this network to train other experts, develop related written guidance, and provide training seminars on the Principles and Methodology. In order to increase the number of trained assessors available for such assessments and assistance missions, a second Principles assessors workshop was held in Mumbai on 25-27 February 2009, hosted by Securities and Exchange Board of India. Funding related to individual assistance missions are currently being sought through various channels.

24. Securities Regional Seminars and Training & Assistance Programs

Agency: IOSCO

Contact Information: Greg Tanzer (g.tanzer@iosco.org)

Target Date: Ongoing

Website Locator <http://www.iosco.org/events/>

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Brief Description: IOSCO and its members conduct a wide variety of seminars and training programs throughout the year. These programs take place in all regions of the world and benefit from the participation of IOSCO members and the expertise of their staffs.

The programs for 2009 include: <http://www.iosco.org/events/>

- Investor Education: Creating and Delivering Successful Programs, co-sponsored with the International Forum for Investor Education, 2-3 March 2009; and
- Seminar Training Program, Fall 2009.

25. Principles for Regulation and Supervision of Private Pensions

Agency: OECD, and International Organisation of Pension Supervisors (IOPS)

Contact Information: andre.laboul@oecd.org, +33 145 24 91 27

Target Date: Ongoing

Brief Description: A Recommendation on Core Principles of pension regulation was approved by the OECD Council in March 2004. Building on this work, the OECD Working Party on private pensions developed *Guidelines on Pension Fund Governance, Guidelines on the Protection of the Rights of Members and Beneficiaries, Guidelines on Pension Fund Asset Management, Guidelines on Funding and Benefit Security in Occupational Pension Plans, and Guidelines on the Licensing of Pension Entities*, the latter of which was developed and finalised jointly with the International Organisation of Pension Supervisors (IOPS). These guidelines were released for public consultation and subsequently approved by the OECD Council. The Core Principles have been revised in 2008 to include the updated *Guidelines for Pension Fund Governance* while leaving out the Core Principle on Supervision, an area covered by the IOPS. A compendium of all OECD guidelines and the revised Core Principles will be published in Spring 2009, accompanied by a methodology for their implementation and an assessment of their use in OECD countries. The Core Principles are also being used as part of process for evaluating candidates for OECD membership (Chile, Estonia, Israel, Russian Federation, and Slovenia).

The OECD also continues its work to monitor the pension fund industry by publishing an annual review (Pension Markets in Focus). The data published is based on OECD's Classification system and glossary on private pensions published in 2005. The new publication OECD *Private Pensions Outlook* was launched at the beginning of 2009.

The OECD and IOPS work in close cooperation, with the OECD leading the development of international standards on pension regulation, and IOPS focusing on supervisory issues and the development of supervisory standards. The IOPS agreed on principles on pension supervision at the occasion of its 2006 Annual General Meeting (AGM) and approved a set of guidelines for supervisory oversight in 2008. Guidelines for supervisory intervention, sanctions and enforcement are scheduled for approval at the Organisation's 2009 AGM. The IOPS

ongoing work focuses on risk-based supervision, including the development of a toolkit. Providing practical guidance to supervisors is expected to be completed in 2010.

(vii) Combating Money Laundering, Terrorist Financing and Other Market Abuses

1. Actions to Combat Money Laundering & Terrorist Financing

Agency: FATF

Contact Information: John Carlson (john.carlson@fatf-gafi.org & secretariat@fatf-gafi.org, +33 145 24 79 46)

Target Date: Ongoing

Brief Description: The FATF Forty Recommendations and Nine Special Recommendations on Terrorist Financing provide the international anti-money laundering and counter-terrorist financing (AML/CFT) standard. The FATF has developed interpretation and best practices to support the 40+9 Recommendations. This is also supplemented by the 2004 AML/CFT Methodology, as updated from time to time, to assess compliance with the 40+9 Recommendations, which the FATF developed in collaboration with the IMF, the World Bank and the FATF-style regional bodies (FSRBs). This methodology underlies all FATF/FSRB/World Bank/IMF AML/CFT assessments.

In January 2005 the FATF commenced a third round of mutual evaluations of its members' compliance with the 40+9 Recommendations. Currently, reports on Australia, Belgium, Canada, China, Denmark, Finland, two GCC members (UAE and Qatar), Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Mexico, Norway, Portugal, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, UK, and the United States have been completed and made publicly available. Ultimately, all FATF members will be assessed over a 5-6 year cycle. The reports of mutual evaluations of FATF members are available at http://www.fatf-gafi.org/document/32/0,2340,en_32250379_32236982_35128416_1_1_1_1,00.html. The FSRBs also assess their members' compliance with the 40+9 Recommendations and publish those reports on their websites. In total, more than 110 FATF and FSRB reports have now been published.

A FATF Working Group continues to ensure that there is consistency of interpretation of the FATF standards and the AML/CFT Methodology 2004 in all AML/CFT evaluations and assessments. This Working Group has agreed to a number of measures, such as enhanced training, that will help to ensure the quality and consistency of assessment/evaluation reports prepared by all assessment bodies (FATF/FSRBs/IFIs). Quality and consistency is also meant to ensure that private sector entities will be able to use and better compare all AML/CFT evaluations.

The FATF has also significantly enhanced its dialogue and interaction with the private sector. In June 2007, based on joint public-private sector work, the FATF published guidance for the financial sector on the risk-based approach for addressing AML/CFT issues. This was followed up by further work with other sectors, resulting in further risk-based

guidance issued in July and October 2008 covering the following business sectors: accountants, dealers in precious metals and precious stones, real estate agents, trust and company service providers, lawyers and notaries and casinos. Similar work is now being conducted with insurances and money services business. Importantly, the FATF also established a Consultative Forum as a venue to engage with the private sector and to discuss issues and ideas raised by private sector organisations and associations.

The FATF continues its longstanding work on “typologies” to gather information on and knowledge of methods and trends so as to ensure that the 40+9 Recommendations remain up to date and effective. Consultation with the private sector is also an essential factor for the quality and future use of the typologies reports. These reports are published on the FATF website (<http://www.fatf-gafi.org>). The FATF Working Group on typologies has also initiated a project that aims at identifying types of criminal and terrorist activities that pose an emerging threat to the financial system and developing a long-term response to these threats. The first Global Threat Assessment report is intended to be produced in June 2010.

In June 2007, the FATF issued *Guidance Regarding the Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction* and in October 2007 complemented this with guidance regarding implementation of the activity-based financial prohibitions of UNSCR1737. This was followed by a new best practices paper on trade-based money laundering and terrorist financing issued in June 2008. This raises awareness and improves the ability of government authorities to collect and effectively utilise trade data, both domestically and internationally, for the purpose of detecting and investigating money laundering and terrorist financing through international trade. The FATF also adopted a new guidance paper – *Guidance on implementation of financial provisions of UN Security Council Resolution 1803*, which is aimed at assisting countries in implementing the financial provisions of paragraph 10 of the UNSCR 1803.

In October 2007, FATF issued *Guidance on Capacity Building and Implementation of the FATF Standards within Low Capacity Countries*.

The FATF continues to review and consider cooperation issues and to examine vulnerable jurisdictions that are failing to implement an effective AML/CFT system, including by issuing public statements. Since October 2007, statements dealing with the situation in Iran, Uzbekistan, Turkmenistan, Pakistan, Sao-Tome and Principe and the Northern part of Cyprus have been released. They are available on FATF’s public website.

In February 2009 the FATF agreed to a proposal to examine the impact of the global financial and economic crisis on efforts to combat money laundering and terrorist financing. Under this initiative, the FATF will take stock of the consequences of the crisis for the FATF and identify issues for further analysis and discussion. The FATF analysis will also

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look at the role AML/CFT measures have in national and global solutions to this crisis. In addition, the FATF will continue to consider the measures which countries are taking to mitigate the impacts of the crisis as such measures should not undermine AML/CFT controls.

2. Ongoing Activities in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Agency: IMF and World Bank

Contact Information: Nadim Kyriakos-Saad (nkyriakossaad@imf.org, +1 202 623 5646); Jean Pesme (jpesme@worldbank.org, +1 202 473 8448)

Target Date: Ongoing

Brief Description: The IMF and the World Bank continue to deliver an intensive AML/CFT work program. To date, the Fund and the Bank have conducted 54 AML/CFT assessments using the 2004 Methodology⁴ and plan to conduct about 6 new assessments over the next 6 months.

- **Technical Assistance:** The two institutions have also continued a high level of AML/CFT technical assistance (TA) activity, carrying out 73 events and missions from 1 July to 31 December 2008, including 56 bilateral TA missions and 17 regional training events. These missions and events covered a wide range of topics and activities including legislative drafting, supervision, issues specific to institutional and regulatory frameworks, FIUs, and desk reviews of laws and regulations. Both the World Bank and the IMF also continue to conduct both training for assessors, and for countries that will undergo an assessment within six months, independently or in conjunction with FATF and FATF Style Regional Bodies (FSRBs). During the aforementioned period, the Bank and the Fund conducted or provided resource persons for 2 assessors and 4 pre-assessment training events.
- **Outreach:** Bank and Fund staff participated in 23 events during this period, including conferences, donor coordination meetings, global dialogues, outreach to the private sector, and FATF and FSRB plenary and working group meetings.
- **Coordination:** The IMF and the World Bank continue to work closely with each other, FATF, the FSRBs, and bilateral donors to coordinate assessment calendars, optimize the provision of TA, and to strengthen global understanding of AML/CFT issues. In addition, collaboration with the United Nations Office on Drugs and Crime (UNODC) is ongoing, with emphasis (for the Bank) on the joint work in Central Asia and through the UNODC/WB mentors. Encouraged by the effectiveness of the mentor programs in facilitating capacity building, a similar

⁴ Austria, Bahrain, Belarus, Bermuda, Botswana, Cambodia, Cameroon, Cape Verde, CEMAC, Denmark, Djibouti, Egypt, Fiji, Gibraltar, Greece, Haiti, Honduras, Hungary, Isle of Man, Italy, Jersey, Latvia, Liechtenstein, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mexico, Namibia, Niger, Palau, Panama, Paraguay, Philippines, Qatar, Rwanda, Senegal, Sierra Leone, Sudan, Tajikistan, Thailand, Tunisia, Uganda, United Arab Emirates, Uruguay, and WAEMU.

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program is being extended to Africa, with a mentor to be appointed in early 2009.

- **Policy Development and Research:** The two institutions both work to identify and disseminate international best practices in the implementation of the AML/CFT standard and to improve global understanding of AML/CFT issues, also with the view to improve the effectiveness of TA. While the Fund and Bank collaborate and coordinate, their research and policy programs reflect their respective mandates as macroeconomic/financial sector and development institutions. The Bank published the study, “*The Malaysia-Indonesia Remittance Corridor: Making Formal Transfers the Best Option for Women and Undocumented Migrants*”, available on the Bank’s webpage (<http://www.worldbank.org/amlcft>). This study has led to authorities focusing more on customer due diligence policy changes and education of migrant workers. The Fund will be publishing a handbook on *Confiscating Criminal and Terrorist Assets: Issues and Solutions*, in the very near future.
- **Stolen Asset Recovery (StAR) Initiative:** Since September 2007, the Bank, jointly with the UNODC, began undertaking policy and technical assistance work on the StAR Initiative. The objective of the StAR Initiative is to build capacity in developing countries to recover assets stolen by corrupt officials, as well as work with developed countries to reduce barriers to asset recovery. To see more details on StAR, visit <http://go.worldbank.org/MJNCV8PJA0>.

3. AML/CFT Transparency in Payment Messages

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: 2nd quarter of 2009

Brief Description: Cover payments are used in correspondent banking in particular to execute transfers ordered by customers in foreign currencies. The current messaging standards do not ensure full transparency for the intermediary banks on the transfers they are helping to execute, because of a lack on information on the originator and beneficiary of the transfer. The BCBS has published in mid July 2008 a draft guidance on cover payments (*Due diligence and transparency regarding cover payment messages related to cross-border wire transfers*). The Committee is currently reviewing its draft guidance in light of the comments received during the public consultation. The objective is to publish the final document in 2009, ahead of the implementation by SWIFT of the revised messaging standards for Cover Payments on 14 November 2009.

(viii) Offshore Financial Centres (OFCs)

1. Offshore Financial Centre Assessments (OFCA)

Agency: IMF

Contact Information: Monetary and Capital Markets Department (<mailto:bjohnston@imf.org>)

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Target Date: Ongoing

Brief Description: The IMF began assessing financial regulation and supervision in OFCs in 2000. Typically, the assessments review compliance with supervisory standards in banking relative to the Basel Core Principles and the anti-money laundering and combating the financing of terrorism regime relative to the FATF 40+9 recommendations. In addition, where warranted, the reviews include insurance and securities supervision as well. Member countries can also request to be assessed under the FSAP, which includes in addition a review of domestic financial vulnerabilities.

The first phase of the program was completed in 2005 with 42 of the 44 jurisdictions contacted having been assessed (two jurisdictions received technical assistance in lieu of assessment). Since 2005, the IMF has assessed 14 jurisdictions and 12 assessments are scheduled for 2008; 28 jurisdictions submitted data under the Information Framework Initiative. The fifth annual roundtable was held in January 2008 in Basel to discuss the program with onshore and offshore supervisors and standard setters.

The Executive Board of the IMF recently reviewed the OFC assessment program and decided to integrate the OFC and FSAP programs.

Progress reports on the OFC program prepared for the IMF Board were transmitted to the FSF prior to its meetings in September 2002, March 2003, September 2003, March 2004, March 2005 and March 2006. The reports are available at <http://www.imf.org/external/np/ofca/ofca.asp>.

2. Statistics on OFCs

Agency: IMF

Contact Information: cpis@imf.org and mcmif@imf.org

Target Date: Ongoing

Brief Description: The IMF is helping OFCs to improve their statistics, largely by encouraging them to participate in international statistical collections such as the Coordinated Portfolio Investment Survey (CPIS) and the Coordinated Direct Investment Survey (CDIS), and by helping them to improve their national macroeconomic statistics. Some OFCs have indicated they would participate in the 2009 CDIS. The information dissemination and monitoring framework is also expected to contribute to the financial statistics available on OFCs. CPIS information and data are available on <http://www.imf.org/external/np/sta/pi/cpis.htm>.

3. Review of Relevant Work of International Bodies on OFCs

Agency: FSF

Contact Information: fsforum@bis.org

Target Date: Ongoing

Brief Description: In March 2005 the FSF established a group to review reports by the IMF and other bodies on the status of their efforts on OFCs and results that have been achieved with a view to advising the FSF on follow-up actions as appropriate. The FSF's OFC Review Group is continuing to monitor

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progress by FSF member bodies in working with OFCs to improve cross-border cooperation and exchange of information. At its meeting in September 2007

(http://www.fsforum.org/meetings/pm_070925.htm), the FSF issued a separate press release on OFCs (http://www.fsforum.org/press/pr_070926b.pdf) in which it presented the results of the assessment of the OFC Review Group. In the press release, the FSF noted that, thanks importantly to the FSF initiative and the efforts of its members, significant progress had been observed in the assessments of OFCs' compliance with international standards and in cooperation and information exchange practices. However, it also recognized that a few concerns remained, and it committed to continue supporting the ongoing efforts of FSF members. It encouraged ongoing information exchange on the progress of these efforts and on specific risk concerns in the Review Group on a regular basis, and invited members to enhance their consultations and exchange information on a bilateral basis as well. It also restated the undiminished commitment of the FSF to fostering compliance with international standards in onshore and offshore jurisdictions, including better cooperation and information exchange, and its political support for the work of its members.

4. Assessment of Implementation by OFCs and Other Countries of OECD Standards of Effective Exchange of Information for Tax Purposes

Agency: OECD

Contact Information: Jeffrey.owens@oecd.org

Target Date: Mid to End 2009

Brief Description: The OECD's efforts to improve transparency and exchange of tax information are reaping benefits as a result of renewed high level political interest in addressing tax evasion through OFCs. G7 Heads of Government, G20 declaration of 15 November 2008 and recent October 2008 ministerial meeting jointly organized by French Budget Minister and German Finance Minister emphasized (i) need to have clearer picture of which jurisdictions are implementing OECD standards and which are not, and (ii) need for countries to work together to protect their tax bases from tax abuses through OFCs. Assessment is expected to be completed mid- to end-2009. The OECD is also providing technical assistance to jurisdictions to assist them in the implementation of the standards.

(ix) E-Finance

1. E-Finance and Debt Management

Agency: OECD

Contact Information: hans.blommestein@oecd.org, +33 145 24 79 90

Target Date: Ongoing

Brief Description: The OECD Working Party on Public Debt Management discusses on a regular basis the implications of information and communications technology on debt management practices. A recent report focused on the

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impact of electronic trading platforms on secondary market liquidity. Future work will analyse differences in architectures as well as the interface with primary dealers and the scope and usefulness of market-making obligations in electronic markets.

III. Glossary of Agencies and Web Addresses

BCBS	Basel Committee on Banking Supervision (www.bis.org/bcbs)
BIS	Bank for International Settlements (www.bis.org)
CGFS	Committee on the Global Financial System (www.bis.org/cgfs)
CPSS	Committee on Payment and Settlement Systems (www.bis.org/cpss)
FATF	Financial Action Task Force on Money Laundering (www.fatf-gafi.org)
FSF	Financial Stability Forum (www.fsforum.org)
G-10	Group of 10
G-20	Group of 20
IAIS	International Association of Insurance Supervisors (www.iaisweb.org)
IASB	International Accounting Standards Board (www.iasb.org)
IAASB	International Auditing and Assurance Board (www.ifac.org/iaasb)
IFAC	International Federation of Accountants (www.ifac.org)
IMF	International Monetary Fund (www.imf.org)
IMFC	International Monetary and Financial Committee
IOPS	International Organisation of Pension Supervisors (www.iopsweb.org)
IOSCO	International Organization of Securities Commissions (www.iosco.org)
OECD	Organisation for Economic Co-operation and Development (www.oecd.org)
PIOB	Public Interest Oversight Board
UNCITRAL	United Nations Commission on International Trade Law (www.uncitral.org)
World Bank	International Bank for Reconstruction and Development (www.worldbank.org)