FSB FINANCIAL STABILITY BOARD

For Information
10 June 2010

Ongoing and Recent Work Relevant to Sound Financial Systems

Cover note by the Secretariat for the FSB meeting on 14 June 2010

This cover note highlights and summarises, out of the initiatives in the attached Secretariat detailed note on work relevant to sound financial systems, those collective and multilateral initiatives that started after the FSB Plenary meeting in September 2009. 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 FSB members and other stakeholders of the international regulatory "pipeline" and the potential bunching of regulatory initiatives.

I. Identifying Financial System Strength and Weaknesses

1. *International Investment Position (IIP) Data Enhancements* (IMF, pages 26-27)

   In the IMF-FSB joint report to the G20 entitled "*The Financial Crisis and Information Gaps*" (November 2009), it was recommended to increase the number of countries that report IIP data and to promote quarterly reporting.

   The Task Force on IIP/Coordinated Portfolio Investment Survey (CPIS) Data Enhancements has been recently set up with representatives from IMF member countries and international organisations with the aim of advising on ways to implement the G20 recommendations on CPIS and IIP and also considering ways to improve the availability of bilateral IIP data. The work of the Task Force is scheduled to conclude in October 2010.

2. *Early Warning Systems for Large Complex Financial Institutions* (IMF, page 33)

   This project attempts to develop an early warning system model for large complex financial institutions (LCFIs) based on a number of quantitative approaches. It attempts to estimate the probability of distress for a group of LCFIs as a function of a set of indicators of financial stress, including: (i) key financial soundness indicators; (ii) institution-specific structural factors – including size, complexity, and interconnectedness, information on balance sheet and off-balance sheet exposures, and funding structure; (iii) signals extracted from the market; and (iv) macroeconomic factors affecting the environment banks operate, both in the home and host countries. Based on the results of this analysis, the project explores the extent to which the findings could be used as an early warning tool for detecting vulnerabilities in LCFIs. The methodology builds on and will supplement current LCFI monitoring and analysis that is conducted through *bottom up* analysis of balance-sheets.

II. Market Infrastructure

1. *Standards for Payment and Settlement Systems* (CPSS and IOSCO, pages 42)

   The CPSS and IOSCO have launched a comprehensive review of their existing standards for financial market infrastructures such as payment systems, securities settlement systems and central counterparties. There are three sets of standards involved, namely: the 2001 *Core principles for systemically important payment systems*; the 2001/2 *Recommendations for securities settlement systems*; and the 2004 *Recommendations for central counterparties*. The review intends to incorporate lessons learned from the crisis and from the experience of more normal operation in the years that have passed since the standards were originally issued. The IMF and the World Bank are also participating in the review, which is part of the FSB's work to reduce the risks that arise from interconnectedness in the financial system. The CPSS and IOSCO will coordinate with other relevant authorities and communicate with the industry, as appropriate, as the work progresses. They aim to issue a draft of all the revised standards for public consultation by early 2011.

2. *Considerations for Trade Repositories in OTC Derivatives Markets* (CPSS and IOSCO, page 43)

   In light of the growing importance of trade repositories (TRs) in enhancing market transparency and supporting clearing and settlement arrangements for OTC derivatives markets, a joint working group of the CPSS and IOSCO has been tasked to develop policy guidance that should be considered by both TRs and relevant authorities for sound design, operation and risk management of TRs. The CPSS and IOSCO published in May 2010 the developed policy guidance for TRs for public consultation. The consultation period will end in June 2010.

3. *Stand-Alone Subsidiarisation and Financial Stability* (IMF, pages 45-46)

   The paper examines the concept of stand-alone subsidiarisation (SAS) in the context of the ongoing crisis and its role in dealing with financial stability and cross-border crisis management. SAS seeks to increase financial stability by making the individual parts of a banking group more resilient and mitigating intra-company contagion risk; and providing supervisors with the ability to selectively resolve problem parts of the group with minimal disruption, thus reducing the cost and consequences of failure. The paper reviews the potential benefits of SAS in addressing intra-institutional contagion and providing resolution with minimal disruption to the group. The paper outlines conditions under which SAS contributes to financial stability, as well as the costs entailed in a SAS approach. The paper also presents the implications for home and host country supervisors under SAS.

4. *Banks' Business Models: Lessons from the Crisis* (IMF, page 46)

   The recent crisis put a spotlight on the risk posed by large, interconnected institutions that got into trouble and had to be supported by governments. In response, some have suggested that such banks de-risk, i.e., revert back to simpler business models, focused on credit intermediation. This paper will focus on the lessons from the recent crisis in terms of sustainability and desirability of different business models from the perspective of containing systemic risk, assessing, in particular, the advantages of a banking system consisting of a large number of small and simpler banks, as opposed to systems consisting of a much smaller number of large and complex banking groups.

III. Prudential Regulation and Supervision

1. *Strengthening the Resilience of the Banking Sector* (BCBS, pages 73-74)

In December 2009, the BCBS issued two consultative documents on *Strengthening the resilience of the banking sector* and *International framework for liquidity risk measurement, standards and monitoring* for public comment by 16 April 2010. The consultative documents cover the following key areas: (i) raising the quality, consistency and transparency of the capital base; (ii) strengthening the risk coverage of the capital framework; (iii) introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration; (iv) introducing a series of measures to promote the build-up of capital buffers in good times that can be drawn down upon in periods of stress; and (v) introducing a global liquidity standard for internationally active banks. In the first half of 2010, the BCBS is undertaking an impact assessment of the measures proposed. The fully calibrated set of standards will be developed by the end of 2010 to be phased in as financial conditions improve and the economic recovery is assured, with the aim of implementation by end-2012.

2. *Common Framework for the Supervision of Internationally Active Insurance Groups* (IAIS, page 77)

In January 2010, the IAIS Executive Committee approved the development of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). ComFrame will be a multilateral framework that reaches beyond the regulatory approaches of individual jurisdictions and regions. It will provide parameters for assessing group structures and group business from a risk-management perspective; set out quantitative and qualitative requirements that are specific and focused but not rules-based; and cover the necessary areas of supervisory cooperation and coordination. It should lead to more consistency and better comparability and alignment regarding the supervision of internationally active insurance groups being undertaken by each jurisdiction. ComFrame will be developed over the next three years after which impact assessments will be undertaken.

ATTACHMENT

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

	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BCBS ***Basel II***	1 January 2007 for FIRB (credit risk) and BAI/TSA (operational risk); 1 January 2008 for AIRB (credit risk) and AMA (operational risk)											
BCBS ***Principles for Sound Liquidity Risk Management and Supervision***	Document published in September 2008						Assessment of implementation of Principles to be conducted in 2H 2010					
BCBS ***Revisions to the Basel II Market Risk Framework***			Document published in July	Implementation by end 2010								
BCBS ***Enhancements to the Basel II Framework***			Document published in July	Implementation by end 2010								
IAIS ***Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors***	Ongoing validation of applicants and accession to MMOU											
IASB ***Financial Statement Presentation - Phase A - MOU project***	Periods beginning 1 January 2009											
IASB ***Financial Instruments - Puttable Instruments***	Periods beginning 1 January 2009											
IASB ***IFRS 3 Business Combinations - MOU project***			Periods beginning 1 July 2009									
IASB ***Reclassification of Financial Assets (Amendment to IAS 39)***	Periods beginning 1 July 2008											
IASB **Group Cash-settled Share-based Payment Transactions*(Amendment to IFRS 2)***					Periods beginning 1 January 2010							
IASB ***Embedded Derivatives (Amendments to IAS 39 and IFRIC 9)***			Periods ending 30 June 2009									
IASB ***Financial Instruments - Enhanced Disclosures (Amendments to IFRS 7)***	Periods beginning 1 January 2009											
IASB ***Improvements to IFRSs 2009***			Periods beginning 1 July 2009 or 1 January 2010									
IASB ***IFRS for SME***			Periods beginning 1 July 2009									
IASB ***First-time Adoption of IFRSs - Additional Exemptions (Amendments to IFRS 1)***			Periods beginning 1 July 2009									
IASB ***Amendments to IFRIC 14***							Periods beginning 1 July 2010					
IASB ***IFRIC 19 Extinguishing Financial Liabilities with Equity***									Periods beginning 1 January 2011			
IASB ***Annual Improvements 2008-2010***							Periods beginning 1 July 2010 or 1 January 2011					
IASB ***IFRS 9 Financial Instruments - Accounting for financial assets***												Periods beginning 1 January 2013
IASB ***IAS 24 Realated Party Disclosures (revised)***									Periods beginning 1 January 2011			
IASB ***IAS 32 Financial Instruments: Presentation (Classification of Rights Issues)***					Periods beginning 1 February 2010							

International regulatory initiatives in the public consultation phase

	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
IASB ***IAS 37 Provisions, Contingent Liabilities and Contingent Assets***					Revised ED published in February		T.D.					
IASB ***Insurance Contracts***						P.C. planned for ED (P.C. for DP ended November 2007)						T.D.
IASB ***Financial Instruments - Liabilities and Equities***	DP published in March 2008					P.C. planned for ED						T.D.
IASB ***Financial Instruments - Replacement for IAS 39 Classification and Measurement of Liabilities***	DP published in March 2008; Public discussion by IASB-FASB Financial Crisis Advisory Group		ED published in July			ED published in May		T.D.				
IASB ***Financial Instruments - Replacement for IAS 39 Impairment***	DP published in March 2008; Public discussion by IASB-FASB Financial Crisis Advisory Group			ED published in November; Public discussion with Expert Advisory Panel				T.D.				

IASB ***Financial Instruments - Replacement for IAS 39 Hedging***	DP published in March 2008; Public discussion by IASB-FASB Financial Crisis Advisory Group						P.C. planned for ED	T.D.				
IASB ***Derecognition***		P.C. for ED including round-table discussion					P.C. planned for ED	T.D. 2010/2012				
IASB ***Fair Value Measurement Guidance - MOU project***		ED published in May	P.C. for ED including round-table discussion				P.C. planned for limited re-exposure ED	T.D.				
IASB ***Consolidations - MOU project (Replacement of IAS 27)***	ED published in December 2008; P.C. for ED	Round-table discussion				P.C. for request for views		T.D.				
IASB ***Consolidations (Disclosures about Structured Entities)- MOU project***	ED published in December 2008; P.C. for ED	Round-table discussion				T.D.						
IASB ***Financial Statements Presentation -Phase B- MOU project***	P.C. for DP					P.C. planned for ED						T.D.
IASB ***Revenue recognition - MOU project***	P.C. for DP					P.C. planned for ED						T.D. in 2012
IASB ***Post-employment Benefits (including pensions) - MOU project***						ED published in May						T.D.
IASB ***Income Taxes - Revision of IAS 12***	ED published in March						P.C. planned for revised ED					T.D.
IASB ***Emissions Tranding Schemes***								P.C. planned for ED				T.D.
IASB ***Management Commentary***		ED published in June					T.D.					
IASB ***Leases - MOU project***						P.C. planned for ED						T.D.
IASB ***Rate Regulated Activities***			ED published in July									T.D.
IASB ***Joint Ventures - MOU Project***	P.C. ended January 2008					T.D.						
IASB ***Annual Improvements 2009-2011***							P.C. planned for ED					T.D.
IASB ***Discontinued Operations (Amendments to IFRS 5)***	P.C. ended 23 January					P.C. planned for revised ED	T.D.					
IASB ***Conceptual Framework Phase A - Objectives and Qualitative Characteristics***	P.C. ended September 2008					T.D.						
IASB ***Conceptual Framework Phase B - Elements and Recognition***									P.C. planned for DP			
IASB ***Conceptual Framework Phase C - Measurement***							P.C. planned for DP					
IASB ***Conceptual Framework Phase D - Reporting Entity***						ED published in April		T.D.				
IASB ***Extractive Activities***						DP published in April			Agenda decision			
CPSS-IOSCO ***Review of Standards for Payment and Settlement Systems***									T.D.			
CPSS-IOSCO ***Guidance on the application of RCCP to OTC derivatives CCPs***						P.C. planned						
CPSS-IOSCO ***Considerations for trade repositories in OTC derivatives markets***						P.C. planned						

Other international regulatory initiatives under development

	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
BCBS ***Fundamental Review of Trading Activities***								T.D.				
BCBS ***Calibration of the Capital Charges for Correlation Trading***							T.D.					
BCBS ***Resilience of the Banking System***								T.D.				
BCBS ***Development of Regulatory Standards for Liquidity Risk***								T.D.				
BCBS ***Assessment of Systemic Funding Liquidity Risk***						T.D.						
BCBS ***Revision of Principles for Corporate Governance in Banking Organisations***							T.D.					
IAIS ***Common Framework for the Supervision of Internationally Active Insurance Groups(*)***												Underway - to be developed over the next 3 years
IAIS **Insurers' Solvency: *Standard on the Valuation of Assets and Liabilities Including Technical Provisions, for solvency purposes (*)***								T.D.				
IAIS **Insurers' Solvency: *Standard and Guidance on Investment Requirements for Solvency Purposes(*)***								T.D.				
IAIS **Insurers' Solvency: *Revision of Standard and Guidance on Enterprise Risk Management for Solvency Purposes(*)***								T.D.				
IAIS **Insurers' Solvency: *Revision of Standard and Guidance on Capital Adequacy for Regulatory Solvency Purposes(*)***								T.D.				
IAIS **Insurers' Solvency: *Revision of Standard and Guidance on the Use of Internal Models for Regulatory Capital Purposes(*)***								T.D.				

IAIS **Insurance Groups:** ***Guidance Paper (overarching nature) Group supervision framework (*)***								T.D.				
IAIS **Insurance Groups:** ***Standard on Cross-border Cooperation on Crisis Management (*)***								T.D.				
IAIS **Governance:** ***Revision of ICP, Standard and Guidance on Licensing (*)***								T.D.				
IAIS **Governance:** ***Standard and Guidance on Remuneration (*)***								T.D.				
IAIS ***Revision of the Insurance Core Principles and Restructuring of Standards (*)***												Underway - to be completed in 2011.
IAIS **Reinsurance:** ***Global Reinsurance Market Report - mid year edition***			Published in August				T.D.				T.D.	
IAIS **Reinsurance:** ***Global Reinsurance Market Report - end of year edition***				Published in December				T.D.				T.D.
IAIS **Microinsurance:** ***Issues in the Regulation and Supervision of Mutuals Organisations in increasing access to Insurance Markets (*)***								T.D.				

	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.**

For Information

10 June 2010

Ongoing and Recent Work Relevant to Sound Financial Systems

Note by the FSB Secretariat (with inputs from various bodies) for the FSB Meeting on 14 June 2010

For further information, please contact the FSB secretariat at fsb@bis.org. +41 61 280 8298.

I. Work Completed Since the FSB Meeting in September 2009

(i) Macroeconomic Management, Surveillance and Transparency

1. Transparency of IMF Policies and Assessments

Agency: IMF

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

Completion Date: March 2010

Website Locator: http://www.imf.org/external/np/exr/facts/trans.htm

Brief Description: In December 2009, the Executive Board of the IMF concluded its 2009 review of the Fund's Transparency Policy and adopted the amended Decision which became effective on 17 March 2010.

The IMF's approach to transparency is based on the overarching principle that it will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure. The principle respects the voluntary nature of publication of documents that pertain to member countries.

Publication of country documents issued to the Board for consideration, including the documents on Article IV consultation, Use of Fund Resources (UFR), country policy intention, regional surveillance and related documents, as well as Financial System Stability Assessments (FSSAs), Reports on the Observance of Standards and Codes (ROSCs), and Assessment of Financial Sector Supervision Reports (AFSSRs) is "voluntary but presumed." This means that, while voluntary, the publication of these documents is encouraged. The publication of policy papers is subject to Board approval but is presumed. The member's consent to publication of Board documents is typically obtained on a non-objection basis.

Recognizing the importance of publication in UFR and Policy Support Instrument (PSI) cases, members requesting UFR or PSI are expected to indicate that they intend to consent to the publication of the related Board documents before the Board meeting or the date of adoption of a lapse-of-time decision to which those documents relate. For the cases of exceptional access, access under the Flexible Credit Line (FCL), or access under the Fund's low-income facilities, 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. However, except above, a decision by a member not to publish would not affect management's determination whether or not to recommend approval of the member's request for UFR or PSI.

The IMF's transparency policy allows for the corrections of factual errors and deletions of specified sensitive material prior to publication at the relevant member country's request. Such modification requests are expected to be submitted at the latest two days before the Board meeting. However, in case a member has not yet been able to submit or agree on requests for deletion by the time of the Board meeting, it is possible to record its decision as consenting to publication, subject to resolving issues related to deletions in the report.

The vast majority of IMF staff reports are now published. Further information on Fund's transparency policy is available at http://www.imf.org/external/np/exr/facts/trans.htm.

(ii) Identifying Financial System Strengths and Weaknesses

1. Effectiveness of Market Interventions During the 2007-09 Crisis

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org; ajobst@imf.org)

Completion Date: October 2009

Website Locator: http://www.imf.org/External/Pubs/FT/GFSR/2009/02/index.htm

Brief Description: This work assessed the effectiveness of non-conventional interventions undertaken by the authorities of major advanced economies during the latest financial crisis in moving toward the twin objectives of regaining financial stability and restoring access to credit. These interventions were analysed in terms of their short-term effectiveness in stabilising financial markets, their link to economic activity, and the ease with which policymakers can disengage from them. The work was published in Chapter 3 of the *Global Financial Stability Report,* October 2009; and in Aït-Sahalia, Y., Andritzky, J., Jobst, A., Nowak, S. and N. Tamirisa (2009), *How to Stop a Herd of Running Bears? Market Response to Policy Initiatives during the Global Financial Crisis*, IMF Working Paper No. 09/204 and NBER Working Paper No. 15809 (http://www.nber.org/papers/w15809).

(iii) Market Infrastructure

1. Credit Derivatives: Systemic Risks and Policy Options

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org; jkiff@imf.org)

Completion Date: November 2009

Website Locator: http://www.imf.org/external/pubs/cat/longres.cfm?sk=23402.0

Brief Description: Credit derivative markets are largely unregulated, but calls are increasingly being made for changes to this "hands off" stance, amidst concerns that they helped to fuel the latest financial crisis, or that they could be a cause of the next one. The purpose of this paper was to address two basic questions: (i) do credit derivative markets increase systemic risk; and (ii) should they be regulated more closely, and if so, how and to what extent? The paper begins with a basic description of credit derivative markets and recent events, followed by an assessment of their recent association with systemic risk. It then reviews and evaluates some of the authorities' proposed initiatives, and discusses some alternative directions that could be taken.

2. The Role of Securitisation Markets in Recovery and Exit Strategies

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org; jkiff@imf.org)

Completion Date: October 2009

Website Locator: http://www.imf.org/External/Pubs/FT/GFSR/2009/02/index.htm

Brief Description: This work tracked the decline and fall of private-label securitisation markets, and evaluated the various initiatives aimed at restarting them. In very broad terms, the causes of the market collapse and the various prescriptions to restart them on sounder footing were analysed and evaluated. While most of these prescriptions are unambiguously positive for markets and financial stability, the work concluded that care must be taken in implementing schemes that are designed to put more securitiser skin in the game. Subtle variations in such schemes can have extreme consequences, ranging from zero impact on incentives to more intensively screen and monitor the underlying assets, to the complete shutdown of parts or all of the market.

3. The Role of Central Counterparties in Over-the-counter (OTC) Derivatives Markets

Agency: IMF

Contact Information: Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org; jkiff@imf.org)

Completion Date: April 2010

Website Locator: http://www.imf.org/external/pubs/ft/gfsr/2010/01/index.htm

Brief Description: In an effort to improve market infrastructure following the crisis, central counterparties (CCPs) are being put forth as the way to make OTC derivatives markets safer, sounder, more transparent, and help mitigate systemic risk. This chapter of the Global Financial Stability Report provides a primer on this topic, and discusses the key policy issues. It shows that soundly run and regulated CCPs will reduce counterparty risk among OTC derivative market participants, and importantly, systemic risk, but that they also concentrate counterparty and operational risk associated with the CCP itself. Although the goal of using CCPs to make the OTC derivatives market more robust is worth attaining, the transitional costs involved in moving toward CCPs are non-trivial, making a gradual phase-in most appropriate.

4. Temporary Government Control over Commercial Entities

Agency: OECD

Contact Information: Grant Kirkpatrick (grant.kirkpatrick@oecd.org)

Completion Date: November 2009

Website Locator: http://www.oecd.org/dataoecd/49/27/44123345.pdf

Brief Description: The OECD Working Group on Privatisation and Corporate Governance of State Owned Assets 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 Expert Group's deliberations are not in the public domain, but a brief Position Paper was released by the Working Group on 6 November 2009. The Position Paper takes stock of developments in 2008 and 2009, including governments' choice of targeted approaches versus broadly based rescue programmes; the organization of the ownership function for entities in temporary government ownership; and the preparation of exit strategies. The Paper concludes that the recommendations laid down in the OECD *Guidelines on Corporate Governance of State-Owned Enterprises* generally hold up well, even in a crisis where government ownership has to be organised under considerable time pressure. The Position Paper is available at: http://www.oecd.org/dataoecd/49/27/44123345.pdf.

(iv) Accounting, Auditing and Public Disclosure

1. Periodic Disclosure by Listed Issuers

Agency: IOSCO

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

Completion Date: February 2010

Website Locator: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD317.pdf

Brief Description: Because of the importance of periodic reports to a well-functioning disclosure system, the Technical Committee has developed *Principles for Periodic Disclosure by Listed Entities* that apply regardless of the specific regulatory approach taken. IOSCO published on 22 February 2010 its final report on the Principles. These high level Principles aim to provide guidance to jurisdictions that are developing or reviewing their periodic disclosure requirements for listed entities.

2. Disclosure Practices and Requirements for Asset Backed Securities

Agency: IOSCO

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

Completion Date: April 2010

Website Locator: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD318.pdf

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) consulted 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.

TCSC1 reviewed the degree to which existing IOSCO issuer disclosure standards and principles are applicable to public issuance of ABS, and developed international principles regarding disclosure requirements for public offerings of ABS including residential and commercial mortgage-backed securities.

The new principles outline the information (on 20 or so fields) which should be included in any offer document of these complex financial products, and will contribute to enhancing investor protection by facilitating a better understanding of the issues that should be considered by regulators. The final report was published on 8 April 2010.

3. Financial Instruments: Classification and Measurement of Financial Assets

Agency: IASB

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

Completion Date: November 2009

Website Locator:

http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Instruments+A+Replacement+of+IAS+39+Financial+Instruments+Recognitio/Phase+I+-+Classification+and+measurement/Phase+I+-+Classification+and+measurement.htm

Brief Description: On 12 November 2009, after a period of intense consultation, the IASB issued IFRS 9 *Financial Instruments*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39.

The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users.

The IASB finalised this phase in time to allow, but not require, early application for 2009 year-end financial statements. The new requirements will be mandatory from 1 January 2013.

4. Financial Instruments: Classification of Rights Issues

Agency: IASB

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

Completion Date: October 2009

Website Locator:

http://www.iasb.org/News/Press+Releases/IASB+amends+the+accounting+for+rights+issues.htm

Brief Description: In October 2009 the IASB issued an amendment to IAS 32 *Financial Instruments: Presentation* to address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The global financial crisis has led to an increase in the number of such rights issues as entities seek to raise additional capital. The IASB moved swiftly to address this issue.

5. Financial Instruments: The Fair Value Option for Financial Liabilities

Agency: IASB

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

Completion Date: May 2010

Website Locator:

http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Instruments+A+Replacement+of+IAS+39+Financial+Instruments+Recognitio/Phase+I+-+Classification+and+measurement/Phase+I+-+Classification+and+measurement.htm

Brief Description: On 11 May 2010 the IASB published for public comment an exposure draft (ED) with proposed changes to the fair value option for financial liabilities.

The IASB is proposing that all gains and losses resulting from changes in "own credit" for financial liabilities that an entity chooses to measure at fair value should be transferred to "other comprehensive income". Changes in "own credit" will therefore not affect reported profit or loss.

No other changes are proposed for financial liabilities. Therefore, the proposals will affect only those entities that choose to apply the fair value option to their financial liabilities. Importantly, those who prefer to bifurcate financial liabilities when relevant may continue to do so. That is consistent with the widespread view that the existing requirements for financial liabilities work well, other than the "own credit" issue that these proposals cover. The ED is open for comment until 16 July 2010.

6. Financial Instruments: Amortised Cost and Impairment of Financial Assets

Agency: IASB

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

Completion Date: November 2009

Website Locator:

http://www.iasb.org/Current+Projects/IASB+Projects/Financial+Instruments+Impairment+of+Financial+Assetseplacement+of+IAS+39+Financial+Instruments+Recog/Financial+Instruments+Impairment+of+Financial+Assets.htm

Brief Description: On 5 November 2009, the Board published for public comment an exposure draft (ED) on the amortised cost measurement and impairment of financial instruments.

IFRSs and US GAAP both currently use an incurred loss model for the impairment of financial assets. An incurred loss model assumes that all loans will be repaid until evidence to the contrary (known as a loss or trigger event) is identified. Responding to requests by the G20 leaders and others, a *Request for Information* was published in June 2009 on the practicalities of moving to an expected loss model.

Under the proposals, expected losses are recognised throughout the life of the loan (or other financial asset measured at amortised cost), and not just after a loss event has been identified.

The IASB is aware of the significant practical challenges of moving to an expected loss model. For this reason, a panel of experts in credit risk management has been established to advise the Board. The ED has an 8 month comment period to allow adequate time for entities to consider the impact of such a change within their organisation.

7. Other Improvements to International Financial Reporting Standards

Agency: IASB

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

Completion Date: September 2009 to May 2010

Website Locator: http://www.iasb.org/Current+Projects/IASB+Projects/IASB+Work+Plan.htm

Brief Description: In the period September 2009 to May 2010 the IASB also completed other work that will improve the quality of information available to investors and improve the comparability of information available on international markets.

In November 2009 the IASB completed its revisions of its Standard dealing with *Related Party Disclosures*; issued an Interpretation clarifying the requirements when an entity settles a financial liability by issuing equity to the other party; and amended an interpretation related to employee benefits (IFRIC 14).

In April 2010 the Board published limited-scope amendments to several Standards as part of its ongoing annual improvements programme; issued for comment proposals that would more closely align the accounting for post-employment benefits with US GAAP; and invited comments on a Discussion Paper on *Extractive Activities* commissioned by the Board from the national standard-setters of Australia, Canada, Norway and South Africa.

In January 2010 the Board re-exposed some elements of its proposals for revising IAS 37, which addresses liabilities related to uncertain liabilities (sometimes known as provisions).

In March 2010 the Board published, with the US FASB, an exposure draft of a Conceptual Framework chapter addressing the *Reporting Entity*.

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

1. Funds of Hedge Funds

Agency: IOSCO

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

Completion Date: September 2009

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

Brief Description: The Technical Committee Standing Committee on Investment Management (TCSC5) worked 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). The final report proposed 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 were 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). After public consultation process, TCSC5 submitted a finalised version of the Funds of Hedge Funds general principles to the Technical Committee for approval. The report was published in September 2009.

2. The Functioning and Resilience of Cross-border Funding Markets

Agency: CGFS/Markets Committee

Contact Information: Corrinne Ho (corrinne.ho@bis.org)

Completion Date: March 2010

Website Locator: http://www.bis.org/publ/cgfs37.htm

Brief Description: The financial crisis that began in 2007 was accompanied by unprecedented funding market dislocations, which spilled across time zones and currencies. The resulting market disruptions triggered policy responses on a global scale, raising questions about the functioning and resilience of the various funding markets on which internationally active banks had relied. This report, prepared by a joint study group of the CGFS and the Markets Committee, presents an assessment of this episode of global market disruptions. Under the chairmanship of Guy Debelle (Reserve Bank of Australia), the study group documented in this report the pre-crisis pattern of cross-border funding among internationally active financial institutions, reviewed what happened in various funding markets as the crisis unfolded and the policy responses that ensued, and distilled five policy lessons from the experience.

3. Funding Patterns and Liquidity Management of Internationally Active Banks

Agency: CGFS

Contact Information: Goetz von Peter (Goetz.von.Peter@bis.org)

Completion Date: May 2010

Website Locator: http://www.bis.org/publ/cgfs39.htm

Brief Description: The risks and complexities associated with funding and liquidity management of international banks became apparent in the global financial crisis. Against this backdrop, the present report, prepared by a Study Group chaired by Mário Mesquita (Central Bank of Brazil), investigates changes in the funding and liquidity management of international banks in response to the crisis. It also presents the Group's preliminary assessment of possible consequences of greater decentralisation in funding and liquidity management for the efficiency and resilience of financial systems. The report draws on roundtable discussions and bilateral interviews with private banks conducted by study group members.

4. The Role of Margin Requirements and Haircuts in Procyclicality

Agency: CGFS

Contact Information: Srichander Ramaswamy (srichander.ramaswamy@bis.org)

Website Locator: http://www.bis.org/publ/cgfs36.htm

Completion Date: March 2010

Brief Description: Terms and conditions of secured lending transactions, as well as the changes to the eligible pool of collateral securities and the applicable haircuts on them, affect the access to credit and risk-taking behaviour of leveraged market participants. This study group report, under the chairmanship of David Longworth (Bank of Canada), reviews market practices for setting credit terms applicable to securities lending and over-the-counter derivatives transactions with a view to assess how these practices may contribute to financial system procyclicality. The report recommends a series of policy options, including some for consideration, directed at margining practices to dampen the build-up of leverage in good times and soften the systemic impact of the subsequent deleveraging.

(vi) Prudential Regulation and Supervision

1. Identification of Regulatory Gaps

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

   Contact Information: baselcommittee@bis.org; iais@bis.org

   Completion Date: January 2010

   Website Locator: http://www.bis.org/publ/joint24.pdf

   Brief Description: The BCBS, IOSCO and the IAIS, through the Joint Forum, reviewed the differentiated nature and scope of financial regulation, with an emphasis on unregulated institutions, instruments and markets and systemically important institutions. A final report was published in January 2010.

2. Strengthening Cross-border Bank Resolution Frameworks

   Agency: BCBS

   Contact Information: baselcommittee@bis.org

   Completion Date: March 2010

   Website Locator: http://www.bis.org/press/p090713.htm

   Brief Description: The BCBS's Cross-border Bank Resolution Group published in March 2010 the final paper which sets out recommendations for strengthening cross-border bank resolution frameworks. The recommendations fall into three categories: strengthening national resolution powers and their cross-border implementation; firm-specific contingency planning; and reducing contagion.

3. Guidance Paper on the Treatment of Non-regulated Entities in Group-wide Supervision

   Agency: IAIS

   Contact Information: iais@bis.org

   Completion Date: April 2010

   Website Locator: http://www.iaisweb.org/__temp/21__Final_guidance_on_non-regulated_entities.pdf

   Brief Description: This paper is a further element of a growing set of IAIS papers on group-wide supervision and complements the *Principles on group-wide supervision* (October 2008), the *Guidance paper on the role and responsibilities of a group-wide supervisor* (October 2008) and the *Guidance paper on the use of supervisory colleges in group-wide supervision* (October 2009). The paper provides guidance on the scope of group-wide supervision and in particular, the supervisory approach to non-regulated entities (non-operating holding companies and non-regulated operating entities).

4. Standard and Guidance Paper on the Structure of Capital Resources for Solvency Purpose

   Agency: IAIS

   Contact Information: iais@bis.org

Completion Date: October 2009

Website Locator: Standard: http://www.iaisweb.org/__temp/17__Standard_No__2_1_2_on_the_structure_of_capital_resources_for_solvency_purposes_.pdf

Guidance: http://www.iaisweb.org/__temp/20__Guidance_Paper_No__2_1_2_on_the_structure_of_capital_resources_for_solvency_purposes_.pdf

Brief Description: The Standard addresses the purpose and role, determination and assessment of capital resources of insurers. The Guidance Paper outlines a number of approaches a supervisor could use to comply with the Standard in the determination of capital resources.

5. Guidance Paper on the Use of Supervisory Colleges in Group-Wide Supervision

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: October 2009

Website Locator: http://www.iaisweb.org/__temp/Guidance_paper_No__3_8_on_the_use_of_supervisory_colleges_in_group-wide_supervision.pdf

Brief Description: The paper provides guidance to insurance supervisors on the use of a supervisory college as a mechanism to facilitate cooperation and exchange of information among involved supervisors and coordination of supervisory activities on a group-wide basis.

6. Issues Paper on the Roles of and Relationship Between the Actuary and the External Auditor in the Preparation and Audit of Financial Reports

Agency: IAIS

Contact Information: iais@bis.org

Completion Date: October 2009

Website Locator: http://www.iaisweb.org/__temp/Issues_paper_on_the_relation_between_the_actuary_and_auditor__October_2009.pdf

Brief Description: The paper discusses the relationship between the actuary and the external auditor from the perspective of the insurance supervisor. Topics discussed include roles and responsibilities, communication, reporting, relationship between external auditor and insurance supervisor, professional standards, and qualifications and regulation.

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 of 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. Progress has been made on fostering these priorities. Recent steps include a dry run exercise on the Fund-FSB Early Warning Exercise and the issuance to Fund staff of guidance on financial sector surveillance.

2. 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

[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.

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.

3. 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; Treasury and the Economic Policy and Debt Department, World Bank
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 http://treasury.worldbank.org/web/pdf/guidelines_2001_english.pdf. 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). In March 2009, updates on the work programs were discussed by the Boards of the two institutions (*Managing Public Debt: Formulating Strategies and Strengthening Institutional Capacity*, Prepared by the Staff of the IMF and the World Bank http://siteresources.worldbank.org/INTDEBTDEPT/PolicyPapers/22135929/SecM2009_0105.pdf).

4. 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) and subsequently welcomed the progress in developing and implementing the toolkit for strengthening public debt management in March 2009. The MTDS toolkit developed by a joint Bank-Fund technical working group includes a guidance note on the process of designing and implementing a debt management strategy in a LIC context as well as a quantitative cost-risk analysis tool available through the IMF (http://www.imf.org/external/pp/longres.aspx?id=4326) and World Bank websites (http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:21718429~menuPK:4876316~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html). 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. The MTDS toolkit has been applied in Bangladesh, Cameroon, Cape Verde, Ghana, Kenya, Nicaragua, Moldova and Zambia and 4 additional missions are expected through June 2010. The work has been undertaken in close cooperation with various stakeholders – including other technical assistance providers and donors.

5. Debt Management Performance Assessment (DeMPA) Tool

Agency: World Bank

Contact Information: Fernando L. Hernandez (fhernandez@worldbank.org)

Target Date: Ongoing

Brief description: The *Debt Management Performance Assessment* (DeMPA) tool evaluates strengths and weaknesses in public debt management, through a comprehensive set of 15 performance indicators covering 6 core areas of public debt management: (1) governance and strategy development; (2) coordination with macroeconomic policies; (3) borrowing and related financing activities; (4) cash flow forecasting and cash balance management; (5) operational risk management; and (6) debt records and reporting. Its scope is central government public debt management and closely related functions such as issuance of loan guarantees, on-lending and cash flow forecasting and cash balance management. A DeMPA can help guide the design of actionable reform programs, facilitate monitoring of performance over time, and enhance donor harmonization based on a common understanding of priorities (http://go.worldbank.org/5AHEF2KF70).

6. Debt Management Facility (DMF) for Low Income Countries

Agency: World Bank

Contact Information: Fernando L. Hernandez (fhernandez@worldbank.org)

Target Date: Ongoing

Brief description: Launched in November 2008, the *Debt Management Facility* (DMF) for Low-Income Countries is a grant facility financed through a multi-donor trust fund to support the scaling up and accelerated implementation of the Bank's debt management work program in IDA eligible countries. The facility has the specific objective of strengthening debt management capacity and institutions through: (a) systematic application of the *Debt Management Performance Assessment* (DeMPA) tool; (b) country-led application of a toolkit for formulating and implementing a Medium-Term Debt Management Strategy (MTDS) – the toolkit was developed and implemented in partnership with the IMF; (c) design of *Debt Management Reform Plans*; and (d) promotion of learning and knowledge generation via an extensive program of training and outreach (such as the DMF Practitioners' Program and the DMF Stakeholders' Forum) and research and development. To date, Austria, Belgium, Canada, Netherlands, Norway and Switzerland have joined the trust fund (http://go.worldbank.org/5YFASLOIA0).

7. 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 objective of the joint Fund-Bank *Debt Sustainability Framework* (DSF) is to support low-income countries (LICs) in their efforts to achieve their development goals without creating future debt problems. It aims to help countries monitor their debt burden and take early preventive action, to provide guidance to creditors in ensuring their lending decisions are consistent with countries' development goals, and to improve the Bank and Fund's assessments and policy advice. The DSF was last reviewed in 2006, and another review focused on options to enhance the flexibility and predictability of the DSF was discussed in both Boards in August 2009. The 2009 paper seeks to address concerns that the DSF has unduly constrained the ability of LICs to finance their development goals and, in light of the latest crisis, that the DSF may be too procylical. 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.

8. 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. The section on pricing of guarantees is currently under review. A report on issuing policies and techniques has been published as an OECD Financial Market Trends publication. A new series on the Annual OECD Borrowing Outlook has been initiated in 2009. Other reports are in preparation, including on liquidity in secondary bond markets, on best practices 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 has addressed the implications of the global credit crisis for public debt management policies and operations. The WPDM monitors the problems and challenges with an increasing stock of debt in OECD countries and the associated increase in sovereign risk. 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. In 2009, two reports on *Issuance Strategies* and *Issuance Techniques and Procedures* were published in OECD's Financial Market Trends. 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 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.* The latest Forum meeting assessed the policy challenges for debt markets in the post-crisis situation, including the measurement of sovereign risk, the implications of the exit strategy for debt issuance and management, and the response to the crisis in primary and secondary markets. A joint OECD-WB-IMF publication on the policy conclusions from this meeting will be published later this year.

9. 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 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).

Together with the South African National Treasury, the OECD is currently planning the opening of an OECD Centre on African Debt Management and Bond Markets.

10. 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 Bank and other institutions). At the June 2009 meeting of the Annual Regional Workshop on African Debt Management and Bond Markets, the first pilot version of the new publication *African Central Government Debt: Statistical Yearbook* was presented. In 2010 the first version of this yearbook was published.

11. Central Government Debt Statistics

    Agency: OECD

    Contact Information**:** isabelle.ynesta@oecd.org

    Target Date: Ongoing

    Brief Description: This database has been created by the OECD Working Party on Public Debt Management. Its focus is to meet the analytical requirements of users such as policy makers, debt management experts and market analysts and to provide them with comprehensive quantitative information on marketable central government debt instruments in all OECD member countries, based, where possible, on the System of National Accounts. The coverage of the data is limited to central government debt issuance and excludes therefore state and local government debt and social security funds. Statistics, derived from debt management offices and agencies of OECD member countries, cover both outstanding amounts and gross and net issues of marketable and non-marketable debt of central governments over the period 1980-2009. It also includes information on duration and average term to maturity of domestic, foreign and total debt, and on outstanding amounts of marketable central government debt by type of investors (residents/non-residents). Country notes, describing the details of debt instruments in each country and providing information on the institutional and regulatory framework as well as on selling techniques of debt instruments, are regularly updated with the latest methodological information available from individual countries. Financial derivatives are currently excluded from the statistics, unless otherwise indicated.

12. Sovereign Wealth Funds and Recipient Country Policies

    Agency: OECD

    Contact Information: kathryn.gordon@oecd.org

    Target Date: Ongoing.

    Brief Description: The OECD Investment Committee has completed its guidance for recipient country policies toward sovereign wealth funds (SWFs) in October 2008. 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's guidance recognises the benefits of SWFs' investments and confirms that the OECD's established principles for investment policy apply equally well to investments by SWFs. Ongoing work in this area involves: (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, including a standing invitation to SWFs participating in the SWF Forum to participate in the "Freedom of Investment" Roundtables hosted at the OECD.

13. 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.

14. 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 in September 2008 to review the regulatory issues related to the activities of sovereign wealth funds and to present related recommendations for consideration by the Technical Committee. Due to other priorities related to the global financial crisis, this work has not proceeded as yet.

15. 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.

16. Inter-Agency Group on Economic and Financial Statistics

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

Contact Information: IMF, Statistics Department, 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. In April 2009 the Group launched the "Principal Global Indicators," website containing key economic and financial data for G20 economies, with links to relevant websites, including the agencies in the Group. Each agency represented in the Group has contributed data. In December 2009, the website was further enhanced with the addition of cross-country tables of key indicators, longer runs of historical data, and an improved user interface that includes data visualisation. The website will continue to be enhanced over the coming year with new indicators and increased coverage of national data from G20 economies.

17. Financial Crisis and Information Gaps

Agency: IMF and FSB

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

Completion date: Ongoing

Brief Description: The global financial crisis revealed information gaps. Under the auspices of the G20 process, the FSB Secretariat and the IMF staff presented a report on *the Financial Crisis and Information Gaps* with 20 recommendations to the G20 Finance Ministers and Central Bank governors in November 2009. The report identified data gaps in assessing the build-up of risks in the financial sector, understanding international network connections, and monitoring vulnerabilities of domestic economies to shocks. It made recommendations to close these gaps and to improve the communication of official statistics. The report is available at http://www.imf.org/external/np/g20/pdf/102909.pdf and https://www.financialstabilityboard.org/publications/r_091107e.pdf. The November 2009 report was endorsed and a follow-up report providing a concrete plan to implement the recommendations was requested for June 2010. The follow up report was circulated to G20 Finance Ministers and Governors in advance of their meeting in Busan in early June. It is available at http://www.imf.org/external/np/g20/pdf/053110.pdf and http://www.financialstabilityboard.org/publications/r_100510.pdf.

(ii) Identifying Financial System Strengths and Weaknesses

1. Financial Sector Assessment Program

Agency: IMF and World Bank

Contact Information: IMF, Monetary and Capital Markets Department, Financial Sector Policy Division, Dimitri G. Demekas (ddemekas@imf.org, + 1 202 623 6755); 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 assessing both stability, including macro-financial linkages, and development needs of the financial system. The former is the main responsibility of the IMF and is a critical input into IMF surveillance. The latter is the main responsibility of the World Bank, which participates in FSAP assessments in developing and emerging market countries (FSAPs in advanced economies are the responsibility of the IMF). 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/exr/facts/fsap.htm for information about the program and links to published FSSAs). They also provide the basis for the World Bank's Financial Sector Assessments (FSAs), which are distributed to the World Bank Executive Board for information (see http://www.worldbank.org/fsap for published FSAs). The IMF/World Bank work on anti-money laundering and combating terrorist financing continues to be undertaken in connection with the FSAP.

In all, 169 countries and economies, including all G20 member countries, offshore financial centers, and 3 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). 76 countries, including some G20 countries, have undergone or requested an update of their initial assessment, and 9 countries have undergone or requested a second update.

The IMF and World Bank Boards last reviewed the FSAP in September 2009 (see http://www.imf.org/external/np/pp/eng/2009/082809B.pdf; http://finsec.worldbank.org/fsap_web/Misc%20FSAP%20Reports/The%20FSAP%20After%20Ten%20Years-FINAL%20.pdf). To facilitate the integration of the stability assessment done in the context of FSAPs into IMF surveillance and the World Bank's financial sector work, a key innovation introduced by this review was the option to conduct FSAP updates in smaller, more flexible modules, focused on either stability or development aspects, with the Fund taking the lead in the former and the Bank in the latter.

2. Observance of Standards and Codes

Agency: IMF and World Bank

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

Target Date: Ongoing

Brief Description: The IMF and the World Bank have recognised 12 areas as useful for their operational work and endorsed associated standards in 11 areas, which fall in three broad categories: policy transparency, financial sector regulation and supervision, 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, summarise 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-March 2010, 1,135 ROSC modules and updates (for 166 economies) have been completed, of which 76 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 prioritisation 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).

The 2010 review of the standards and codes initiative is currently being undertaken, and is expected to be discussed by the IMF and World Bank Boards in the second half of 2010.

3. Financial Soundness Indicators

Agency: IMF

Contact Information: IMF, Statistics Department, S. Rajcoomar (brajcoomar@imf.org, +1 202 623 8598); Xiuzhen Zhao (xzhao@imf.org, +1 202 623 6056)

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 pilot project – the coordinated compilation exercise (CCE) – that aimed to support efforts by 62 participating countries to compile and disseminate cross-country comparable FSIs with 2005 as a reference period. The reference methodology was provided in the *Compilation Guide on Financial Soundness Indicators*. The 2005 FSI data and metadata for 58 countries/economies compiled under the CCE 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 saw clear value in the regular collection and dissemination of FSIs by the IMF, with the creation of a centralised public FSI database that would be available to the general public. Directors agreed that countries should be encouraged – but not required – to regularly report FSIs to the IMF. A note labeled

"*Amendments to the Financial Soundness Indicators: Compilation Guide*" was posted on the IMF's external website in July 2008.

On 31 July 2009, the IMF launched a new website (http://fsi.imf.org/) that allows public access to an expanding database of FSIs that have begun to be regularly reported to the IMF by member countries. The FSI database holds FSI data from 47 economies, which is expected to increase as more countries contribute data on a voluntary basis. In addition to FSI data, the database includes the metadata provided by countries, which are intended to provide information about the national practices that govern the compilation of FSIs. The data can be searched and sorted, using criteria chosen by the user from the set of metadata categories. This permits the retrieval of data that are comparable across countries, and/or across time, for the chosen metadata categories.

To support reporting of FSIs, the IMF Executive Board approved in March 2010 the inclusion into the Special Data Dissemination Standard (SDDS) of 7 FSIs with quarterly periodicity on an encouraged basis.

The next steps in the work on FSIs, in line with recommendation 2 of the "*The Financial Crisis and Information Gaps*", include (1) the expansion of the FSI database by having additional member countries, including the remaining G20 countries, report their FSIs to the Statistics Department with a view to disseminating them through the FSI website; (2) encouraging existing reporters to rapidly build time series of FSI data through provision of data for previous periods; and (3) reviewing the list of FSIs – taking into consideration inter alia the lessons of the recent financial crisis – with a view to amending, if needed, the current allocation between core and encouraged FSIs, and incorporating new FSIs into the current list. Proposals for amendments to the list of FSIs will be discussed widely within the IMF and with international experts (through a meeting of the FSI Reference Group) and eventually presented to the IMF Executive Board for approval. In addition, continued efforts will be made to promote cross-country comparability through greater harmonization of the methodologies of the IMF and other international agencies for data compilation and reporting.

4. 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; 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 also benefited 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 5). These data are also redisseminated on the JEDH.

5. 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 publication of data for 9 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 February 2010, 45 GDDS countries have agreed to participate. As of mid-April 2010, 32 countries have reported data to the QEDS database.

6. International Reserves and Foreign Currency Liquidity

Agency: IMF

Contact Information: IMF, Statistics Department, 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. 71 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).*

7. Coordinated Portfolio Investment Survey

Agency: IMF

Contact Information: IMF, Statistics Department, Paul Austin (paustin@imf.org, +1 202 623 9406); John Joisce (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. 74 economies participated in the survey relating to end-2008 data. 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 securities held as foreign exchange reserves assets. CPIS information and data are available on http://www.imf.org/external/np/sta/pi/cpis.htm.

Among the recommendations in the report to the G20 on "*The Financial Crisis and Information Gaps*", two concern the CPIS: all G20 economies are encouraged to participate in the CPIS, and the IMF should strive to enhance the frequency and timeliness of the CPIS data, and consider other possible data enhancements. The IMF Committee on Balance of Payments Statistics has created a task force to consider these enhancements. It is due to report in October 2010.

8. International Investment Position (IIP) Data Enhancements

Agency: IMF

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

Target Date: Ongoing

Brief Description: In the IMF-FSB joint report to the G20 entitled "*The Financial Crisis and Information Gaps*", it was recommended to increase the number of countries that report IIP data[2] and to promote quarterly reporting. As of March 2010, 119 countries provide annual IIP data and 48 provide quarterly IIP data to the IMF.

Furthermore, consistent with the G20 recommendations, the IMF Committee on Balance of Payments Statistics (Committee), in its 2009 meeting, endorsed the establishment of the Task Force on IIP/CPIS Data Enhancements. The Task Force has been recently set up with representatives from IMF member countries and international organisations with the aim of advising the IMF and the Committee on ways to implement the G20 recommendations on CPIS and IIP and also considering ways to improve the availability of bilateral IIP data. The work of the Task Force is scheduled to conclude in October 2010.

In March 2010, the IMF's Executive Board decided to prescribe the provision of quarterly IIP data with quarterly timeliness, after a four year transition period, as an enhancement to the Special Data Dissemination Standard. In addition, the IMF has continued its work on the IIP pipeline project, which has resulted in increasing the number of countries providing annual and quarterly IIP data to the IMF for re-dissemination.

9. Bank Profitability Statistics

Agency: OECD

Contact Information: michele.chavoix-mannato@oecd.org

Target Date: Ongoing

Brief Description: Trends in bank profitabilty and factors affecting it are major indicators of changes in the state of health of national banking systems. The database "*Bank Profitability*" is a unique tool for analysing developments in bank profitability: it provides information on financial statements and balance sheets of a number of bank groupings in OECD countries, such as commercial banks (with separate identification of large and foreign banks), savings banks, cooperative banks and other miscellaneous monetary institutions as well as on the structure of the national financial systems and on the classification of assets according to residency and currencies. The basic scope of the data compiled by the OECD is all institutions which conduct ordinary banking business, i.e. institutions which primarily take deposits from the public and provide finance for a wide range of purposes. Indicators are also calculated to meet analytical needs. Methodological country notes included in the volume *Bank Profitability – Methodological Notes* are disseminated in order to facilitate the comprehension and the interpretation of the statistics and to

[2] Recommendation # 12: The IMF to continue to work with countries to increase the number of IIP reporting countries, as well as the quarterly reporting of IIP data. The enhancements to the IIP in the sixth edition of the *Balance of Payments and International Investment Position Manual* should be adopted by G-20 economies as soon as feasible.

provide a brief description of the activities of banks in each country. This database is currently under review: the list of new items had been governed by the objective to collect data that are compatible with IFRS/IAS accounting standards *and* which could be used to construct more relevant indicators that line up with the definitions used by other international organisations such as IMF and ECB.

10. Institutional Investors Statistics

Agency: OECD

Contact Information: michele.chavoix-mannato@oecd.org

Target Date: Ongoing

Brief Description: The database "*Institutional Investors*" provides a unique set of comprehensive statistics on institutional saving and investment collected by institutional investors (insurance companies, pension funds and investment companies) of OECD countries. Its focus is to provide relevant information on activities of the institutional investors who exercise a dominant influence on developments in primary and secondary securities markets, the money market and the foreign exchange market and who influence the development of fund management and risk management. Data, mainly derived either directly from national accounts or from surveys aimed at their compilation, are based on a questionnaire prepared under the auspices of the OECD Working Party on Financial Statistics. They cover the period 1991-2008. Statistics are complemented by methodological country notes.

11. Effectiveness and Efficiency of Financial Regulation

Agency: OECD

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

Target Date: Phase I completed; Phase II initiated and ongoing

Brief Description: The OECD Committee on Financial Markets and the Insurance and Private Pensions Committee have, in recent years, been conducting a project on regulatory effectiveness and efficiency. Based on discussions and stocktaking efforts within these two committees, the OECD has released a *Policy Framework for Effective and Efficient Financial Regulation* as an OECD recommendation. The Policy Framework is supplemented by *General Guidance* and a *High-Level Checklist* for use by policymakers. Follow-up Phase II work has been initiated on institutional system design for financial regulation.

12. 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's International Network and 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, 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. A report on catastrophe-linked securities has recently been completed. Conclusions with respect to good practices for mitigating and financing catastrophic risks will become an OECD recommendation. The last Network conference was held in Bangkok in September 2009. A special conference on terrorism risk insurance was held on 1-2 June 2010. It resulted in the creation of a permanent international platform on the financial management of terrorism risk. This platform shall monitor the evolution of national programs of terrorism insurance, government involvement in these programs and market trends as well as promote best practices.

13. Global Insurance Statistics and Indicators

Agency: OECD

Contact Information: jean-marc.salou@oecd.org

Target Date: Ongoing

Brief Description: Since 1982, the OECD Insurance and Private Pensions Committee (IPPC) has collected and analysed insurance statistics, and discussed relevant methodologies. The OECD's insurance statistics are presented in a comparable manner using coherent statistical concepts, definitions and methodologies. Deviations from definitions are explicitly noted by countries. Major insurance historical data can be retrieved in a publication "*Insurance Statistics Yearbook*", also available on a CD-ROM and through an on-line database. In 2008, under the aegis of the IPPC and its Task Force on Insurance Statistics, the OECD launched a global insurance statistics project to enhance the relevance, timeliness, and geographical scope of the OECD's insurance statistics and indicators. With a view to improve the monitoring role of this unique exercise and to elaborate a core set of timely indicators, the OECD has accelerated the collection of specific insurance statistics and conducted a special data collection exercise in spring 2009 in light of the crisis. Given this experience, the OECD has augmented its insurance statistics framework to include basic balance sheet, income and solvency data of the insurance and reinsurance industry. Further additional improvements may be sought. A special regional seminar on insurance statistics is planned for 23-24 September 2010 in Malaysia.

14. Global Pension Statistics

Agency: OECD

Contact Information: jean-marc.salou@oecd.org

Target Date: Ongoing

Website Locator: http://www.oecd.org/daf/pensions/gps

Brief Description: The OECD Working Party on Private Pensions and its Task Force on Pension Statistics launched the Global Pension Statistics (GPS) project in 2002. The GPS intends to provide a device for measuring and monitoring the pension industry, and permit inter-country comparisons of current statistics and indicators on key aspects of retirement systems across OECD and non-OECD countries. In addition to essential data on assets, investments, membership, and industry structure based on the latest official statistics, this exercise provides key indicators and statistics that can be used in cross-country comparisons of key facets of retirement systems across OECD and non-OECD countries. Data are collected from official administrative sources, mostly ministries and supervisory agencies and collected on a yearly basis, targeting 6 months lag for the core set of variables. The dataset provides comparable statistics and indicators of funded pension plan systems for all OECD countries and around 30 non-OECD economies. This exercise also provides comprehensive country profiles, describing pension arrangements in individual OECD countries and selected non-OECD countries. The OECD has conducted a special data collection exercise in spring 2009 in light of the crisis. With a view to complement aggregated official administrative data, a gathering of infra-annual data from largest pension funds worldwide has been undertaken. The OECD *Private Pensions Outlook* (http://www.oecd.org/daf/pensions/outlook), a new OECD publication that guides readers through the changing landscape of retirement income provision across OECD and non-OECD countries, draws largely on data acquired as part of the GPS project.

15. Households' Assets and Liability Database

Agency: OECD

Contact Information: michele.chavoix-mannato@oecd.org

Target Date: Ongoing

Brief Description: The database on *Households' Assets and Liabilities* completes the Financial Balance Sheet database. The elaboration of a more precise nomenclature of households' financial assets and liabilities and the collection of more detailed information constitute an attempt to better identify and analyse households' wealth in OECD countries. The objective of the sub-classification of a selection of assets and liabilities is to identify the relative importance of the various types of assets, classified according to the increasing risk and the relative importance of loans extended to households by banks, finance companies, and others. The finer breakdown of the financial instruments is consistent with the financial classification of the System of National Accounts. The inclusion of a selection of the most important households' non-financial assets which contribute to their wealth (dwellings, land, and consumer durable goods) completes this information to better measure the real value of household wealth in OECD countries

16. Financial and Private Sector Knowledge and Learning Program

Agency: World Bank

Contact Information: ssmith7@worldbank.org; jpesme@worldbank.org (AML/CFT); luvarova@worldbank.org (financial systems); uechebiri@worldbank.org (non-bank financial institutions and capital markets)

Target Date: Ongoing

Brief Description: The Financial and Private Sector Knowledge and Learning Program offers a range of training activities, that foster a firm foundation for financial services, sound banking systems, strong capital markets, a diversified financial system, strengthened mechanisms to prevent money laundering and terrorist financing, 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 Program partners with various multilateral, bilateral and academic organisations 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 most regions. It has been customized by countries as training modules to build up a cadre of experts on AML/CFT.

17. 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 ongoing IOSCO workstreams related to the global financial crisis. The matters discussed included the work of the Task Forces on Credit Rating Agencies (CRAs); 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 organised three subsequent meetings with stakeholders as part of its Technical Committee meeting in October 2009:

(1) A general stakeholder meeting to discuss the regulatory challenges facing the activity of financial markets and including a discussion of the ongoing work program of IOSCO with a specific emphasis on (i) work program generally; (ii) hedge funds; and (iii) the Task Force on Unregulated Markets and Products report especially on securitisation and accounting issues;

(2) A high level meeting with CRAs to discuss IOSCO's work in response to the global financial crisis with particular focus on the role and regulation of CRAs**;**

(3) A high level meeting with clearing houses to discuss IOSCO's work in response to the global financial crisis with particular focus on the role and regulation of clearing house.

IOSCO is planning to hold a stakeholders meeting late July 2010, to discuss its work program, its strategic direction for 2010-2015, and to exchange views on systemic risk, its recently adopted hedge funds template for gathering information, as well as specific consultation reports. Two specialised session of its dialogue with stakeholders will review topics linked to Infrastructure & OTC Derivatives (Session A) and topics relating to Structured Products/Securitization (Session B).

18. 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

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

http://www.iosco.org/library/pubdocs/pdf/IOSCOPD307.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. A related Report was published in September 2009.

A new Task Force is also addressing the role of structured financial products in market development and is working closely with the IMF on this issue, as the IMF has worked on case studies on securitization in emerging markets.

19. Early Warning Exercise

Agency: IMF and FSB

Contact Information: Martin Mühleisen (mmuhleisen@imf.org); Nigel Jenkinson (nigel.jenkinson@bis.org)

Completion Date: Ongoing

Brief Description: In view of the ongoing financial crisis and against the background of the G20 Leaders' Summit in November 2008, the IMF and the FSB have agreed to cooperate in conducting Early Warning Exercises (EWEs).

The EWE is envisaged as a recurrent process to identify, prioritise and suggest policy responses to macro-financial and regulatory risks and vulnerabilities. To provide an integrated perspective, the Fund and the FSB cooperate closely, with the IMF taking the lead on macro-financial concerns and the FSB on regulatory challenges.

The EWE is conducted twice-yearly, and timed around the Annual and Spring Meetings. A dry run was conducted in the spring of 2009, and the exercise was formally launched at the IMF's Annual Meetings in Istanbul in October 2009. A further exercise was presented to the IMFC in April 2010. The EWE involves 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 FSB; (iii) *prioritisation* by management of the Fund and the FSB, including policy responses and areas where more analysis is needed; and (iv) *presentations* to the IMFC and other fora including the IMF Board and FSB groupings, as well as public dissemination of the analysis through the IMF's standard vehicles, notably the WEO and GFSR, as well as FSB assessments of financial market conditions.

20. Early Warning Systems for LCFIs

Agency: IMF

Contact Information: IMF, Monetary and Capital Markets Department, Financial Analysis Division, Inci Otker-Robe (iotker-robe@imf.org)

Target date: September 2010

Brief Description: This project attempts to develop an early warning system (EWS) model for large complex financial institutions (LCFIs) based on a number of quantitative approaches. It attempts to estimate the probability of distress for a group of LCFIs as a function of a set of indicators of financial stress, including: (i) key financial soundness indicators; (ii) institution-specific structural factors – including size, complexity, and interconnectedness, information on balance sheet and off-balance sheet exposures, and funding structure; (iii) signals extracted from the market; and (iv) macroeconomic factors affecting the environment banks operate, both in the home and host countries. Based on the results of this analysis, the project explores the extent to which the findings could be used as an early warning tool for detecting vulnerabilities in LCFIs. The methodology builds on and will supplement current LCFI monitoring and analysis that is conducted through *bottom up* analysis of balance-sheets.

21. New Financial Risk Landscape

Agency: OECD

Contact Information: André Laboul (andre.laboul@oecd.org)

Completion Date: Ongoing

Brief Description: The OECD is leading a major project on risk transfer between governments and financial institutions, and between financial institutions and to households. The project analyses the current regulatory and supervisory landscape in relation to the transfer of risks in several key financial areas, tracks the location of risk and develops risk focused instruments. Work began in 2009 in the pensions field, where defined contributions plans (compared to defined benefit plans) transfer longevity and investment risks to households. It is conducted in cooperation with the International Organisation of Pension Supervisors (IOPS) which will focus on risk-based supervision and the OECD Working Party on Private Pensions that will develop work on risk-based regulation (capital requirements and consumer protection). The International Network on Financial Education will take the lead on financial education and awareness component and the OECD will provide inputs related to risk management and governance.

(iii) Market Infrastructure

1. Principles of Corporate Governance

Agency:	OECD and World Bank
Contact Information:	grant.kirkpatrick@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 Corporate Governance Committee has released a series of papers, analysing the corporate governance failings that contributed to the financial crisis, in order to provide policy guidance based on interpreting the Principles. At its meeting in November 2008, the Committee considered the financial market turmoil and the relevance of the Principles. It established an Action Plan focusing on risk management, remuneration systems, performance of company boards, and the exercise of shareholder rights particularly by institutional shareholders (http://www.oecd.org/dataoecd/32/1/42229620.pdf). A consultation with stakeholders, including from emerging economies, was held in March 2009 and the Committee considered its key findings and main messages in April 2009 (http://www.oecd.org/daf/crisisresponse). At its November 2009 meeting it released a set of conclusions, which will guide the Committee's future policy priorities to complement the Principles. On the basis of this work, the Committee has embarked on a process of peer reviews which will examine implementation of the Principles on a thematic basis, and are also intended to support the work of the FSB. The first peer review examines board practices in relation to incentive and remuneration systems in listed companies, and the linkages to risk and company performance. Future reviews will target other priority policy issues such as the role of institutional shareholders in promoting good corporate governance. Peer reviews involve OECD countries and Enhanced Engagement partners. 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 15 May 2010, 75 Corporate

Governance ROSCs have been completed for 59 countries, including 16 updates; 58 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 World Bank has developed a ROSC database, which will facilitate data collection, improve inter-country comparisons, and sharpen the ROSC ratings. The OECD also used the Methodology and its *State-Owned Enterprises Guidelines* as a basis for carrying out corporate governance reviews of Chile, Estonia, Israel and Slovenia during 2009 as part of its accession review process of candidates for OECD membership. It will conduct an accession review of Russia in 2010. It has also embarked on a collaborative project with the Chinese authorities to review corporate governance practices in China within the framework of the Principles.

The OECD and World Bank Group regularly organise 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, the Middle East North Africa, 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: Grant Kirkpatrick (grant.kirkpatrick@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 the Middle East/North Africa (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 met again in October 2009 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 met again in Mozambique in May 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, and to provide recommendations. 13 reviews have been drafted to date, and several more are ongoing. The reviews cover the corporate governance at the SOE level, as well as the performance and professionalism of the state acting as the owner/shareholder of the enterprises. Follow-up support for implementation of the recommendations is being provided based on client request. The World Bank is also preparing a Toolkit for "*Improving State Enterprise Corporate Governance*." The Toolkit aims to assist policymakers and practitioners assess and implement SOE corporate governance reforms. Drawing from the OECD Guidelines and from the growing body of work and practical experiences in the topic area, the Toolkit consists of five modules: (i) rationale, context and framework for SOE corporate governance reform; (ii) creating the policy environment for SOEs; (iii) improving the role of the state as owner; (iv) strengthening corporate governance practices at the company level; and (v) managing the corporate governance reform process. The Toolkit will be published and disseminated in September 2011.

3. 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 principles for "*Enhancing Corporate Governance in Banking Organizations*", the World Bank is assisting partner countries in reviewing the state of their bank governance framework and overall sector practices. The interest in bank governance has recently increased, especially off the back of the financial crisis. 5 reviews have been completed and 3 are underway. Additional reviews are either in the pipeline or expected. The Middle East/North Africa region has shown particular interest in evaluating bank governance practices and structures in order to strengthen banks' safety and soundness and to enhance the effectiveness of banking supervision.

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

The exsiting 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. It is slated for revision following the finalization of the BCBS' update of its guidance "*Principles for Enhancing Corporate Governance*", and using the growing body of work that has been published recently. After revision, the toolkit will be published and posted on the World Bank website.

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

Agency: OECD

Contact Information: grant.kirkpatrick@oecd.org

Target Date: Ongoing

Brief description: The OECD Corporate Governance Committee 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. An initial paper including market failure analysis and case studies was published by the OECD in mid-2009. The activity will be extended in 2010 to include regular updates of experience in OECD countries.

5. 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. As part of the review of the *Insurance Core Principles*, the Subcommittee is reviewing and/or developing standards on licensing, suitability of persons, corporate governance, internal control, and risk assessment and management. Revised *Insurance Core Principles* and corresponding standard and guidance on licensing are currently under development.

Together, the OECD and IAIS conducted a survey of corporate governance practices and prepared a joint issues paper on corporate governance that was endorsed by OECD and IAIS (July 2009). According to the survey and the issues paper, remuneration is seen as an important aspect of corporate governance of insurers. The IAIS is developing standards and guidance on remuneration taking into account and highlighting the specific character of the insurance industry. This work is in response to the G20's focus on remuneration and its role in the financial crisis, and to the FSB *Principles* and *Implementation Standards for Sound Compensation Practices*.

Also based on the joint work above, the OECD is currently revising its 2005 guidelines on governance of insurers, which were developed based on the OECD *Principles of Corporate Governance*. Revised draft guidelines are expected for public consultation in summer 2010. The OECD coordinates its work with the IAIS in order to promote convergence in international practices and avoid inconsistencies.

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

Agency: World Bank

Contact Information: vtata@worldbank.org; rmokal@worldbank.org; jmgarrido@worldbank.org

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/debtor 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/debtor rights (ICR). To date, ICR ROSC assessments have been completed or are underway in 48 countries and projected in 10 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, ECA and South East Asia), (ii) advising on the establishment of infrastructure to support the operation of a country's insolvency system, and (iii) providing specific, tailored advice to governments on the implementation of specific ROSC recommendations (India, Nigeria, South Africa and Sri Lanka).

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

Agency: World Bank

Contact Information: vtata@worldbank.org; rmokal@worldbank.org; jmgarrido@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 *Insolvency and Creditor Rights 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 recognised 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*, and has been posted on the Bank's website at http://www.worldbank.org/ifa/rosc_icr.html.

As part of the World Bank's ongoing standard-setting functions, the World Bank, UNCITRAL and other international partner organisations 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 framework for the treatment of corporate groups in insolvency; (ii) the impact of the extensive use of derivative instruments as loan-risk hedging tools; (iii) the insolvency of state-owned enterprises and (iv) the place of out-of-court debt restructuring mechanisms to safeguard against the spread of systemic financial distress.

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 and for generating thought leadership on insolvency-related issues.

8. Global Forum on Insolvency Risk Management and Regional Roundtables

Agency	OECD and World Bank
Contact Information:	Daniel.Blume@oecd.org; vtata@worldbank.org; rmokal@worldbank.org; jmgarrido@worldbank.org
Target Date:	Ongoing
Brief Description:	The World Bank organised the Forum on Insolvency Risk Management 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), the Forum on Insolvency in Latin America (FILA) and a new Forum for the Middle East/North Africa (MENA), where the World Bank is working with the Hawkamah Institute for Corporate Governance, the OECD and INSOL to generate greater awareness for insolvency law reform. This collaborative engagement has resulted in the establishment of the Forum for Insolvency Reform in the Middle East (FIRM) that seeks to bring together policymakers and experts on insolvency-related issues in the MENA region to promote dialogue on how reform may be progressed in the specific context of the MENA region. Additionally, working alongside Hawkamah, INSOL and the OECD, the World Bank is participating in the Africa Roundtable, an initiative that seeks to build consensus and reform strategies for the Africa region. Organised by the OECD, and co-sponsored by the World Bank and APEC with support from INSOL International, UNCITRAL and the Government of Australia, the FAIR seeks to promote a regional policy dialogue on initiatives related to insolvency, risk management and credit systems. The FAIR draws on a dedicated network of policymakers and practitioners from the region, established in 2007. The FAIR held its seventh meeting in April 2010, hosted by the

Government of India, focusing on the adequacy of legal frameworks governing the insolvency of small and medium-sized enterprises, given the salience of this economic sector for many Asian economies. 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, organised a first meeting for the MENA region on insolvency in Cairo in 2007. A second meeting was organised by Hawkamah in Abu Dhabi in May 2009 with the support of the World Bank, OECD and INSOL International.

9. Global Judges Forum

Agency: World Bank

Contact Information: vtata@worldbank.org; rmokal@worldbank.org; jmgarrido@worldbank.org; arouillon@worldbank.org

Target Date: Ongoing

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. Global Judges Forum meetings were held in 2004 (Rio de Janeiro), 2005 (Washington DC) and 2006 (Buenos Aires). In 2007, the first joint Judicial Colloquium between the Bank, UNCITRAL and INSOL International was held in Cape Town, South Africa. The second joint Judicial Colloquium was held in Vancouver, Canada in June 2009, and the next joint Judicial Colloquium will take place in Singapore in 2011.

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).

10. Bank Insolvency Initiative

Agency: World Bank and IMF

Contact Information: Vijay S. Tata (vtata@worldbank.org, +1 202 473 8161); 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 8), 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. The study of IMF and World Bank staff entitled *An Overview of the Legal, Institutional, and Regulatory Framework for Bank Insolvency* has been published (www.imf.org/external/np/pp/eng/2009/041709.pdf) after discussion by the IMF's Executive Board in March 2009. This document is being used as benchmark for voluntary policy dialogue with countries and for the respective reviews of their framework for bank insolvency.

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 previous version of the Main Document was presented for a technical briefing to the World Bank Board of Directors in January 2004. 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.

11. 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. 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 converged to a 75 percent voting threshold (based on outstanding principal) for majority restructuring provisions, in line with the G10 recommendations. The inclusion of CACs in sovereign bonds has not resulted in any observable impact on pricing.

12. 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 (udas@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).

13. Foreign Exchange Settlement Risk Management

Agency: CPSS

Contact Information: cpss@bis.org

Target Date: 1st half of 2011

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.*

14. Standards for Payment and Settlement Systems

Agency: CPSS and IOSCO

Contact Information: cpss@bis.org

Target Date: 1st quarter of 2011

Brief Description: The CPSS and the Technical Committee of IOSCO have launched a comprehensive review of their existing standards for financial market infrastructures such as payment systems, securities settlement systems and central counterparties. There are three sets of standards involved, namely: the 2001 *Core Principles for Systemically Important Payment Systems*; the 2001/2 *Recommendations for Securities Settlement Systems*; and the 2004 *Recommendations for Central Counterparties*. The Committees believe that there are lessons to be learned from the crisis and, indeed, from the experience of more normal operation in the years that have passed since the standards were originally issued and thus it seems timely to review the standards with a view to strengthening them where appropriate. The IMF and the World Bank are also participating in the review, which is part of the FSB's work to reduce the risks that arise from interconnectedness in the financial system. The Committees will coordinate with other relevant authorities and communicate with the industry, as appropriate, as the work progresses. They aim to issue a draft of all the revised standards for public consultation by early 2011.

15. Guidance on the Application of 2004 CPSS-IOSCO Recommendations for Central Counterparties to Over-the-counter Derivatives Central Counterparties

Agency: CPSS and IOSCO

Contact Information: cpss@bis.org

Target Date: To be integrated into the work on *Standards for Payment and Settlement Systems* (point 14 above)

Brief Description: In light of greater use of central counterparties (CCPs) for over-the-counter (OTC) derivatives markets that will lead to the increased systemic importance of such CCPs, the CPSS and the Technical Committee of IOSCO established in June 2009 a working group to review the application of the 2004 *CPSS-IOSCO Recommendations for Central Counterparties* to CCPs for OTC derivatives markets. The recommendations, which were developed by the CPSS and the IOSCO Technical Committee, set out standards for risk management of a CCP.

The working group identified new key issues that can arise when CCPs, including several new CCPs for credit default swaps, provide central clearing services for OTC derivatives and developed guidance for such CCPs to address the unique characteristics of OTC derivatives products and markets. The developed guidance aims to promote consistent interpretation, understanding and application of the recommendations across CCPs for OTC derivatives markets. The CPSS and the Technical Committee of IOSCO published the developed guidance for public consultation in May 2010. Commenting period ends on 25 June 2010.

16. Considerations for Trade Repositories in OTC Derivatives Markets

Agency: CPSS and IOSCO

Contact Information: cpss@bis.org

Target Date: To be integrated into the work on *Standards for Payment and Settlement Systems* (point 14 above)

Brief Description: In light of the growing importance of trade repositories (TRs) in enhancing market transparency and supporting clearing and settlement arrangements for OTC derivatives markets, the CPSS-IOSCO working group that was established for the review of the application of the Recommendations for CCPs to OTC derivatives CCPs (see above) has also been tasked to develop policy guidance (Considerations for TRs) that should be considered by both TRs and relevant authorities for sound design, operation and risk management of TRs. The CPSS and the Technical Committee of IOSCO published the developed Considerations for TRs for public consultation in May 2010. Commenting period ends on 25 June 2010.

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

Agency: IMF and World Bank

Contact Information: IMF, Statistics Department, Tamara Razin (trazin@imf.org, +1 202 623 8364)

Target Date: Ongoing

Brief Description: The IMF and the World Bank have led efforts to improve data on remittances in the balance of payments statistics framework. This project was 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) completed its work in 2009 with the final *Remittances Compilation Guide* (RCG). Efforts are now turning to implementing the methods described in the RCG, and improving the quality of remittances data, including estimates of bilateral flows.

18. 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. 9 corridor studies have been published: Canada-Caribbean, Canada-Vietnam, Germany-Serbia, Italy-Albania, Malaysia-Indonesia, US-Guatemala, US-Honduras, US-Mexico and UK-Nigeria. 2 other reports were initiated and financed by a third party and conducted employing the BCRA guideline compiled by the Bank: Netherlands-Suriname and Netherlands-Morocco. Currently, reports on 3 other corridors are being finalised: South Korea-Mongolia, Qatar-Nepal, and UK/US/South Africa-Uganda. It is expected that these studies will be published in 2010. In addition, the World Bank will hold workshops to share the findings from the BRCA studies in 2010-11. By the end of 2010, 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.

19. 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 (MMOU) during its May 2002 annual meeting (http://www.iosco.org/library/index.cfm?section=mou_main). The

MMOU builds on the many previously existing IOSCO Resolutions and Principles to establish an international benchmark for cooperation and information sharing. Prior to signing the MMOU, 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 MMOU provides incentives for members that do not have the legal capacity to sign the MMOU to raise their respective national standards. Currently, 65 IOSCO members have completed the application process and have become signatories to the MMOU, and 45 IOSCO members have been invited to be listed in Appendix B of the MMOU.

IOSCO is continuing to give priority to addressing the gaps and weaknesses in the regulatory cooperation powers and practices with the aim of having all members become full signatories.

20. Dealing with Uncooperative Jurisdictions in Cross-border Cooperation

Agency: IOSCO

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 2009 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 have applied to join the IOSCO Multilateral Memorandum of Understanding and some changed their laws or practices in order to become signatories. 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.

21. Stand-Alone Subsidiarisation and Financial Stability

Agency: IMF

Contact Information: IMF, Monetary and Capital Markets Department, Financial Analysis Division, Inci Otker-Robe (iotker@imf.org)

Target date: September 2010 (tentative)

Brief Description: The paper examines the concept of stand-alone subsidiarisation (SAS) in the context of the ongoing crisis and its role in dealing with financial stability and cross-border crisis management. SAS seeks to increase financial stability by making the individual parts of a banking group more resilient and mitigating intra-company contagion risk; and providing supervisors with the ability to selectively resolve problem parts of the group with minimal disruption, thus reducing the cost and consequences of failure. The paper reviews the potential benefits of SAS in addressing intra-institutional contagion and providing resolution with minimal disruption to the group. The paper outlines conditions under which SAS contributes to financial stability, as well as the costs entailed in a SAS approach. The paper also presents the implications for home and host country supervisors under SAS.

22. Banks' Business Models: Lessons from the Crisis

Agency: IMF

Contact Information: IMF, Monetary and Capital Markets Department, Financial Analysis Division, Inci Otker-Robe (iotker@imf.org)

Target date: November 2010 (tentative)

Brief Description: The recent crisis put a spotlight on the risk posed by large, interconnected institutions that got into trouble and had to be supported by governments. In response, some have suggested that such banks de-risk, i.e., revert back to simpler business models, focused on credit intermediation. This paper will focus on the lessons from the recent crisis in terms of sustainability and desirability of different business models from the perspective of containing systemic risk. It will do so by analyzing (i) the relative performance (resilience) during the crisis of banking systems in a select group of countries (advanced, emerging market, and developing country) with financial systems characterised by different types of business models; and (ii) the implications of the new regulatory rules and initiatives for different types of institutions and banking systems with different business models. It will then draw lessons in terms of sustainability of different business models, assessing, in particular, the advantages of a banking system consisting of a large number of small and simpler banks, as opposed to systems consisting of a much smaller number of large and complex banking groups.

(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 has worked on a programme to address in a timely manner the issues raised by the FSB, the G20, the European Commission and other interested parties in the over 100 countries using IFRSs. Its initial focus has been on the three topics identified by the FSB: the application of fair value in illiquid markets; accounting for off-balance sheet items; and disclosures related to risk.

- *Fair value in illiquid markets*: In October 2008 the IASB published its expert advisory panel's report *Measuring and disclosing the fair value of financial instruments in markets that are no longer active*. The US FASB publications gave similar guidance. To make sure that global consistency was obvious, the IASB published in May 2009 an exposure draft (ED) on fair value measurement that directly incorporates the relevant FASB guidance. The IASB and FASB deliberated the comments received together and, as a consequence, the FASB is proposing changes to its requirements to ensure that IFRSs and US GAAP use identical words for fair value measurement.

- *Off-balance sheet items*: The IASB published proposals related to off-balance sheet items (consolidation in December 2008 and derecognition in March 2009), tightening requirements on consolidation and derecognition. The IASB agreed to delay finalising the consolidation standards to allow the FASB to expose the same model. The IASB plans to finalise the disclosure requirements in mid-2010 and the full consolidation model by the end of 2010. The IASB is assessing a modified derecognition proposal. Even if those proposals do not proceed to a final standard the IASB will finalise improved disclosure requirements in relation to derecognition.

- *Disclosures related to risk*: In March 2009 the IASB issued improvements to the disclosure requirements about fair value measurements and reinforced existing principles for disclosures about the liquidity risk associated with financial instruments.

At the London Summit in April 2009, the G20 Leaders called for accounting standard-setters "to reduce the complexity of accounting standards for financial instruments". The IASB had already committed itself to achieving that objective, but the call for a common global approach from the Leaders has provided impetus to the IASB's efforts and highlights the urgency of the project.

On 1 April 2009, the IASB announced that it would undertake an urgent project to produce a proposal aimed at a comprehensive revision of IAS 39 *Financial Instruments: Recognition and Measurement*. In making this announcement, the IASB was building on existing work undertaken by both the FASB and the IASB. In March 2008 the IASB and the FASB issued for comment a discussion paper *Reducing Complexity in Reporting Financial Instruments*. The comment period had ended in September 2008.

On 9 November 2009, the IASB met its commitments to finalise the first phase of the replacement of IAS 39 *Financial Instruments: Recognition and Measurement* by publishing IFRS 9 *Financial Instruments*, addressing financial assets. That IFRS was available for the 2009 year-end and is mandatory from 2013. The revisions will respond to other issues raised by the G20, the FASB, and securities regulators.

In May 2010 the IASB published revised proposals in relation to financial liabilities. The proposals aim to ensure that changes in the credit risk of liabilities that an entity chooses to measure at fair value will not cause volatility in profit or loss. Therefore, the proposals will affect only those entities that choose to apply the fair value option to their financial liabilities and the IASB expects to finalise them in the second half of 2010.

The IASB is working closely with the BCBS on provisions and has met with prudential supervisors who have implemented dynamic provisioning. The IASB established an Expert Advisory Panel to help assess the feasibility of approaches to an expected loss model and has continued to meet with industry experts. The IASB published in November 2009 an ED for an expected loss model, with comments due by 30 June 2010, and expects to complete that phase of the IAS 39 replacement by the end of 2010.

The remaining phase is hedge accounting. The IASB is planning to publish an ED on hedge accounting early in the second half of 2010.

The IASB remains committed to issuing standards by the end of 2010 that represent a comprehensive and improved solution to this complex and contentious area and that provide international comparability.

In developing a high quality and broadly accepted solution regarding the classification and measurement of financial assets (now IFRS 9 Financial Instruments), the IASB conducted a consultation process that was unprecedented in its global scale and outreach activity. Round table discussions were held in Asia, Europe and the United States. Interactive webcasts, each attracting thousands of registered participants, were held, often on a weekly basis. In addition, more than a hundred meetings were held with interested parties around the world during a period of four months. Those outreach activities have been embedded in the IASB's other projects.

In line with the G20 recommendations, the IASB is taking account of the BCBS guiding principles and the report of the Financial Crisis Advisory Group (FCAG). While recognising its commitment to investors as the primary users of financial information, the IASB has, amongst other actions, established an enhanced technical dialogue with prudential supervisors, market regulators and other stakeholders. This dialogue will ensure their deeper input in the development of new standards. The IASB continues to meet regularly with the BCBS.

The development of a single set of high quality, understandable and enforceable global accounting standards for use in the world's capital markets has been the primary goal of the IASB since its inception in 2001. The global financial crisis has only served to emphasise that having similar requirements around the world is simply not good enough. The requirements must be the same; otherwise entities, or jurisdictions, will seek regulatory arbitrage by trading off the differences.

Underpinning the IASB's efforts to develop one set of global standards is a Memorandum of Understanding (MoU) with the FASB. The MoU identifies the projects that each Board has committed to complete, either on its own or together, in the short term. The purpose is to eliminate differences between the Boards' requirements.

Although this is often characterised as a convergence programme, a more appropriate description of the MoU is that it is an agreement that guides a collaborative effort by the IASB and the FASB to deliver the greatest possible improvements to financial reporting. By combining resources and having the Boards challenge each other should result not only in identical standards but will also create more robust and sustainable solutions.

In October 2009 the IASB held its third joint meeting of the year with the FASB. The outcome of that meeting was a renewed, and shared, commitment by the Boards to make improvements to the financial reporting topics embedded in their MoU. The Boards produced a comprehensive plan that outlines how they expect to complete each of the MoU projects, which is updated every quarter.

The IASB is now meeting with the FASB every month, rather than three times a year.

The IASB plans to have the major projects completed by 30 June 2011. The G20 has urged the IASB to complete the MoU projects by that date and many major economies have selected 2011 or 2012 as the year to adopt IFRSs on the basis of a completed programme. More recently, the US SEC's work plan for adopting IFRSs is premised on the completion of the MoU projects by then.

The successful completion of each MoU project eliminates differences between IFRSs and US GAAP. Having similar requirements is not good enough, and one set of global standards remains the IASB's primary goal.

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). The ATF will also concentrate on emerging accounting and auditing issues related to fair value measurements, classification and measurement of financial instruments, hedging and loan loss provisioning. The BCBS is also participating as an observer in the IASB's international working groups dealing with financial instruments, loan loss provisioning and performance reporting.

c) Insurance

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS has a strong interest in ensuring high-quality financial reporting that offers a meaningful, economically sound portrayal of insurers' financial health. It closely monitors the international financial reporting developments which will most influence the overall accounting model for regulated insurance enterprises. The IAIS will continue to be actively involved throughout the IASB project on accounting for insurance contracts. 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. The IAIS also continues to monitor and comment on the international standards on auditing issued by IFAC.

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 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 IFRSs. 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 IFRSs, which was made operational in January 2007.

52 IOSCO members and 2 non-members have so far 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.

IOSCO IFRS Database teleconferences take place on a regular basis to discuss issues of interpretation of the IFRSs with the aim to facilitate common approaches on technical issues amongst securities regulators.

Following the work in connection with the *Report on the Subprime Crisis* (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf), the Technical Committee's Standing Committee on Multinational Disclosure and Accounting will continue to provide related input to the IASB in connection with the IASB's work in the areas of off-balance sheet entities and measurement at fair value.

2. Accountancy Profession

Agency: PIOB

Contact Information: Gonzalo Ramos, Secretary General (gramos@ipiob.org)

Target Date: Ongoing

Brief Description: The PIOB (http://www.ipiob.org) was established to oversee IFAC's standard setting in the areas of audit standards, education and ethical standards for professional accountants, including independence for auditors, quality control and assurance standards, and IFAC's Compliance Program.

The PIOB's oversight responsibility extends specifically to three of IFAC's independent standard-setting bodies and their respective Consultative Advisory Groups (CAGs):

- the International Auditing and Assurance Standards Board (IAASB);
- the International Ethics Standards Board for Accountants (IESBA); and
- the International Accounting Education Standards Board (IAESB).

The PIOB also oversees the Compliance Advisory Panel (CAP) of IFAC, which evaluates member body compliance with IFAC membership rules, including each member's progress in promoting the adoption of private and public sector accounting, audit, ethics and education standards. These independent standard-setting bodies and the CAP are collectively referred to as "public interest activity committees" (PIACs).

The PIOB carries out its oversight responsibilities through direct and comprehensive observation of the PIACs and CAGs. This activity is supplemented by regular dialogue with the Chairs of these groups and other IFAC leaders and by the PIOB's own independent staff assessments regarding the completeness of related due process. The PIOB also oversees all elements of the annual due process used by IFAC to nominate 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 meets four times a year. In 2009 the PIOB held an additional meeting in February to complete the Clarity project, which has implied a full redrafting of all International Standards on Auditing (ISAs) following due process under PIOB oversight.

Approval of ISAs by the PIOB requires that due process has been followed effectively and with proper regard for the public interest. The final three ISAs of the Clarity project were approved in February 2009:

- ISA 210 (Redrafted), "Agreeing the Terms of Audit Engagements;"
- ISA 265, "Communicating Deficiencies in Internal Control to Those Charged with Governance and Management;" and
- ISA 402 (Revised and Redrafted), "Audit Considerations Relating to an Entity Using a Service Organization."

Additionally, the PIOB approved the appointment of a new IESBA CAG member organization and its initial representative.

At its June 2009 meeting, the PIOB approved two core ethics projects:

- Revisions to Section 290 and proposed new Section 291 of the Code of Ethics ("Independence 2"); and
- Revisions to the Code of Ethics to reflect new Drafting Conventions.

Additionally, the PIOB considered three organizations for membership purposes for the IAASB CAG and the IESBA CAG.

During its September 2009 meeting, the PIOB oversaw and approved the nominations for IFAC Board and Committees, CAP and CAG. The PIOB also published its fourth public report, which focuses not only on the PIOB's activities of the past year but also on the continuing relevance of its public interest mission. (http://www.ipiob.org/downloads/INFORME_PIOB_2009.pdf).

At its December 2009 meeting, the PIOB approved (i) ISAE 3402, "Assurance Reports on Controls at a Service Organisation"; (ii) the Framework for International Education Standards for Professional Accountants; and (iii) Public Statement on IAESB Drafting Conventions. Additionally, it approved the nomination of the new IAASB CAG Chair.

At its March 2010 meeting, the PIOB approved (i) amendments to the PIAC CAG Terms of Reference and PIAC Due Process and Working Procedures; (ii) amendments to Sections 2 and 3 of the IAESB Terms of Reference; (iii) nomination of two new members to the IAASB and two new members to the IESBA CAG and their proposed representatives; and (iv) IAESB 2010-2012 Strategy and Work Plan..

The PIOB is monitored by the Monitoring Group (MG). The 2003 IFAC Reform Proposals mandate the MG to carry out an effectiveness review of IFAC 2003 Reform Proposals after five years. This review is due in 2010 and includes IFAC PIACs, their CAGs, the PIOB and the MG. With this objective, the PIOB has maintained a close dialogue with the MG since the second half of 2009. The PIOB has produced its own self-assessment document and submitted it to the MG.

In addition to its oversight tasks, the PIOB maintains an active communication policy with external stakeholders.

3. Auditing Standards

Agency: IAASB

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

Target Date: Ongoing

Brief Description: The IAASB has successfully completed its work to update, strengthen and clarify its suite of International Standards on Auditing (ISAs). The complete set of clarified ISAs has now been published. IOSCO has issued a letter of support for the clarity of ISAs. While the IAASB's work on this project commenced in response to calls from regulatory groups and others well before the current economic crisis, there are many aspects of the clarified ISAs which are effective responses to issues that may arise during the current market conditions.

An important current initiative of the IAASB is its project to monitor the implementation of the clarified ISAs. Beginning in 2009 Q3, the IAASB has undertaken survey and other consultation work aimed at gathering information on lessons learned from those currently in the process of implementing the clarified ISAs. This is continuing in 2010, with input being sought from regulators, oversight bodies, national standard setters, and audit firms. An interim report on findings from this work will be considered by the IAASB in June 2010.

In March 2010, the EC Directorate General for Internal Market and Services released a summary of responses received to its *Consultation on the Adoption of International Standards on Auditing*. Amongst other matters, the consultation paper highlighted the results of the external study by the University of Duisburg-Essen, which concludes that adoption of ISAs in the EU would result in recurring quantitative and qualitative benefits for companies, investors, and regulators that would outweigh increases in audit costs. The overwhelming majority of respondents to the consultation favored adoption of the ISAs at the EU level, with a significant majority supporting application to the statutory audit of all companies. The vast majority of respondents also considered that the international acceptance of the ISAs is sufficiently demonstrated.

In October 2009, the IAASB released a Consultation Paper entitled *Auditing Complex Financial Instruments* as part of its project to enhance guidance for auditors on this topic of wide contemporary concern. The paper recognises the strong demand from auditors and preparers for further guidance arising from the current economic environment and issues relating to the reliability and auditability of fair value information. The consultation was intended to help raise awareness of practical auditing challenges in advance of the 2010 audit season. The IAASB will use the feedback from the consultation in the revision of its Practice Statement 1012 on auditing derivative financial instruments. An exposure draft of the proposed revised Practice Statement 1012 is scheduled for approval in June 2010.

In November 2009, staff of the IAASB issued a new Staff Audit Practice Alert entitled *Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements*. While this publication is broadly relevant in light of recent developments such as the large fraud cases in which external confirmations appear to have played a role and anecdotal evidence of practitioners unduly relying on confirmations to support valuation of investments in investment vehicles, it is likely to have particular bearing in the context of when external confirmations are used for confirmations of investments in funds – a matter raised by the IAASB Fair Value Auditing Guidance Task Force.

In December 2009, the IAASB began its discussion on the findings from academic research it commissioned to examine the nature of user perceptions regarding the financial statement audit and the auditor's report among various classes of financial statement and audit report users in international settings. The IAASB also discussed studies and consultations carried out by others in recent years, and considered auditor reporting models used in the United Kingdom, France and Japan. The IAASB is continuing its discussion in 2010, including on possible future courses of action and how best to take account of the results of the IOSCO Technical Committee's *Consultation Report on Auditor Communications*.

Also in December 2009, the IAASB began its discussion of "audit quality." While this term is widely used by a range of stakeholders, there is no commonly agreed understanding of exactly what it means, what its components are, or how it can be measured. The IAASB's initial discussion noted the importance of considering this topic from the perspective of users of audits, and the importance of broad dialogue with stakeholders, in particular monitoring and inspection units. The IAASB also recognised that auditing standards are only one input to audit quality and that the interaction of such factors as professional judgment and the role of regulators and those charged with governance are equally important, as are cost implications. This topic will continue to be debated by the IAASB during 2010.

In December 2009, the IAASB also approved a new project to revise ISA 720, its standard that addresses the topic of auditor responsibilities relating to other information in documents containing auditing financial statements. The objective of the revision is to ensure that the ISA continues to be capable of enhancing the credibility of financial statements, recognising the extent and range of information now being disclosed by entities in their annual reports and the greater importance financial statement users attach to the qualitative disclosures in such documents.

The IAASB notes the increasing importance being attributed to financial statement disclosures, as evidenced by the fact that accounting standard setters are being encouraged to develop specific disclosure frameworks. With increasing consideration being given to the auditor's role regarding the quality of those disclosures, the IAASB will further discuss this important topic in 2010, in particular the challenges faced in considering the meaningfulness, completeness, adequacy and understandability of disclosures, and in applying the concept of materiality to them.

The IAASB has also begun to implement a new model for liaison with the IASB aimed at helping the IAASB better monitor the development of IASB projects. This will enable IAASB to provide the IASB with timely comments on aspects of its proposed standards that may have potential verifiability or auditability issues, as well as keep IAASB alert to trends in financial reporting that may have implications for its own projects and priorities.

In December 2009, recognising the widespread international use of outsourcing, the IAASB released its new International Standard on Assurance Engagements 3402, *Assurance Reports on Controls at a Service Organization*. This new standard is relevant to broader economic stability as a single service provided by a service organization can have direct relevance to the quality of financial reports prepared by entities around the globe. Effective controls for delivering the service are therefore essential. In March 2010, the IAASB also approved a proposed new assurance standard in relation to pro forma financial information included in a prospectus. This project commenced in response to the strong market need for common standards of reporting in relation to issuers' financial information included in prospectuses given the increasing trend in cross-border securities offerings and the globalisation of capital markets.

In January 2010, staff of the IAASB released a new question-and-answer publication to raise awareness about how XBRL-tagged data is prepared and how it may affect financial reporting, and to describe the scope of the IAASB's planned consultations to determine whether to develop a new international pronouncement addressing XBRL.

In April 2010, the IAASB has launched an online questionnaire to inform the development of its strategic direction and related work program for 2012-2014. The initiative is the first stage of IAASB's 18-month consultation process to obtain public input on the critical issues that should be addressed by the Board.

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.

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 organisations, regulatory bodies, standard setters, and other international organisations 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 review evaluates a country's accounting and auditing standards/practices, using as benchmarks International Financial Reporting Standards and the International Standards on Auditing. Experience shows that effective regulation is paramount to the successful implementation of international standards, but international accounting and auditing standards themselves do not set out requirements as to how such effective regulation should be exercised. For example, the standards do not provide guidance on how to reflect international standards into the national legislative and regulatory systems, on the design and operation of self regulatory and independent regulatory bodies, or on the interfaces with other regulatory institutions (such as those for banking supervision and securities market regulation). In the absence of a comprehensive benchmark in this regard, the ROSC A&A review uses internationally accepted good practices as reference for assessing the efficiency and effectiveness of statutory and institutional framework of accounting and auditing. Two major objectives of ROSC A&A review are: (i) to analyse comparability of national accounting and auditing standards with international standards, determine the degree to which applicable accounting and auditing standards are complied with, and assess strengths and weaknesses of the statutory and institutional frameworks in supporting high-quality corporate financial reporting; and (ii) to assist in developing and implementing a country action plan for improving institutional capacity with a view to strengthening the country's financial reporting regime.

By end of May 2010, the number of completed ROSC A&A reviews was 104, and underway 84. There are 81 ROSC A&A reports published and available at http://www.worldbank.org/ifa/rosc_aa.html. The cross-cutting issues emerging from the ROSC A&A reviews in different parts of the world, mentioned below, are mainly due to weak capacity at the country level:

- Outdated legal frameworks;
- Weak accountancy professions;
- Widespread non-compliance with the applicable accounting and auditing standards;
- Inadequate monitoring and enforcement mechanisms;
- Lack of access to international standards and non-availability of implementation guidance based on country-level case studies; and
- Inadequate academic curriculum and professional training.

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 considered 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 were published in September 2009, and comment letters on *Auditor Communications Consultation Report* were published on 10 February 2010 (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD316.pdf).

7. Internal Controls

Agency: IOSCO

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

Target Date: 3rd quarter of 2010

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 securitised products protect the interests of investors in such products.

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

1. Systemic Funding Liquidity Risk

Agency: BCBS/CGFS

Contact Information: baselcommittee@bis.org;
Srichander Ramaswamy (srichander.ramaswamy@bis.org)

Target Date: June 2010

Brief Description: In its April 2009 report entitled *Addressing Procyclicality in the Financial System*, the Financial Stability Forum recommended that the BCBS and the CGFS launch a joint research programme on systemic funding liquidity risk. A joint BCBS-CGFS working group co-chaired by Jean-Pierre Landau (Bank of France) and Thomas Wiedmer (Swiss National Bank) was established in May 2009 to gather information on the pricing of liquidity risk by banks, to consider the usefulness of quantitative and price-based approaches to assessing system-wide liquidity risk, and to explore how the structure of funding markets influences liquidity risk and its pricing.

2. Hedge Funds

Agency: IMF

Contact Information: IMF, Monetary and Capital Markets Department, Global Financial Stability Division (lkodres@imf.org, tsun@imf.org)

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; (v) hedge funds' impact on smaller and developing markets, including emerging markets; and (vi) developing a set of models that capture the common risk factors in hedge funds. 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). More recent work focuses on developing a set of models that can help identifying systemic risk factors inherent in hedge fund strategies by relating hedge fund returns to observable market risk factors. This approach could be a platform for identifying and monitoring risks in hedge funds in a timely and consistent manner.

3. Task Force on Unregulated Financial Entities

Agency: IOSCO

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

Target Date: Ongoing

Website Locator: http://www.iosco.org/news/pdf/IOSCONEWS134.pdf
http://www.iosco.org/news/pdf/IOSCONEWS179.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 examined 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 compared the lessons drawn from the crisis and the existing principles and standards. The aim was 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 and a final report in June 2009. This report set forth 6 high level principles for hedge fund regulation focusing on market integrity and investor protection.

TFUFE also worked on determining the categories of information regulators should be able to gather from hedge funds managers/advisers, and the Technical Committee agreed at its January 2010 meeting on a standard template for gathering information from hedge funds managers/advisers.

The Task Force will continue to monitor regulatory issues arising with unregulated entities.

4. Task Force on Short Selling

Agency: IOSCO

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

Target Date: Ongoing

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

Brief Description: In the wake of the crisis, many jurisdictions took steps to restrict short sales in their markets in light of the 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 temporarily took 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 created different compliance requirements on the industry and more importantly, had a risk of providing a potential opportunity for regulatory arbitrage especially for securities that are traded on different markets. Securities regulators therefore had 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 (TFSS) in November 2008. The Technical Committee published a report for public consultation in March 2009 from the Task Force. The report discussed issues related to naked short selling, the importance of tight settlement discipline to limit the potential adverse effects of short selling, and the merits of greater reporting of short positions. The report set forth general principles on the regulation of short selling.

The final report entitled *Regulation of Short Selling* was publicly released in June 2009. The report took into account the comments received from the international financial community on the consultation report released in March 2009. The final report recommended that effective regulation of short-selling comprise a number of key regulatory principles. Industry expressed hope that further regulatory convergence takes place, in particular for the short-selling domestic reporting regimes. TFSS noted that a number of jurisdictions are currently in the process of reviewing their related regulatory frameworks.

TFSS is continuing to monitor related regulatory developments in member jurisdictions and will discuss these developments with a view of assessing opportunities for greater convergence in the implementation of the guiding principles contained in the above mentioned report. TFSS presented a related progress report at the Technical Committee meeting in October 2009.

5. Task Force on Unregulated Financial Markets and Products

Agency: IOSCO

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

Completion Date: December 2010

Website Locator: http://www.iosco.org/news/pdf/IOSCONEWS165.pdf

Brief Description: In light of the impact that unregulated financial markets and products have had on global capital markets, the Technical Committee launched in November 2008 the Task Force on Unregulated Financial Markets and Products (TFUMP). TFUMP worked on an interim report on regulatory measures to improve confidence and transparency in the OTC market, with particular focus on securitised products and credit default swaps (CDS). The interim report was published in May 2009. TFUMP explored 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 securitised products and CDS. The final report was published in September 2009.

Since then, TFUMP has undertaken a survey in order to review how members' jurisdictions are implementing the IOSCO recommendations relating to securitisation. Although the Task Force is in the process of analysing its findings, the following preliminary themes are emerging:

- There are many initiatives in progress, with expected implementation by the end of 2010;
- Current laws, regulations and market practices often cover elements of disclosure, although they often only cover products that are either listed or offered to the public;
- "Investor suitability" typically refines the definition of a "sophisticated investor"; and
- The retention of economic interest ("skin in the game") concept has been endorsed by all respondent jurisdictions, but its implementation varies.

Following the survey, TFUMP will prepare a report to the Technical Committee on its findings and will provide recommendations where appropriate.

TFUMP has also organised a meeting with the securitisation industry in order to provide an opportunity to exchange views on the implementation of the recommendations relating to securitisation made in the report.

6. Foreign Direct Investment Flows and Stocks: Revised World Standards to Measure Foreign Direct Investment (FDI)

Agency: OECD

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

Target Date: End 2010-beginning 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.

7. Coordinated Direct Investment Survey

Agency: IMF

Contact Information: IMF, Statistics Department, 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 2010, about 130 economies had responded positively to the IMF's invitation to participate in the CDIS. The IMF formed a Task Force, comprising 6 international organisations and 11 economies, to provide advice and content for a survey guide. The survey guide can be found on the IMF CDIS Home Page (http://www.imf.org/cdis) in English, Arabic, Chinese, French, Russian and Spanish. 5 model survey forms (also in these languages) have also been posted on the CDIS website. The CDIS will collect data on inward and outward direct investment positions for participating economies by counterpart jurisdiction.

8. Local Capital Market Development in Emerging Market Countries

Agency: IMF

Contact Information: IMF, 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 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.

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

Agency: IMF

Contact Information: IMF, Statistics Department, Jose Maria Cartas (contact: JCartas@imf.org, +1 202 623 4055)

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 IMF, BIS and the ECB produced Part One of the *Handbook on Securities Statistics* (focusing on debt securities issues). The pre-publication version of this *Handbook* was posted on the IMF website (http://www.imf.org/external/np/sta/wgsd/index.htm) in May 2009. Preparatory work on Part Two of the *Handbook* (focusing on holdings of debt securities) has been initiated. The detailed plan and timetable for its completion was discussed in the meeting of the reconvened Review Group on the Handbook on Security Statistics, which is chaired by the IMF and includes the BIS, ECB, the World Bank and those securities statistics experts who were involved in the production of first part of the *Handbook*. The plan is to complete the final draft of Part Two by June 2010.

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

Agency: World Bank

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, World Bank budgets, and individual countries to support country efforts to strengthen their local markets and improve their investability. The three pillars operate separately but are expected to complement one another and generate positive externalities.

The investment manager (PIMCO) and index provider (Markit) were announced in February 2008. Sovereign bonds from 24 countries are currently included in GEMX. 5 additional countries and inflation indexed bonds from 6 countries were included earlier in the year. The Advisory Services program, officially launched at the end of May 2008, includes country operations in Africa, MENA, and LAC. Two Peer Groups Dialogues have been established on key topics (e.g., challenges posed by the crisis and primary dealers) involving different country participants. Publications on repurchase agreements, liability management, and other areas are being prepared.

11. Task Force on Commodities Futures Markets

Agency: IOSCO

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

Target Date: Ongoing

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 examined the changing nature of commodities futures markets taking into account issues such as technological developments, globalisation, product innovation and composition, and increasing participation of new types of investors. TFCFM also examined whether supervisory approaches were keeping pace with developments in this market and whether regulators were cooperating sufficiently to deal with the increasing globalisation 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 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 was published in March 2009. In this report, TFCFM further recommended holding periodic meetings of futures market regulators to share concerns on trends and developments in commodity markets, as well as for sharing market surveillance and enforcement techniques.

At their June 2009 meeting in Lecce, Italy, G8 Finance Ministers noted their concern that "excess volatility of commodity prices poses risks to economic growth" and agreed to "consider ways to improve the functioning and transparency of global commodity markets." Subsequently, G8 Leaders at their July 2009 Summit in L'Aquila stated that, "We ask the IOSCO Task Force on Commodities Markets to consider further possible specific improvements to the transparency and market supervision of oil futures markets and make specific recommendations," and called for enhanced transparency and an improved regulatory framework for derivative markets.

Given the TFCFM recommendations and the G8's interest and explicit references to IOSCO, IOSCO has developed a new mandate of the Task Force. The Task Force has been surveying the IOSCO members with important commodities markets to learn about their regulatory framework and the implementation of the March 2009 recommendations and has met with the industry to see how the transparency could be improved. It will provide a progress report to the G20 in June 2010.

12. Capital Markets Assessment Tool

Agency: World Bank

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

Target Date Ongoing

Brief Description: Work is ongoing 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.

13. 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. In 2009 the OECD Council agreed on a new set of good practices related to financial education in credit. The OECD conducted also a survey on the impact of the financial crisis on financial education. 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 is currently circulated for public consultation.

High-level international events on financial education have been held in India, Russia, Turkey, and the US. Recent international conferences were held in Indonesia in October 2008 and in Paris in May 2009. 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.

This work will be complemented by wider OECD work related to financial consumer protection.

14. Longevity Risks, Annuities and Financial Markets

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 organised in November 2008. A closely related project assessing how pension funds, annuity providers and the regulatory framework in each country incorporate future improvements in mortality and life expectancy is being developed as well.

15. Private Equity

Agency: IOSCO

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

Target Date: June 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 utilised across relevant IOSCO member jurisdictions that aim to provide appropriate levels of investor protection. Key areas of focus are 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 has incorporated both private equity firms and market intermediaries and focused 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 has been 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 has developed a report on private equity firms' good practices in the identification and mitigation of conflicts of interest. The report was submitted to public consultation until 1st February 2010. The submissions received are being analysed by the Standing Committee for a final report to be submitted for the approval of the Technical Committee in June 2010.

16. Credit Rating Agencies

Agency:	IOSCO
Contact Information:	Greg Tanzer (g.tanzer@iosco.org)
Target Date:	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 resulted from the work of the Task Force on Credit Rating Agencies (TFCRA) and contained 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 expected 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. The Technical Committee published a report in March 2009 on implementation of the CRA Code of Conduct. This implementation report assessed the degree to which CRAs have adopted codes of conduct that reflect the IOSCO Code.

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.

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 drafted a report outlining an approach securities regulators can use to oversee globally active CRAs. This approach included the creation of a permanent IOSCO committee (Standing Committee 6, TCSC6), decided by the Technical Committee in February 2009 for dialogue with the CRA industry and for information sharing among IOSCO members regarding regulation of CRAs. The report also discussed a college of regulators approach enhanced by bilateral arrangements regarding ongoing supervision of globally active CRAs.

TCSC6 is currently engaged in a project to:

- Evaluate several of the recent regulatory initiatives that impact or will shortly impact CRAs whose ratings are used for regulatory purposes in multiple jurisdictions. The evaluation has focused on whether (and, if so, how) these regulatory programs implement the IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies (IOSCO Principles).
- Consult with CRAs whose credit ratings are used for regulatory purposes and who are or will be subject to the registration and

oversight programs that have been established or are being finalized. The discussions with the CRAs have sought to identify divergences between the various registration and oversight programs that could cause unintended operational frictions and/or conflicting compliance obligations for a CRA that is subject to two or more programs.

A draft consultation report prepared by TCSC6 on the implementation of national regulatory regimes related to CRAs, together with an associated note from TCSC6 outlining progress in identifying any perceived regulatory conflicts after consultation with the industry, was submitted to the Technical Committee approval in April 2010. The report was then submitted on 7 May 2010 to public consultation for a 90 days period, after which the submissions will be taken into consideration by TCSC6 and a final report presented for the approval of the Technical Committee and publication.

In addition, the Technical Committee has also created a Supervisory task Force to study improved mechanisms for supervisory cooperation among securities regulators on CRAs, hedge funds, and other entities.

17. 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 regarding its work on internal controls to coordinate the work of these two groups. TCSC3 is undertaking 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 asset managers' internal controls.

18. Structured Finance Product Market Transparency

Agency: IOSCO

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

Target Date: June 2010

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, the work focuses 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 has analysed the responses to the questionnaires and discussed their preliminary findings in March 2009. TCSC2 also sought industry input through meetings with industry and held an industry roundtable jointly with the IOSCO Task Force on Unregulated Financial Markets and Products in April 2009. TCSC2 published a consultation report in September 2009. TCSC2 received written comments from stakeholders and took them into account in its final paper which is send for consideration to the Technical Committee meeting in Montreal in June 2010. The publication of the Final Report is expected shortly after this meeting.

19. Point of Sale Disclosure to Retail Investors

Agency: IOSCO

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

Target Date: October 2010

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 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 considered the comments received on the issues paper; assessed whether and how relevant general principles in this area should be developed; and submitted their report to the Technical Committee in June 2009 for publication for public consultation. The report, that includes 6 related regulatory principles and an in-depth analysis of the key underlying issues, has been published for public consultation for a 90 day consultation period ending mid-February 2010.

A common working group made of the Standing Committees' members will review and amend the report accordingly in order to have it submitted to the Technical Committee by October 2010.

20. Direct Access to Exchanges and Other Markets

Agency: IOSCO

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

Target Date: June 2010

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 utilising 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 of an exchange, if they meet certain eligibility requirements. The various permutations of direct market access (DMA) 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 were due by May 2009. As a result of those comments, some principles have been modified, and a feedback statement has been discussed between the Standing Committees. It is expected that the final DMA report will be submitted to the Technical Committee for approval at its June 2010 meeting.

21. 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 is currently conducting surveys of regulators and industry. TCSC2 expects to develop a report to be submitted for public consultation in mid-2010 and to finalise a report in late 2010.

22. 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 this area in order to identify the issues associated with such products. In March 2008, TCSC5 organised a hearing with ETFs experts in order to have a global picture of the ETFs market. TCSC5 intended to pursue the work it had initially conducted in this area, and discussed an issues paper with the industry at its November 2009 meeting. TCSC5 prepared a draft project specification focusing on the main ETFs related issues to be submitted to the Technical Committee meeting in June 2010.

23. Mutual Recognition

Agency: IOSCO

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

Target Date: Ongoing

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 Principles[3] 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

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

work of IOSCO members regarding principles for recognition. IOSCO is continuing to assess developments in a bilateral context.

(vi) Prudential Regulation and Supervision

1. Implementation of Basel Committee Standards

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Ongoing

Brief Description: The BCBS Standards Implementation Group (SIG) continues to review the implementation of prudential standards and guidance issued by the Committee.

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 for operational risk in Basel II.

Lastly, the BCBS has established a Basel II Capital Monitoring Group that analyses the level and cyclicality of capital requirements based on data collected through the reporting systems of national supervisory agencies.

2. Supervision of Bank Liquidity Risk Management

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: 2nd half of 2010

Brief Description: The BCBS's Working Group on Liquidity is 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 2010.

3. Update of Corporate Governance Principles

Agency: BCBS

Contact information: baselcommittee@bis.org

Target Date: September 2010

Brief Description: The financial crisis that began in 2007 highlighted a number of shortcomings in the corporate governance of financial sector institutions. Upon reviewing the BCBS 2006 principles on corporate governance, the BCBS realised that while the 2006 principles were very relevant and targeted key issues of corporate governance, they were not fully implemented at many banks. As a result, the Committee decided to revise the principles to emphasise lessons learned during the crisis and to put additional emphasis on the implementation of these principles. These revisions are targeted at board practices, the corporate governance of risk management, transparency, and the importance of banks understanding the complexities involved in both their organisational structure and the structures of certain products. The OECD and the World Bank are involved in this work to revise the principles for banks, and the BCBS is also coordinating with the IAIS on their work on corporate governance principles for insurance companies, to ensure that the focus of the two groups are aligned. The BCBS published a consultative document *Principles Enhancing Corporate Governance* in March 2010. After incorporating comments, the BCBS plans to publish the final version of the document in September 2010.

4. 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.

5. Strengthening the Resilience of the Banking Sector

Agency:	BCBS
Contact Information:	baselcommittee@bis.org
Target Date:	December 2010
Brief Description:	In December 2009, the BCBS issued two consultative documents on *Strengthening the resilience of the banking sector* and *International framework for liquidity risk measurement, standards and monitoring* for public comment by 16 April 2010. The consultative documents cover the following key areas: (i) raising the quality, consistency and transparency of the capital base; (ii) strengthening the risk coverage of the capital framework; (iii) introducing a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration; (iv) introducing a series of measures to promote the build-up of capital buffers in good times that can be drawn down upon in periods of stress; and (v) introducing a global liquidity standard for internationally active banks. In the first half of 2010, the BCBS is undertaking an impact assessment of

the measures proposed. The fully calibrated set of standards will be developed by the end of 2010 to be phased in as financial conditions improve and the economic recovery is assured, with the aim of implementation by end-2012.

6. Fundamental Review of the Market Risk Framework

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: Mid-2011

Brief Description: The BCBS's Trading Book Group conducts a fundamental review of the market risk framework, in particular of how trading activities are defined and how risks in trading books are captured by regulatory capital. The group will develop appropriate capital standards for trading activities (and possibly market risk more generally) and review the internal market risk models method as well as the standardised measurement method.

7. 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 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) has been monitoring the work of the Senior Supervisors Group (SSG) to 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.

The SSG recently published a report entitled *Risk Management Lessons from the Global Banking Crisis of 2008*. The report seeks to review key developments since the first report[4], share risk management observations (primarily on funding and liquidity risk issues) during 2008, and discuss the industry's own sense of its compliance with recommendations put forward in various supervisory and industry studies in 2008.

TCSC3 had a discussion in its December 2009 meeting of the report and noted its findings. TCSC3 will take these findings into account in its ongoing liquidity risk management/internal control projects.

8. Microfinance Activities and Core Principles

[4] The SSG published its first report in March 2008, entitled *Observations on Risk Management Practices during the Recent Market Turbulence.*

Agency: BCBS

Contact Information: baselcommittee@bis.org

Target Date: August 2010

Brief Description: Following a survey conducted with the assistance of Consultative Group to Assist the Poor (CGAP), the World Bank, the IMF and the Association of the Banking Supervisors of the Americas (ASBA), the BCBS issued for consultation in February 2010 a report containing supervisory guidance for the application of the *Core Principles of Effective Banking Supervision* to microfinance activities and reviewing the range of practices in regulating and supervising such activities. The consultation period ended on 7 May 2010. The microfinance workstream will consider the comments received before seeking the BCBS approval of the final report for public release in August 2010.

9. Multilateral Memorandum of Understanding for Exchange of Information between Insurance Supervisors (MMoU)

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: The IAIS MMoU is a framework for cooperation and the exchange of information and sets minimum standards to which signatories must adhere to improve the effectiveness of cross-border supervision of insurance companies. It is also expected to contribute to the global efforts towards regulating systemically important financial institutions. In June 2009, the MMoU became operational with the first insurance supervisory authorities becoming signatories. As of April 2010, 8 insurance supervisory authorities have become signatories and another 16 applicants are being validated. With the MMoU in place, insurance supervisors will be better equipped to improve the effectiveness of cross-border supervision of insurance companies.

10. 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. The IAIS is undertaking a review of existing IAIS papers on solvency assessment as part of the review of the *Insurance Core Principles*. As part of this review, lessons learnt from the financial crisis are being considered, including the need for stronger enterprise risk management, liquidity management and asset liability management. In addition, the scope of application of the supervisory papers is being extended to cover both insurance legal entities and insurance groups.

11. IAIS Global Reinsurance Market Report 2009

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Brief Description: Each year, the IAIS publishes the *Global Reinsurance Market Report*, based on unique data provided by more than 50 leading global reinsurers worldwide which have been actively engaged with the IAIS in generating knowledge on reinsurance in order to better understand, regulate and supervise this key financial industry. The 2009 report showed that despite the financial turmoil, the global reinsurance market has demonstrated robustness and resilience. In June 2009, the first mid-year edition of the report entitled "Developments in (Re)Insurance Securitisation" was published. The report supplemented the year-end report, published in December 2009, by providing a qualitative analysis of the main characteristics, functions and developments in the insurance securitisation market.

12. 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 organises, 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: An issues paper on the regulation and supervision of mutuals, cooperatives and other community-based organisations in increasing access to insurance markets is currently under development. The paper addresses the regulation and supervision of all forms of member-based organisations particularly with respect to their role in increasing access to insurance products and services in under-served insurance markets.

13. Supervision of Insurance Groups

Agency: IAIS

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 Insurance Groups and Cross-sectoral Issues subcommittee is currently revising the *Insurance Core Principles* related to information sharing and group-wide supervision.

The IAIS is identifying issues requiring a supervisory response in respect of insurance groups. Work on conglomerate cross-sector issues is coordinated with the BCBS and IOSCO through the Joint Forum with an overall goal to establish effective supervision of financial conglomerates which will enable all financial supervisors to minimise regulatory arbitrage among financial sectors.

The IAIS is currently developing a standard on cross-border cooperation on crisis management. The standard will set out key high-level requirements on how insurance supervisors are expected to cooperate in preparing for, and managing a cross-border crisis. The development of this standard has been informed by the FSB *Principles for Cross-border Cooperation on Crisis Management*, taking into account the relevant insurance perspectives.

14. Common Framework for the Supervision of Internationally Active Insurance Groups

Agency: IAIS

Contact Information: iais@bis.org

Target Date: Ongoing

Website Locator:

http://www.iaisweb.org/__temp/First_Outline_of_the_IAIS_ComFrame_Project__February_2010.pdf

Brief Description: In January 2010, the IAIS Executive Committee approved the development of the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). ComFrame will be a multilateral framework that reaches beyond the regulatory approaches of individual jurisdictions and regions. Substantively, it will provide parameters for assessing group structures and group business from a risk-management perspective; set out quantitative and qualitative requirements that are specific and focused but not rules-based; and cover the necessary areas of supervisory cooperation and coordination. It should lead to more consistency and better comparability and alignment regarding the supervision of internationally active insurance groups being undertaken by each jurisdiction. ComFrame will be developed over the next three years after which impact assessments will be undertaken.

15. 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. It was decided that there should be a restructuring of IAIS supervisory papers to ensure there is a clear link between the ICPs, standards and guidance papers. Standards will now be drafted so that their key elements form the observance criteria for the relevant ICP. A comprehensive review of the ICPs is being untaken and the corresponding standards are being reviewed and re-crafted to align with the new structure. The ICP Coordination Group is taking the work forward and managing the process to meet the 2011 deadline for having a revised set of ICPs and corresponding standards.

16. Market Conduct of Insurers

Agency: IAIS

Contact information: iais@bis.org

Target Date: Ongoing

Brief Description: In 2008, the IAIS formed 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. The Subcommittee is responsible for revising the market conduct elements of the *Insurance Core Principles*.

17. Strategic Direction of IOSCO Activities

Agency: IOSCO

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

Target Date: 2010 and beyond

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 recognised 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.

In 2008, IOSCO 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 organisation (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 19 in section (iii)).

As of this date, 65 members had become full signatories and a further 45 had committed to addressing the identified gaps and weaknesses in order to become full signatories.

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 and conducting assisted assessments using the Principles and Methodology.

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 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 member jurisdictions.

In June 2009, IOSCO committed to reviewing its strategic direction over the 12 coming months. It has embarked on a comprehensive review to set and implement a new strategic direction for 2010-2015. This review considers progress made against the operational priorities described above, as well as lessons learnt from the global financial crisis, and aims to propose a new strategic direction for adoption in June 2010. The review will be completed in two phases:

(i) Develop and consult on the substance of a new strategic direction for 2010-2015; and

(ii) Based on that substance, develop and consult on funding and structural options to enable IOSCO to implement the new Strategic Direction.

Phase I will be completed shortly following two rounds of consultation with the membership and other international organisations. Relevant resolutions will be put to the IOSCO Presidents Committee for adoption in June 2010.

Phase II has commenced with the internal consultation on funding options, and is expected to be complete in time for related resolutions to be put to the Presidents Committee in April 2011.

18. 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. In February 2003, the Executive Committee approved 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 prioritised. 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.

IOSCO has also undertaken a review of its Principles and Methodology in order to identify and address possible gaps. A progress report was presented to the October 2009 Technical Committee, while the actual full review will be presented to the June 2010 meeting of the Technical Committee.

19. 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/

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 2010 include:

- A workshop on risk-based supervision for securities regulators, which took place in San Jose, Costa Rica, on 26-29 January. The workshop was developed with the technical support from the IMF and FINRA, the self-regulatory organisation of the US Securities markets. The workshop was designed for staff with responsibilities on supervision of securities firms and products (brokerage firms, fund managers) and was conducted in Spanish, with English translation.
- TIFS (Training Initiative for Financial Supervision) – IOSCO Seminar – Supervisory Review and Evaluation Process (SREP) – Process and Risk Management – Investment Market Case, held on 14-16 April 2010 in Warsaw, Poland.
- Regionally based seminars:

  - The first European mobile Seminar Training Program (STP) was hosted by the Capital Markets Board of Turkey on 27-29 May.
  - The first Asian Pacific mobile STP will be hosted by the Chinese Taipei Commission from 29 June to 2 July.

- The annual STP which will be held at IOSCO, Madrid on 19-22 October on "*Understanding New Financial Products and the Regulatory Implication of those Products*."
- The Investor Education Seminar co-sponsored with the International Forum for Investor Education (IFIE) on 8-9 November in Cairo.
- Another seminar (theme yet to be confirmed) to be jointly organised with the Financial Stability Institute on 16-18 November in Madrid.

20. 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 2009 to include the updated *Guidelines for Pension Fund Governance* while replacing the related Core Principle on Supervision by IOPS. A compendium of all OECD guidelines and the revised Core Principles was 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 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. A revised version of these principles is scheduled for approval at the 2010 IOPS AGM. The IOPS ongoing work focuses on risk-based supervision, including the development of a toolkit which is also scheduled to be launched at the 2010 AGM.

21. Taxation of the Financial Sector

Agency: IMF

Contact information: IMF, Monetary and Capital Markets Department, Financial Sector Oversight Division, Michael Moore (mmoore@imf.org)

Target date: June 2010

Brief description: The IMF was given the task by the G20 to present, by June 2010, a document presenting a range of options countries can adopt as to "how the financial sector could make a fair and substantial contribution toward paying for any burden associated with government interventions to repair the banking system." This options paper analyses the costs incurred in the latest crisis and proposes forward looking tax measures to reduce the probability and the cost of future financial crisis.

22. Cross-border Resolution

Agency: IMF

Contact information: IMF, Monetary and Capital Markets Department, Financial Sector Oversight Division, Ceyla Pazarbasioglu (cpazarbasioglu@imf.org)

Target date: Ongoing

Brief description: The IMF is currently examining the principal legal and policy issues that arise in the insolvency of cross-border financial groups, and the approaches that could be taken in addressing them. It plans to lay out proposals for the design of an international framework governing the insolvency of a cross-border financial group in mid-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. Since October 2009 the FATF has been working to prepare for its fourth Round of mutual evaluations, including reviewing certain aspects of the FATF Standards and Methodology. This exercise is due to continue until October 2011.

In January 2005 the FATF commenced a third round of mutual evaluations of its members' compliance with the 40+9 Recommendations. Currently, reports on Aruba (Netherlands), Australia, Austria, Belgium, Canada, China, Denmark, Finland, two GCC members (UAE and Qatar), Germany, Greece, Hong Kong, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, New Zealand, 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 130 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), and this important issue remains under regular review. Better quality and consistency will also 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 2008 and 2009 covering all designated non-financial businesses and professions (DNFBPs) as well as the insurance sector and money services businesses. Over the last 12 months, the FATF has also actively used its Consultative Forum as a venue to engage with the private sector and to discuss issues and ideas raised by private sector organisations and associations, as well as to get feedback on relevant policy issues.

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. The most recent such report dealt with money laundering through free trade zones, in the casinos and gaming sector and in the securities sector. Consultation with the private sector is 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 October 2009 the FATF issued a public testament urging financial supervisors and financial institutions to focus on the transparency of cover payments and all cross-border wire transfers. In 2010 the FATF has also adopted two new Best Practices Papers – one dealing with the issues of confiscation of criminal proceeds, both domestically and in relation to international cooperation, and second paper covering FATF Special Recommendation IX and the need for effective systems to declare or disclose cross-border carriage of cash and bearer-negotiable instruments. Very recently, the FATF also issued a status report on its ongoing work on proliferation financing.

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. In February 2010 two new public statements were issued that covered a number of jurisdictions though not all with the same level of deficiencies:

- FATF called on its members and other jurisdictions to apply countermeasures to Iran.
- FATF called on its members to consider the risks associated with: Angola, Democratic People's Republic of Korea, Ecuador and Ethiopia (jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan to address key deficiencies).
- Jurisdictions previously publicly identified by the FATF as having strategic AML/CFT deficiencies, which remain to be addressed: Pakistan, Turkmenistan, and São Tomé and Príncipe.

In addition, and as part of its ongoing review of compliance with the AML/CFT standards, the FATF identified 20 jurisdictions which have strategic AML/CFT deficiencies but which have developed an action plan with the FATF, and where each jurisdiction has provided a written high-level political commitment to address the identified deficiencies.

In April 2010 the FATF has provided an update report to the G20 Finance Ministers and Central Bank Governors on the action it has taken regarding international cooperation (as noted above), on ongoing work to strengthen the FATF standards to help combat corruption, and on other important areas where progress is being made.

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 4286); 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 Methodology.[5] The Fund plans to conduct about 6 new assessments by December 2010; and the Bank will conduct 1 new assessment by December 2010. Additionally, the Bank is currently planning 5 new assessments with dates to be finalised.

- **Technical Assistance:** The two institutions have also continued a high level of AML/CFT technical assistance (TA) activity. Since June 2009 the Fund delivered bilateral TA to 38 jurisdictions, hosted 8 regional workshops, and participated in 6 workshops organised by other bodies. Between 1 July and 31 December 2009, the Bank delivered 50 events and missions, including 39 bilateral TA missions and 11 regional training events. These missions and events covered a wide range of topics and activities including legislative drafting and desk reviews of laws and regulations, financial supervision, issues specific to institutional and regulatory frameworks, customer due diligence, FIUs, precious metals and stones, and training of the judiciary. Requests for support in developing national AML/CFT strategies and risk assessments have increased in response to recommendations made during assessments or mutual evaluations. Both the World Bank and the IMF also continue to conduct both training for assessors, and for countries that will undergo an assessment, independently or in conjunction with FATF and FATF Style Regional Bodies (FSRBs). Fund and Bank have supported and participated as trainers in assessor training events organised by the APG, CFATF, EAG, ESAAMLG, GAFISUD, GIABA, MONEYVAL and MENAFATF.
- **Outreach:** Fund and Bank staff have participated in 10 and 31 events, respectively. This includes conferences, donor coordination meetings, global dialogues, outreach to the private sector, and FATF and FSRB plenary and working group meetings.
- **IMF Multi-Donor Topical Trust Fund for AML/CFT TA**: The Fund began implementing a new model of externally financed TA delivery in May 2009. The new model involves multiple donors contributing to and being involved in governance and oversight of trust funds. The first such Tropical Trust Fund (TTF) to become operational is a trust fund to support TA and research and analysis on AML/CFT. 11 countries – Canada, France, Korea, Kuwait, Luxembourg, the Netherlands, Norway, Qatar, Saudi Arabia, Switzerland and the United Kingdom – have pledged almost 30 million US$ over five years to contribute to the strengthening of global AML/CFT regimes. Program planning is subject to approval by a Steering Committee comprised of donors and

[5] Armenia, Austria, Bahrain, Belarus, Bermuda, Botswana, Burkina Faso, Cambodia, Cameroon, Cape Verde, CEMAC, Comoros, Denmark, Djibouti, Egypt, Fiji, Germany, Gibraltar, Greece, Haiti, Honduras, Hungary, Isle of Man, Italy, Jersey, Latvia, Liechtenstein, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mexico, Namibia, Niger, Pakistan, Palau, Panama, Paraguay, Philippines, Qatar, Rwanda, Senegal, Sierra Leone, Solomon Islands, St. Vincent & the Grenadines, Sudan, Tajikistan, Thailand, Tunisia, Uganda, United Arab Emirates, Uruguay, and WAEMU.

coordinated with interested parties, including FSRBs and other providers. During year one of the TTF 11 projects were initiated in 9 countries. In its second year of operation the Trust Fund is expected to further expand its delivery of TA.

- **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. For example, collaboration between the Bank and the United Nations Office on Drugs and Crime (UNODC) is ongoing, with emphasis on the joint mentor work in Central Asia and South East Asia. The terrorist financing working group of the Counter Terrorism Implementation Task Force (CTITF) comprising staff from the Fund, Bank, UNODC, the 1267 Monitoring Team, the UN Counter-Terrorism Executive Directorate, and Interpol completed its report. The report represents a distillation of two years of review and analysis and was published on the UN website[6] in January 2009 in advance of a briefing to the United Nations General Assembly that took place in March 2009. It contains a total of 36 findings and 45 recommendations that are intended to help Member States increase the effectiveness of efforts to combat the financing of terrorism. A preliminary action plan for the implementation of the findings and recommendations of the 2009 report was prepared by Fund staff. Going forward, the action plan sets forth concrete follow-up initiatives, the implementation of many of which would benefit from the working group members' input, in cooperation with other parties and Member States, while others could be implemented directly by Member States and other interested parties. The working group will agree in the period ahead on the prioritisation and sequenced implementation of the various follow-up actions.

- **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. As indicated above (see paragraph 18 in section (iii)), the Bank published several bilateral remittance corridor studies, aimed at improving the integrity of respective remittance markets. Additionally, as a result of the report issued by the terrorist financing working group of the CTITF, the Bank published two papers: "*New Technologies, New Risks? Innovation and Countering the Financing of Terrorism*" and "*Alternative Remittance Systems and Terrorism Financing: Issues in Risk Management*." The former paper explores how money flows through financial and communication technologies, the risks they pose,

[6] http://www.un.org/terrorism/pdfs/wg5-financing.pdf

http://www.worldbank.org/amlcft). The Bank is also working on developing a paper on good practices to investigate and prosecute illegal logging using AML and confiscation laws. This paper will identify some of the key problems involved in investigating and prosecuting illegal logging cases; and explore the use of money laundering and confiscation as an investigative and prosecutorial tool. Fund staff is completing the third in a series of handbooks that address AML/CFT issues. The publication of a practical guide on confiscating proceeds and benefits of crimes and freezing and confiscating terrorist-related assets is expected in 2010. Fund staff is also working on a theoretical framework paper on the analysis of money-laundering risk and on mechanisms for computing the component elements of that risk. The relationship of criminal and underground markets to the financial sector and the real economy is a second area of Fund interest and staff is working on case studies which will feed into a theoretical model of the economy that includes the financial flows associated with criminal transactions. Work on developing a measure of AML/CFT effectiveness and collecting appropriate data is also underway. A paper on the Fund's AML/CFT program for the IMF's Executive Board is scheduled to be completed by Fund staff later in 2010.

- **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. For example, the Bank and the UNODC have conducted financial investigation and asset seizure courses; and trained officials on operational aspects of asset recovery. Additionally, the Bank and the UNODC have delivered regional workshops on strengthening cooperation on asset recovery. Lastly, the Bank published a policy paper on Politically Exposed Persons (PEPs). This paper, which is available on the bank's website, aims to improve recommendations and guidance in order to improve compliance with international standards for identifying and monitoring PEPs. The paper also provides good practices and advice regarding effective regulation and implementation of internal controls, processes, and tools used to identify and monitor PEPs. To see more details on StAR, visit http://www.worldbank.org/starinitiative.

(viii) Offshore Financial Centres (OFCs)

1. Offshore Financial Centre Assessments

   Agency: IMF

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

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 AML/CFT 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 18 jurisdictions; and 29 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.

In July 2008, the Executive Board of the IMF 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, including data on international investment positions and balance of payment transactions. Some OFCs have indicated interest in participating in the 2009 CDIS; and some participate in the CPIS initiative, although the levels of participation can be improved. The 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; and CDIS information is available at http://www.imf.org/external/np/sta/cdis/index.htm.

3. 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: Ongoing

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.

On the occasion of the London Summit in April 2009, the OECD issued a Progress Report on the implementation of the internationally agreed tax standard for the 84 jurisdictions that participate in the Global Forum on Transparency and Exchange of Information for Tax Purposes, showing who was compliant and who was not. Since then almost 400 agreements (256 Tax Information Exchange Agreements – TIEAs and 142 Double Tax Conventions – DTCs) have been signed or brought up to the standard by jurisdictions which were considered not to have substantially implemented the standard in April 2009.

The Global Forum now has over 90 members. It has adopted key principles, which are the foundations of an in-depth peer review process which will be carried out in two phases. These principles are encapsulated in *Terms of Reference* and *Methodology and Assessment Criteria* notes which are publicly available (http://www.oecd.org/tax/transparency). The Global Forum has also agreed a schedule of reviews.

18 reviews were launched on 1 March 2010. The Peer Review Group will meet in July 2010 to examine the first draft reports which will be submitted for adoption at the next Global Forum meeting in Singapore. From then, it is expected to deliver more than 40 reviews each year. Phase 1 reports will determine whether a jurisdiction has put in place the elements necessary to achieve effective exchange of information or whether it has failed to do so. The reports will also include recommendations for improvement. Phase 2 reports will focus on jurisdictions' exchange of information in practice and will ultimately provide a rating of the jurisdictions' compliance with the standard (from Compliant to Non Compliant). The OECD will develop further its toolbox of countermeasures against non-cooperative jurisdictions. The OECD is also providing technical assistance to jurisdictions to assist them in the implementation of the standards and has developed multilateral instruments and processes for negotiation of exchange of information agreements to help speed up the process of implementation.

(ix) E-Finance

1. E-Finance and Debt Management

Agency: OECD

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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 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)
FSB	Financial Stability Board (www.financialstabilityboard.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)