FSB- G20 - MONITORING PROGRESS – UK September 2010 [For Publication in March 2011]

#		G20/FSB RECOMMENDATIONS	DEAD-LINE	PROGRESS TO DATE Explanatory notes: In addition to information on progress to date, specifying steps taken, please address the following questions: 1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? Also, please provide links to the relevant documents that are published.	PLANNED NEXT STEPS Explanatory notes: Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?) Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps? What are the key challenges that your jurisdiction faces in implementing the recommendations?
I. Building high quality capital and mitigating procyclicality					

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1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	As CEBS recently confirmed to GHOS on behalf of the EU, implementation of Basel II provisions via the Capital Requirement Directive – CRD (Directives 2006/48/EC and 2006/49/EC), transposes the Basel II principles into the EU legislation. The CRD was transposed into Member States' legislation and it has been in force since 1 January 2007. The UK remains committed to the Basel Capital framework (which provides minimum standards internationally), including working towards further enhancements. For example, the FSA has published its rules implementing the 'CRD II' amendments package to the CRD which has to be implemented in the EU on 31 December 2010 (Directive 2009/111/EC and Commission Directives 2009/27/EC and 2009/83/EC). And has conducted an initial consultation on a further EU amendments package 'CRD III' - which reflects the July 2009 Basel II revision on trading book and securitisation – with further stakeholder feedback being sought early 2010 to implement by 31 December 2011.	The UK remains committed to working within the Basel Capital framework, including working towards further enhancements.
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	UK supports BCBS agreement of 18 June on Revisions to the Basel II market risk framework. Going forward UK will implement new framework by coordinated start date of 31 December 2011. UK supports BCBS agreement of 18 June on Revisions to the Basel II market risk framework. The FSA has conducted an initial consultation on the EU amendments package 'CRD III' - which reflects the July 2009 Basel II revision on trading book and securitisation – with further stakeholder feedback being sought early 2010 to implement by 31 December 2011.	UK has work plans in place to implement the BCBS July 2009 changes by 31 December 2011. Regarding the BCBS fundamental review the comment period for the FSA's discussion paper DP10/4 ends on 26 November 2010. During this period it plans a series of meetings to discuss the contents of this document with industry groups and other regulators to ensure a wide range of views are received and are therefore able to feed into our discussions at the BCBS. The FSA expects to issue a Feedback Statement in the first half of 2011.

3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	The FSA is closely monitoring UK banks in respect of their capital adequacy and the need to conserve capital where appropriate.	The FSA will closely monitor UK banks in respect of their capital adequacy and the need to conserve capital where appropriate
4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	End-2009 and ongoing	Building on BCBS enhanced stress testing practices, FSA continues to embed stress testing practices as part of its supervisory review processes. Most recently, CEBS published (July 2010) results of the EU-wide stress test exercise. The CEBS exercise showed that the UK banks are well placed to handle further periods of economic stress, as outlined in the macro economic parameters. [In Policy Statement 10/14 we finalised our approach to Capital Planning Buffers which further clarifies our strengthened approach to stress-testing and capital planning buffers.] In addition, some UK banks are supervised against an enhanced supervisory framework in which they are assessed as to whether they are able to withstand a severe stress whilst continuing to maintain adequate financial resources and meet 4% Core Tier 1 at all times. The UK further defined what should count towards Core Tier 1; this takes the UK definition in the direction of the Basel Committee agreement.	The FSA's Policy Statement 09/20 (December 2009) introduced the new reverse stress testing requirement, to be implemented by deposit-takers and most insurers on 14 December 2010, and by eligible investment firms on 28 March 2011.

5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	Support agreement of a non-risk-based leverage ratio that will serve as a backstop to the risk-based measures agreed as part of Basel reforms. In July, Governors and Heads of Supervision agreed to test a minimum Tier 1 leverage ratio of 3% during the parallel run period. Based on the results of the parallel run period, any final adjustments would be carried out in the first half of 2017 with a view to migrating to a Pillar 1 treatment on 1 January 2018 based on appropriate review and calibration.	We expect EU legislation to implement the BCBS agreed standard for a leverage ratio. Domestically we are preparing to implement the 26 July 2010 GHOS agreement that supervisory monitoring of the leverage ratio should begin in 2011.
6	(Pitts) (Tor)	Development of international rules to improve quantity & quality of bank capital	We commit to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012. We agreed that all members will adopt the new standards and these will be phased in over a timeframe that is consistent with sustained recovery and limits market disruption, with the aim of implementation by end-2012, and a transition horizon informed by the macroeconomic impact assessment of the FSB and BCBS.	End-2010, implement over a timeframe that is consistent with sustained recovery and limits market disruption	The UK authorities support July and September GHOS agreements on Basel reforms. The package is designed to strengthen future resilience without restricting the ability of the banking system to support the real economy. Fully committed to implementation timetable, starting January 1 2013.	We expect EU legislation to implement the BCBS agreed standards across capital and liquidity via CRD IV

7	(FSF 2008)	Monitoring of banks' implementation of the updated guidance	II.10 National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices.	Ongoing	The FSA implemented the Principles for Sound Liquidity Risk Management and Supervision through rule changes to our Handbook which came into effect on 1 December 2009. At the start of 2010, the FSA initiated a project to assess firms' compliance with the new liquidity regime's systems and control rules, the first step of which was to ask firm's to self-certify their compliance with these principles via a 'Dear CEO' letter. As a result of the responses received, a further communication was issued in April 2010 to those firm's that had indicated outstanding actions still needed to be completed before they could attest to compliance with the rules. Following an assessment of all of the responses received, a cross-section sample of firms were selected for further work and additional information was requested from them about the arrangements they had put in place to comply with the rules.	The FSA is currently reviewing the additional information supplied by firms. This work is scheduled for completion by in 2011. The next phase of the project will include in-depth, on-site reviews for a selection of firms. The timetable and scope of this next phase of work is expected to be finalised shortly.

8	(Lon)	Development of liquidity framework	The BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.	By 2010	In October 2009, the FSA published final rules to strengthen liquidity requirements for firms significantly. The policy allowed for a phased implementation of the various elements of the regime, differentiated by class of firm. The qualitative aspects of the regime were implemented on 1 December 2009 for most classes of firms. The quantitative and reporting elements were phased in throughout 2010, with the largest firms transitioning on 1 June 2010. These firms were issued with back stop Individual Liquidity Guidance (ILG) from 1 June 2010 which will serve as their regulatory limits until they are issued with firm-specific ILG. The remaining classes of firms transitioned onto the full regime by 1 November 2010. Internationally, the GHOS agreed in September to the introduction of a liquidity coverage ratio on 1 January 2015 and a net stable funding ratio by 1 January 2018.	In terms of our quantitative standards, the FSA has publicly stated it will not seek to tighten standards before economic recovery is sufficiently assured and it remains committed to this. The FSA will make a further announcement on the calibration decision in Q4 2010. [FSA in its calibration statement issued on 18 November 2010 noted that the Basel Committee had moved further towards introducing minimum global liquidity requirements that would be implemented through EU law. And that the FSA would consider how best to calibrate the UK regime once these international proposals have been finalised. It went on to say that FSA does not believe it is appropriate to set industry-wide transition requirements for the UK's larger banks at this stage, although they should expect to at least meet any new international standards by the currently proposed implementation date of 1 January 2015.] The issuance of back stop Individual Liquidity Guidance does not represent a general tightening of liquidity standards across the industry. Once the Basel III proposals are finalised (i.e. once any amendments have been included in to the standard following the observation period), the FSA will undertake a gap analysis of the reforms with a view to making the appropriate changes to our own domestic liquidity standards. The FSA is confident the structure of its UK liquidity regime is sufficiently flexible to allow for the integration of the Basel reforms as implemented through EU law in a timely and consistent manner.

9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	N/A – as this refers to emerging markets.	
10	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	The FSA has established a benchmark for an enhanced capital requirement for the UK monoline subsidiaries it supervises, and without that level of capital no plan for resuming UK business would be acceptable.	The FSA will be reviewing firms' internal capital assessments (and associated risk management and governance), with a view to establishing suitable capital levels for a firm in relation to its specific portfolio if and as they reactivate. Reactivating firms are also expected to develop their internal models ready for approval on implementation of Solvency II on 31 October 2012.

II. Strengthening accounting standards

11	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	The Committee of European Securities Regulators (CESR) has a forum - the European Enforcers Coordination Sessions (EECS) - in which all EU National Enforcers of financial information exchange views and discuss experiences of enforcement of IFRS. A key function of EECS is the analysis and discussion of decisions taken by independent EU National Enforcers in respect of financial statements published by issuers with securities traded on a regulated market and who prepare their financial statements in accordance with IFRS. Extracts from the EECS database of enforcement decisions are published on a regular basis and provide greater transparency for market participants on interpretations provided of unusual cases that they may find useful. The FSA has encouraged the banks, through the BBA, to develop a Disclosure Code which sets out principles and guidance for high quality financial report and which the UK's 7 largest banks applied in 2009 and plan to apply going forward. (See also row 53.) In June 2010 the FSA published a Discussion Paper (DP) '*Enhancing the auditor's contribution to prudential regulation*' (DP10/3) which, among other things, discusses the importance of auditors' professional scepticism from auditors of financial institutions for driving high-quality disclosures - particularly for areas that require significant management judgement – and suggests ways in which the application of auditor scepticism could be enhanced.	Ongoing. The comment period for DP10/3 ends on 29 September.

12	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	The FSA has consulted on changes to its Handbook which implements proposed changes to the EU's Capital Requirements Directive in this area. These will implement new requirements with the Basel Committee amendments to its prudent valuation framework.	31 December 2010: Implementation date.
13	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	The IASB continues to consult on ways to improve the accounting for financial instruments. Since the issue of a new standard (IFRS 9) on the classification and measurement of financial assets and an exposure draft on financial assets impairments in November 2009, the IASB has issued exposure drafts on the classification and measurement of financial liabilities (May 2010) and on measurement uncertainty analysis disclosure for fair value measurements (June 2010). Further exposure drafts, on hedge accounting and netting, are expected during 2010. In response to the IASB's proposals on financial asset impairments, the Basel Committee on Banking Supervision developed an expected loss provisioning model designed to be integrated into the IASB's proposals on financial asset impairments.	The FSA will continue provide input to the Basel Committee and IASB initiatives in this area, where necessary, through its membership of the Basel Committee Accounting Task Force as well through other international and European bodies.

14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	Firms have continued to enhance their risk disclosures in their published annual reports. The Committee of European Banking Supervisors (CEBS) recently undertook an analysis of banks' annual (2009) and Pillar 3 disclosures. The reports on both were published in June 2010. CEBS has also published (in April 2010) '*Principles for disclosures in times of stress (Lessons learnt from the financial crisis)*' - a set of disclosure principles that reflect the lessons learnt from the financial crisis and assist institutions in improving the quality of their public disclosures. The FSA's Discussion Paper (DP) on banks' disclosures (published in October 2009) proposed ways to enhance disclosure and introduced an industry-badged code for financial reporting (the BBA Code), which the UK's largest banks applied in their 2009 annual reports. *[Ref: DP09/5]* In September 2010 the FSA published the Feedback Statement to this DP which further enhances the BBA Code by including an explicit commitment for these banks to meet with the FSA to discuss disclosure matters in advance of each annual and interim (half-year) reporting period. The EU passed a package of amendments to the CRD ('CRD II' via Directive 2009/111/EC) which included requirements for enhanced disclosure of securitisations alongside retention ("skin in the game") requirements. These requirements go beyond and so implement what was subsequently incorporated into the July 2009 Basel trading book and securitisation revisions. The FSA has published its rules for the 'CRD II' amendments which must be implemented on 31 December 2010. A further EU amendments package 'CRD III' - which reflects the July 2009 Basel II trading book and securitisation revisions – will further enhance the Pillar 3 disclosure by institutions of their securitisation positions and regulatory capital requirements thereon.	The FSA has established a team of accounting review specialists to monitor and analyse financial reporting by larger banks and identify areas of interest therein that may impact the FSA's prudential supervision or the operation of market discipline. Based on this ongoing work, the FSA will continue to keep under consideration the appropriateness and desirability of further policy initiatives to strengthen disclosure. In the EU the Committee of European Ban king Supervisors (soon to be European Banking Authority) is consulting upon guidelines for the securitisation provisions in CRDII, which include elements of disclosure.

III. Reforming compensation practices to support financial stability						
15	(Lon) (Pitts) (Tor)	Implementation of FSB/FSF compensation principles	National supervisors should ensure significant progress in the implementation of FSF sound practice principles for compensation by financial institutions by the 2009 remuneration round. We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end, We call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011.	End-2010	The FSA published its first proposed set of rules on remuneration ('the Code') in mid-2009, and brought them into effect from 1 January 2010. The requirements of the Code were enforced in respect of 27 major firms, who were not permitted to communicate or distribute their 2009 remuneration without the FSA's approval. In July 2010 the FSA published a Consultation Paper (CP) proposing revisions to the Code to incorporate legislative changes, both at EU level (the Capital Requirements Directive (CRD3)) and at UK level (provisions of the Financial Services Act, passed in April 2010). [In October 2010, a second CP was published with regard to the CRD3 provisions on remuneration disclosure. Following on from the two CPs, the FSA published two Policy Statements in December 2010 setting out the new Code: (http://www.fsa.gov.uk/pages/Library/Policy/Policy/2010/10_20.shtml) and the new disclosure requirements: (http://www.fsa.gov.uk/pages/Library/Policy/Policy/2010/10_21.shtml) Both sets of rules came into effect as of 1 January 2011.] The FSA's policy work and engagement with firms has been consistent with the FSB's Principles and Standards.	The new revised Code applies to over 2,500 firms (compared to 27 major firms for 2009). These firms range from major banking groups to small asset management firms with less than 10 staff. In line with CRD3, the FSA is taking a proportionate approach to the application of the Code, whereby large higher-risk entities will face more onerous requirements than small lower-risk entities. Implementing the details of this approach will be a key focus of activity over the coming months. It is intended that the details will be finalised and in place by April 2010. The FSA is also working to integrate the rules and requirements of the Code and the disclosure rules into the day-to-day framework of supervision. This will need to take account of forthcoming structural changes of financial supervision in the UK.

16	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	As above	As above
IV. Improving OTC derivatives markets						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	Autumn 2009	The target for establishment of clearing was achieved by mid 2009 including all relevant regulatory approvals. Increased standardisation of settlement (Big and Small Bang Protocols) and contract terms for CDS (including standardisation of coupons) was achieved in July 2009.	These actions points are completed.

18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.	By end-2012 at the latest	Many standardised OTC derivatives are traded via electronic trading platforms already. Currently the UK members of the G14 OTC derivative dealers are submitting 96% of eligible trades for clearing for both interest rate and credit derivatives. Industry commitments and targets in this respect are monitored by the OTC Derivatives Supervisors Group which includes the FSA. The latest commitment letters can be found at http://www.newyorkfed.org/newsevents/news/markets/2010/100301_letter.pdf; and http://www.newyorkfed.org/newsevents/news/markets/2010/100301_table.pdf The G14 have been reporting data on credit derivatives to a trade repository since Q3 2009. The dealers began reporting to an interest rate trade repository in January 2010 and an equity derivative trade repository in July 2010.	The FSA, as part of the OTC Derivatives Supervisors Group, will continue to work with G14 dealers to increase standardisation across products and encourage them to also expand clearing. New commitments from the G14 OTC derivative dealers are expected to be agreed in Q1 2011. The FSA continues to work with clearing houses on proposals to expand the range of products available. This expansion will be subject to regulatory approval and oversight. The European Commission has published a legislative proposal in mid September (Regulation on OTC derivatives, central clearing and trade repositories) which will make clearing of certain OTC derivatives a mandatory obligation, and reporting of OTC derivatives to trade repositories mandatory. In Q4, the FSB will publish a report on the challenges of meeting the G20 commitment with respect to OTC derivatives, and progress so far. The UK has participated in the Working Group producing this report. A separate group led by IOSCO and the FSA will do further analysis on issues related to trading.
V. Addressing cross-border resolutions and systemically important financial institutions						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	Consolidated supervision is an integral part of the FSA's prudential supervision.	Consolidated supervision is an integral part of the FSA's prudential supervision.

20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010	The UK authorities are working with the FSB, Basel Committee and other relevant standard setters to develop an internationally-agreed framework for addressing the risks arising from systemically-important financial institutions (SIFIs). This will take into account various tools for reducing the risks from such firms to acceptable levels (including higher prudential requirements, better resolution arrangements and enhanced supervisory requirements). Specifically, the Bank of England and the FSA are working with the FSB and international partners on taking forward crisis management groups (CMGs) for the most internationally-active banking groups pursuant to the FSF's Principles for Cross-Border Coordination on cross-border crisis management. CMGs have been established for the largest UK-incorporated banking groups. An FSA pilot project on recovery and resolutions plans involving a small number of large cross-border banks is currently in progress and will contribute to the development of UK and international policy in this area. The FSA's is also actively involved as a host supervisory authority in a number of crisis management groups. The Macro Prudential Group of the BCBS is working on finalising a policy proposal for a differentiated regulation of systemically important banks, such increased capital requirements. The FSA's Financial Stability Director is co-chairing the working group.	The UK authorities remain committed to this work and are closely involved with FSB work on SIFIs – with Adair Turner chairing the FSB's Standing Committee on Supervisory and Regulatory Cooperation and Paul Tucker chairing the FSB's Cross-border Crisis Management Working Group. The Government has established an Independent Commission on Banking under the chairmanship of Sir John Vickers. The Commission is examining the structure of banking in the UK, including: • systemic risk and the problems posed by large universal banks; • mitigating moral hazard in the banking system; • reducing both the likelihood and impact of firm failure; and • competition in retail and investment banking. The Commission published an issues paper on 24th September 2010 and it is expected to publish its final report by the end of September 2011.

VI. Strengthening adherence to international supervisory and regulatory standards.						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas. We are committed to strengthened adherence to international prudential regulatory and supervisory standards.	Ongoing	Following the adoption of its mutual evaluation report by the FATF in June 2007, the UK was placed onto the regular follow-up process pending measures to address the key deficiencies. In October 2009, the UK was judged to have moved into satisfactory compliance with the core and key FATF Recommendations, and was therefore removed from the regular follow-up process. The UK complies with international standards of information exchange in tax matters; we have a wide network of exchange of information agreements covering relevant partners.	A representative from the FSA is co-chairing the Middle East and North Africa region sub-group of the FATF's International Cooperation Review Group (ICRG). The ICRG project is ongoing and the UK intends to contribute very actively throughout its duration. The FSA has also provided assessors for a significant number of the peer reviews undertaken by the FATF and the regional bodies in recent years. The FSA has also taken a seat on the relevant FSB groups to provide input on behalf of the FATF. The UK is due to undergo its Peer Review towards the end of 2010. The UK has a long history of exchange of information; our experience in exchange of information should stand us in good stead for the Peer Review. Work is already underway to complete the questionnaires for our review.
22	(Lon)	Periodic peer reviews	FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing	The UK authorities are committed to this objective and are actively engaged through the FSB's Standing Committee on Standards Implementation, its Expert Group and through the participation of FSA staff in FSB country and thematic reviews.	We expect to continue to support future review work where we are able to provide relevant expertise.
23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	The UK is committed to this objective and an FSAP review will take place in 2011.	The UK will have an IMF FSAP review in 2011 and preparatory work to ensure the effectiveness of this exercise has started.

24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing	The FSA attaches importance to well constructed international guidance covering a range of supervisory issues. While these are not the sole examples, work by the Basel Committee in respect of liquidity, by the Senior Supervisors Group in the area of risk management and the FSB covering remuneration have been particularly informative.	The FSA will continue to monitor the application of codes and standards. Given the number of codes and standards in operation, it is also important that future peer reviews (see row 22) should target compliance issues that are judged most material.
VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
25	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	The UK authorities work to monitor and address risks across the financial system.	In July 2010, the Treasury issued a consultation paper: *A new approach to financial regulation: judgement, focus and stability*. The document outlines plans to provide a dedicated focus on macro-prudential analysis and action, to ensure that risks developing across the financial system as a whole are identified and responded to. Through legislation, the Government will create a new Financial Policy Committee (FPC) in the Bank of England, with primary statutory responsibility for maintaining financial stability. The FPC will be provided with control of macro-prudential tools to ensure that systemic risks to financial stability are dealt with. The Government will seek to ensure the passage of the necessary primary legislation in 2012.

26	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	To supplement its existing powers, the FSA was granted new information gathering powers by the Financial Services Act 2010. On 26 April, the FSA published a consultation paper (CP10/11) outlining (among other things) how it proposed to implement its responsibility to gather information in relation to financial stability from specified categories of both authorised and unauthorised persons to help identify potential threats to UK financial stability. The consultation closed on 25 June, and on 23 July the FSA published its response to the comments received (CP10/18). The power went live on 6 August.	The power is now live and its use will be considered as part of the FSA's ongoing efforts to meet its statutory objective of contributing to UK financial stability. The Treasury's July 2010 consultation paper, *A new approach to financial regulation: judgement, focus and stability*, outlined proposals for a new regulatory architecture in the UK. This will include appropriate arrangements for the information gathering and sharing by the new regulatory bodies, The Government will seek to ensure the passage of the necessary primary legislation in 2012.
27	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing		In July 2010, the Treasury issued a consultation paper: *A new approach to financial regulation: judgement, focus and stability*. The document was published to gather views on the Government's proposals to reform the UK's financial regulatory framework. These proposals include the creation of a new Financial Policy Committee (FPC) in the Bank of England, with primary statutory responsibility for maintaining financial stability; the creation of a new Prudential Regulation Authority as a subsidiary of the Bank of England; and the creation of a consumer protection and markets authority. The Government will seek to ensure the passage of the necessary primary legislation in 2012.

28	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	FSA and Bank of England monitor leverage at system-wide and sectoral (financial, household, non-financial corporate) levels as part of their macroprudential analysis work. The Bank and the FSA are fully engaged in the work of the Basel Committee and the FSB to develop framework for addressing leverage.	In July 2010, the Treasury issued a consultation paper: *A new approach to financial regulation: judgement, focus and stability*. The document was published to gather views on the Government's proposals to reform the UK's financial regulatory framework. These proposals include the creation of a new Financial Policy Committee (FPC) in the Bank of England, with primary statutory responsibility for maintaining financial stability. The FPC will have control of specific macro-prudential tools to fulfil its objective. The interim FPC, to be established this autumn in advance of the statutory body, will work with the Treasury to develop the macro-prudential toolkit.
29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	The Bank of England actively monitors asset price developments consistent with its remit for both monetary and financial stability. This is also part of the FSA's ongoing market surveillance and risk management process.	Continue surveillance and collaboration. The FPC will, as part of its responsibility for maintaining financial stability, monitor and address imbalances through the financial system.
30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	A summary of the additional regulatory resources – in terms of funding, staff numbers and specialist skills – can be found in the FSA's Business Plan 2010/11. Within the Plan, the CEO's Report records that an additional headcount of 460 will be recruited by the end of 2010 and that the funding requirement for the current year has risen 9.9% to £454.7mn. This increase in resources is associated with a revised regulatory philosophy and operating model. The new, outcomes-based approach recognises that the FSA will intervene in a proactive way when it believes that the results of a firm's actions will pose risks to its statutory objectives.	In its July 2010 consultation document, the Government outlined its plans to create a Prudential Regulation Authority, to ensure that a new, more judgement-focused approach to regulation of firms is adopted so that business models can be challenged, risks identified and action taken to preserve stability. The Government will seek to ensure the passage of the necessary primary legislation in 2012.

31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	This is an integral part of the FSA's firm-facing ARROW process and has been reinforced as a consequence of its adoption of a more proactive approach to supervision following the financial crisis. Principle 11 of the FSA's Principles for Business Handbook also places a requirement on firms to disclose to the FSA anything relating to their activities for which it would reasonably expect notice. The FSA expects firms to be ready to engage in an early and active dialogue relating to new product development and innovation in product structures.	Ongoing.
32	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	Post crisis, the need for closer collaboration in support of financial stability was widely noted by both Bank and FSA senior management. Extensive cooperation between regulatory and central bank staff occurs across a range of activities, including (but not limited to) crisis management planning, bank resolution, funding profiles and minimum capital standards.	In July, the Treasury issued a consultation paper: *A new approach to financial regulation: judgment, focus and stability*. The document was published to gather views on the Government's proposals to reform the UK's financial regulatory framework, including the creation of a new Prudential Regulation Authority as a subsidiary of the Bank of England. The PRA will be chaired by the Governor of the Bank of England. A new Deputy Governor for prudential regulation will be chief executive of the PRA. By integrating the PRA's most senior management with that of the Bank, the Government intends that the supervision of UK financial firms will benefit from the expertise, experience and credibility of the central bank.

Hedge funds						
33	(Lon)	Registration of hedge funds	Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.	End-2009	Hedge fund managers are already subject to supervision by the FSA. The FSA has started to undertake a biannual survey of hedge fund managers (comprising 50 large UK-based managers) to determine inter alia: - the size of funds' 'footprints' in the market, including measures of leverage and risk; - the scale of any asset/liability mismatch; - substantial market or asset class concentration and liquidity issues; and - credit counterparty risks between hedge funds and other market participants.	The FSA will continue to develop its hedge fund manager survey in line with legislative changes at national and/or EU level and consistent with standards set by international regulatory bodies including IOSCO. Treasury is currently negotiating the Alternative Investment Fund Managers Directive which will require certain disclosure of systemically relevant information from all alternative investment fund managers, including hedge fund managers, caught within its scope. The FSA has also announced that it is working with the SEC (the other major hedge fund manager domicile) to develop a common framework for the collection and sharing of systemic information.
34	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	N/A	N/A

35	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	The FSA has for many years undertaken a hedge fund as counterparty survey to determine the counterparty exposures of the prime brokerage arms of the major investment banks. This survey is used alongside other supervisory tools to enable supervisors to identify exposures which may give rise to concern and to assess the effectiveness of counterparty risk management.	The FSA will continue to develop its hedge fund as counterparty survey and continue to integrate the analysis of this with the analysis undertaken of the hedge fund manager survey.
36	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	The FSA participates in the annual Prime Brokerage Survey which provides information on how much the large investment banks lend; how leveraged their positions are, the quality of the collateral, etc. It also serves to provide an indication of the totality of its relationships (including non Prime Broker) and counterparty exposures. The FSA introduced a hedge fund manager survey in October 2009 to assess and mitigate the potential systemic risk of this sector. One important aim of the hedge fund manager survey is to understand the use of leverage by hedge fund. It does this by gathering information on the channels through which hedge funds can borrow money (e.g. collateralized borrowing through prime brokerage agreements, sale and repurchase agreements or synthetically using instruments such as swaps or contracts for differences) and the counterparties through which they borrow.	The FSA continues to work with IOSCO task force members to create a common standard hedge fund manager survey for ease of comparability and aggregation of data across jurisdictions. The FSA will run the hedge fund manager survey for a third time this October 2010 and will aim to provide IOSCO with aggregate results by the end of 2010.
Credit rating agencies						
37	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	The EU Regulation on CRAs, which is broadly based on the IOSCO Code, entered into force on 7 December 2009. This requires all CRAs established in the EU, and those based in third countries who wish their ratings to be used for regulatory purposes in the EU, to be subject to registration and supervision within the EU.	Applications for registration have been received for all CRAs that are used for regulatory purposes in the UK. Colleges have been formed to process these applications and we expect the process to finish in Q3 2011.

38	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	The EU Regulation on CRAs, which is broadly based on the IOSCO Code and entered into force on 7 December 2009, contains provisions on conflicts management, differentiation of structured finance ratings, transparency of rating methodologies and other disclosure requirements. The FSA is the UK's competent authority for CRA oversight and therefore the home authority for all CRAs located in the UK.	In accordance with the Regulation, CRAs have been required to be in compliance with the Regulation since 7 September 2010. CRAs that are registered will be subject to ongoing supervision which may involve sanctions in the case of a breach with the Regulation.
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	The FSA has engaged with the work on CRAs undertaken by the FSB and IOSCO (which has formed a standing committee on CRAs (SC6)) and will continue to do so. The IOSCO CRA Principles have been revised to take into account the emerging consensus regarding regulatory concerns that the financial crisis raised.	IOSCO SC6 is currently engaged in additional work focusing on internal controls and management of conflicts of interest.

40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	The Basel Committee published enhancements to the Basel II framework in July 2009 which require investors to explicitly undertake due diligence before investing in securitisation. In the EU, although the Basel July 2009 trading book and securitisation revisions are generally to be implemented via the CRD III amendments package, these due diligence elements were already introduced via the CRD II amendments package which needs to be implemented on 31 December 2010. These amendments met the objectives of ensuring investors make independent judgement of risk and perform due diligence. However the amendments do not directly address the role of ratings in regulations.	A high-level working group of the FSB is working on a set of draft principles to reduce reliance on CRA ratings. The FSA will monitor and review firms' compliance with the new CRD requirements around retention, due diligence and disclosure.
Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	Colleges were established prior to mid 2009 for all major UK cross-border firms consistent with FSB guidance as well as for a number of other firms where the FSA felt this was desirable.	The FSA will continue to work to deepen those college arrangements we have in place for the largest UK firms. These meet periodically on a face-to-face basis but contact between us as home supervisor with various host countries can take place significantly more frequently, depending on the issues under discussion.
42	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	The FSA has formal information gateways in place to cover all most key host relationships.	The FSA will continue to develop and widen our set of memoranda of understanding to ensure that it has workable gateways with all relevant material host supervisors.

Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Immediate	The UK is working with the FSB and international partners on taking forward crisis management groups for the most internationally-active banking groups pursuant to the FSF's Principles for Cross-Border Coordination on cross-border crisis management. CMGs are now operational for four major cross-border banks.	Ongoing
44	(Pitts)	Development of contingency and resolution plans by SIFIs and the establishment of crisis management groups etc.	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress.	End-2010	An FSA pilot project on RRPs involving a small number of large UK banks is currently underway and will contribute to the development of UK and international policy in this area.	The FSA will continue to develop those crisis management groups where it acts as the home authority and seek to ensure that this links closely to its work on recovery and resolution.

45	(Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.	Ongoing	The UK authorities have participated actively in the work on the FSB and the Basel Committee to develop a better understanding of the legal and operational constraints to managing an orderly resolution process for a major cross-border firm. The Cross-border Crisis Management Working Group, chaired by Paul Tucker, has been considering outputs from the crisis management groups and has identified a number of practical impediments to resolution of complex cross-border firms and has been considering how to address them. Its conclusions will feed into the FSB's report on tackling the risks posed by SIFIs, which will be transmitted to G20 Leaders ahead of their November 2010 Summit. The UK implemented a new Banking Act in February 2009. This establishes the legal framework for a Special Resolution Regime, which gives the UK authorities a variety of tools to resolve a failing bank or building society (a private sector purchaser tool; a bridge bank tool; Temporary Public Ownership (TPO); and new bank insolvency and bank administration procedures).	The UK authorities expect to continue to engage closely in international work to deepen recovery and resolution procedures for SIFIs and that this will have a major cross-border dimension. In September 2010 the UK issued a consultation document entitled: *Special administration regime for investment firms.* This new administration regime will ensure that the administration of an investment firm is managed with due regard to the return of client assets, reconciliation of counterparty positions, and maximisation of returns for creditors. The Government will take forward the necessary legislation by February 2011.
46	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	On the basis of an informal review the Financial Services Compensation Scheme is compliant with these principles.	

Risk management						
47	(WAP)	Development of enhanced guidance for banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	The FSA is committed to developing improved guidance on risk management and is engaged in the work of number of international bodies in this area, including the FSB, BCBS, and the Senior Supervisors Group. Its more proactive supervisory model is intended to challenge firms' business models and potential weaknesses in risk management practices prior to any particular failings crystallizing. In addition the FSA is about to consult on a series of papers on Operational Risk Management Guidance ('Enhancing TSA Frameworks') developed for firms using the TSA methodology to determine the Operational Risk Capital Requirement.	[Finalised guidance on 'Enhancing TSA Frameworks' published in February 2011.]
48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Since September 2008, the Financial Services Authority (FSA) has: - greatly increased the use of stress tests as an integral element of its ongoing supervisory approach. - embedded this revised approach in its intensive supervisory regime. The FSA's approach to stress testing, similar to many other countries, consists of firms' own stress testing, FSA stress testing of specific high impact firms and simultaneous system-wide stress testing undertaken by firms; these are interlinked and mutually reinforcing. To support these, the FSA undertakes the following activities: policy setting of firms' stress testing requirements; setting stress scenarios and monitoring and aggregating stress test scenarios and results.	The FSA published a Policy Statement on capital planning buffers in September 2010, in order to provide clarity to firms as to how and when buffers should be held and used. The FSA will also work with firms to implement the new reverse stress testing requirement described under point (4) above.

49	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	Continued stress testing of banks and building societies against FSA interim capital framework.	Ongoing stress testing incorporated into regular FSA supervision, forming part of regular supervisory oversight.
50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.	During 2010	The UK has consulted on, and made final rules for, the CRDII amendments that are the EU's implementation of certain new securitisation provisions in the Basel II framework as set out in the BCBS "Enhancements to the Basel II framework" publication of July 2009.	The UK's implementation of the CRDII securitisation requirements came into force on 31 December 2010. The UK will monitor firms' compliance with the new CRD provisions. The UK intends to consult on the CRDIII securitisation changes (that implement changes to the Basel II framework) in Q1 or Q2 2011.
51	(Lon)	Improvement in the risk management of securitisation	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.	By 2010	The FSA has consulted on changes to its Handbook which implement the proposed changes to the EU's Capital Requirements Directive in this area. The FSA Chairs the CEBS Working Group that is producing guidelines on Article 122a of CRDII that covers retention and due diligence.	CEBS intends to publish final guidelines of CRD2 Article 122a by December 2010.
52	(Pitts)	Retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing	The FSA has consulted on changes to its Handbook which implement the proposed changes to the EU's Capital Requirements Directive in this area. The FSA Chairs the CEBS Working Group that is producing guidelines on Article 122a of CRD2 that covers retention and due diligence.	The BCBS Ratings and Securitization Working Group has produced a paper on principles for effective securitization retention.

53	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	Firms have continued to enhance their risk disclosures in their published annual reports. The Committee of European Banking Supervisors (CEBS) recently undertook an analysis of banks' annual (2009) and Pillar 3 disclosures. The reports on both were published in June 2010. CEBS has also published (in April 2010) '*Principles for disclosures in times of stress (Lessons learnt from the financial crisis)*' - a set of disclosure principles that reflect the lessons learnt from the financial crisis and assist institutions in improving the quality of their public disclosures. The FSA's Discussion Paper (DP) on banks' disclosures (published in October 2009) proposed ways to enhance disclosure and introduced an industry-badged code for financial reporting (the BBA Code), which the UK's largest banks applied in their 2009 annual reports. *[Ref: DP09/5]* In September 2010 the FSA published the Feedback Statement to this DP which further enhances the BBA Code by including an explicit commitment for these banks to meet with the FSA to discuss disclosure matters in advance of each annual and interim (half-year) reporting period.	The FSA has established a team of accounting review specialists to monitor and analyse financial reporting by larger banks and identify areas of interest therein that may impact the FSA's prudential supervision or the operation of market discipline. Based on this ongoing work, the FSA will continue to keep under consideration the appropriateness and desirability of further policy initiatives to strengthen disclosure.
54	(FSF 2008)	Strengthening of supervisory requirements or best practices fir investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	The Basel Committee has already published revisions to the Basel II framework which seeks to strengthen the requirements for investors in securitisation. CRD2 (which implements Basel in Europe) implements more detailed proposals in this area. These amendments come into force on 31 Dec 2010.	

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Others						
55	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	**On fiscal policy:** The Budget Report of 22 June 2010 set out the Government's forward-looking fiscal mandate; to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period. The mandate is designed to protect the most productive public investment expenditure and to allow some fiscal flexibility at a time of economic uncertainty. At this time of rapidly rising debt, the fiscal mandate is supplemented by a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16. For the first time the Government's fiscal policy decisions have been based on independent forecasts for the economy and public finances. In advance of the June Budget, the Government created a new and independent Office for Budget Responsibility (OBR). This reform introduces independence, greater transparency and credibility to the fiscal framework and places the UK at the forefront of fiscal institutional reform internationally. The OBR will be put on a permanent footing once the necessary legislation has been introduced in the autumn **On financial sector interventions:** The authorities have incorporated an exit strategy into the design of each of their financial sector interventions. For example, when it was announced, the Bank of England made clear the temporary nature of the Special Liquidity Scheme, which is due to end in January 2012.Similarly, there is a final expiry date for debt issued under the Credit Guarantee Scheme of April 2014. In implementing the exit strategy from other interventions, the Government will seek to enhance financial stability and take into account the robustness of the economic recovery and the resilience of the financial sector as well as intervention-specific criteria (e.g. distortion to *competition, fiscal impact)* in considering whether a given course of action constitutes value for money.	

<u>Origin of recommendations</u>:

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)