FSB- G20 - MONITORING PROGRESS – Mexico September 2011

# *# in brackets are # from the 2010 template*		G20/FSB RECOMMENDATIONS		DEADLINE	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. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Since 2008, Mexico has adopted into its regulatory framework the Basel II guidelines, however, Pillars II and III remain partially implemented. Implementation of operational risks using a Basic Indicator Approach was completed on January 2011. Capital requirements for operational risk were built over a 36 months period (starting on January 2008), 1/36th of the total requirement were monthly provisioned.	Within the implementation process for the Basel III framework in January 2012, the remaining guidelines of Basel II will be addressed. These include: - Internal market risk models (VaR) and proposal to improve market risk (stressed VaR) - Operational risk under the standard approach - Other pending issues relating to Pillar II
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	By end-2011	Regulatory capital requirements in Mexico already consider market risk exposures in the banking and trading books, thus providing enhanced prudential capacity to the capital base.	The National Banking and Securities Commission (CNBV) is undertaking the credit counterparty risk assessment based on the proposal of the BCBS.

			2011 for all elements of the revised trading book rules.			
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	By January 2012, all banking institutions should comply with the Basel III capital standards. Since the current framework already includes certain components of Basel III, we do not expect a significant impact on the capital base of the banking system. As of July 2011, the average Total Capital Ratio (TCR) of the banking system was 16.7% and individually, all banking institutions registered a level above 10%. Also, the new framework for the banking capital will include the implementation of the capital buffers and accordingly, will adapt the early warning mechanism when the total capital ratio goes below 10.5%. As such, most banking institutions in Mexico have wide margin for complying with the 10.5% minimum capital standard. In addition, we have already developed reporting templates for the liquidity requirements and banks should start reporting on a monthly basis by the end of October.	Authorities will analyse the current liquidity situation and will develop an implementation plan for the LCR, potentially starting in 2012. More time will be taken to assess the impact of the NSFR and to allow the BCBS to finish the details on this requirement. Leverage standards will be monitored and calibrated accordingly with the BCBS implementation plan
4 (4, 7, 9, 48)	(WAP) (FSF 2009)	Strengthening supervision and guidelines on 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. 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	Ongoing	Financial authorities in Mexico have developed a prudential regulatory framework for risk management practices and reinforced the supervisory oversight functions to complement global supervision requirements. Additionally, there is work ongoing on: - Internal methodologies to estimate expected losses and loan-loss provisioning on credit portfolio - Regular stress testing to identify potential risks. - Enhancement of the supervision of internal controls processes of banks to reduce the operational and legal risks involved on securities trading activities Since 2008, the National Banking and Securities Commission (CNBV) has	Further steps include the development of methodologies to oversee corporate governance and internal controls for risk management taking into account BCBS recommendations The CNBV is conducting preliminary impact assessments based on the adoption of the new capital, liquidity and leverage standards.

	(FSF 2008) (FSB 2009)		requirement. 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. Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.		conducted regular stress testing scenarios based on inertial and case sensitive analyses. The CNBV is following the BCBS recommendations for stress testing to enhance the capital requirements sufficiency. The central bank conducted a survey on liquidity risk management practices to assess the weaknesses on this topic. Financial authorities are working together in the development of a proposal to strengthen the liquidity regulation. The Central Bank is responsible to issue the regulation for foreign currency exposures, covering three areas of analysis: a requirement of liquid assets to cover net cash outflows during a 60 day period, a limit to the net open position, and a limit to net outflows for the medium and long term. As a result, national banking institutions have significantly lowered their exposure to foreign currency.	
II. Addressing systemically important financial institutions (SIFIs)						
5 (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	The banking law in Mexico was amended in 2006 to include a banking resolution regime for institutions which fail to meet the minimum capital requirements but whose capital is still positive. As part of this process, the banking law sets the establishment of a Financial Stability Committee, chaired by the Ministry of Finance and with the participation of the central bank, the banking supervisor and the deposit insurance agency (IPAB), to assess the systemic impact from the failure of insolvent banking institutions. In case the Financial Stability Committee determines a potential systemic risk from the failure of the banking institution, it would proceed to determine the most effective resolution method based on a cost analysis and to	Financial authorities are working on additional reforms to the bankruptcy legal framework for banking institutions whose capital has been eroded (Currently, the bankruptcy procedure for a banking institution with zero or negative capital is the same as for a commercial entity).

					prevent any further disruption in the functioning of the financial system. Moreover, as of 2012, all banking institutions will be subject to the final requirements for capital standards as established on the Basel III implementation schedule. In addition, the CNBV is participating at the supervisory colleges of the most important G-SIBs in Mexico and has reinforced supervisory oversight practices on banking institutions.	
6 (43, 44)	(Pitts) (Seoul) (Lon)	Mandatory international recovery and resolution planning for G-SIFIs	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. We agreed that G-SIFIs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through **international supervisory colleges** and negotiate **institution-specific crisis cooperation agreements** within crisis management groups. 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	End-2010 (for setting up crisis management groups) Ongoing	Since the amendment of the banking law in 2006, the legal framework for banking resolution was enhanced to: - Establish parameters to assess the financial condition of a troubled bank; - Identify the context and the estimated costs for every viable resolution method and - Support the decision process through the implementation of an orderly resolution procedure that clearly sets responsibilities for all relevant authorities. The CNBV and Banco de Mexico participate in a number of supervisory colleges and crisis management groups and contribute to the review of RRP for a number of global financial institutions. Furthermore, the banking supervisor has implemented rules for prudential risk management and has strengthened the oversight to complement global supervision. In addition, the CNBV participates in several crisis management colleges and contributes to the review of living wills for a number of global financial institutions. Furthermore, the banking supervisor has implemented rules for prudential risk management and has strengthened the oversight to complement global	Financial authorities are preparing an amendment to the banking law to enhance the resolution processes. Authorities are evaluating proposals to include the obligation of banks to prepare periodic Recovery Plans. Also, authorities are planning to further strengthen cooperation mechanisms through crisis management groups and supervisory colleges.

			a common interest in that financial institution meets at least annually.		supervision.	
7 (45)	(Seoul) (Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's **cross-border resolution** recommendations. 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 resolution regime for banks has been reformed in two stages (2004 and 2006) and further reforms are underway to finalize a special resolution regime for banks. This involves setting a clear layout of the division of responsibilities and powers for each financial authority involved in a bank resolution. Authorities have worked on a judiciary process of bank resolution based on a comprehensive set of stages for an orderly process of bankruptcy. The aim is to provide a legal framework for financial crisis management in line with international standards and to provide a resolution scheme for insolvent banking institutions. Also, work is underway to identify and bring within the perimeter of regulation other entities that may pose a systemic risk to the financial system.	Given the ongoing work of the BCBS, regimes and frameworks for banking resolution are subject to periodical reviews to adapt them to current best practices.
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges …	June 2009 (for establishing supervisory colleges) Ongoing	The CNBV participates in the supervisory colleges of large cross-border financial firms that have a significant presence in Mexico. Similarly, the insurance supervisor has taken part in the colleges established for the same purposes.	The CNBV will seek to participate in other colleges of global institutions with significant presence in the Mexican financial system.

9 (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 law empowers CNBV to exchange information with foreign counterparts based on bilateral MOUs. These MOUs cover banking and securities market activities, allowing the exchange of public and non-public information, surveillance visits, and the provision of technical assistance. The establishment of supervisory colleges, in which Mexico participates, for the largest foreign-owned financial institutions, has helped reinforce this collaboration and is expected to have further improvements. Also, given the mandate under which the Financial Stability Council was created, all financial authorities involved are obliged to disclose information, when needed, to the other financial authorities.	The CNBV will strengthen the cooperation arrangements in line with the development of international best practices.
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing	The Mexican Congress approved the amendment to the Banking Law in February 2008, whereby most of the regulatory powers of the Ministry of Finance were relocated at the CNBV. Such reform resulted in the establishment of an authority granted with full oversight of banking institutions and issuing the operational regulation.	Continuously, national supervisors are increasing the intensity of their supervisory practices and reviewing other areas where increased supervision is needed.
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (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	The Financial System Stability Council was established to assess the risks threatening financial stability and ensure that the required policy measures are implemented to mitigate them. The Council may recommend financial authorities to revise and redefine the boundaries of the regulatory framework as needed and to limit the risks arising from the development and further innovations of financial markets to ensure that systemic risks are properly addressed.	Based on the assessment works from the Financial System Stability Council the boundaries review is made on an ongoing basis.
12 (30)	(FSF 2008)	Supervisory resources and	V.1 Supervisors should see that they have the requisite resources	Ongoing	Financial authorities ensure proper specialization of their personnel to assess	Supervisors are required to undergo periodic training to cope with financial

		expertise to oversee the risks of financial innovation	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.		innovations in financial markets through permanent training. Also, through regular on-site visits, supervisors identify, evaluate, assess and prevent risks and ensure their appropriate mitigation.	innovation.
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on 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	Currently, there is not a specific regulatory framework for hedge funding activities and as such, these entities are not legally permitted in Mexico. Going forward, financial authorities are working on the regulatory framework for enabling their operation, including their registration and supervision, accordingly with international standards.	Financial authorities are monitoring the development of international regulatory standards and will assess the need to enhance the regulatory perimeter if needed.
14 (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	(see #13)	(see #13)
15 (35)	(Lon)	Effective management of counter-party risk	Supervisors should require that institutions which have hedge funds as their counterparties	Ongoing	Banking capital regulation is supported by risk based assessment and establishes increased capital requirements for	Financial authorities will assess the need to enhance the regulatory perimeter where needed.

		associated with hedge funds	have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.		counterparty risk. In addition, banking regulation sets exposure limits on single counterparties.	
16 (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 regulatory framework establishes limits on the exposure of banking institutions to their counterparties. Additionally, supervisors monitor risks associated with bank´s main counterparties and continuously analyze risks associated with leveraged counterparties.	The CNBV is strengthening the regulatory framework for capital adequacy and credit risks based on Basel II, Pillar 1.
Securitisation						
17 (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 regulatory agenda includes further improvements to the securitization scheme and enhancements to transparency and disclosure, as well as sounder practices for risk management, and improved liquidity of markets. The proposal would be addressed to reduce the complexity of financial products, increase the transparency requirements and the alignment of incentives among market participants.	Within the implementation process for the Basel III framework in January 2012, strengthened capital requirements for securitization and re-securitizations will be established. The CNBV is conducting on-site visits to review whether there is a reasonable basis for the recommendation and sale of complex instruments to retail clients and the purchase of such instruments on behalf of them in discretionary accounts.
18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	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. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	In June 2009, the CNBV established the transparency rules for the issuance of debt securities instruments of financial entities. Also, it has taken further steps towards the strengthening of prudential standards for: • The development of a regulatory framework for structured notes and the compliance of due diligence processes for sophisticated products; • Modifications to the VaR methodology and the inclusion of a credit quality index. • Strengthening of preventive measures for risk management. • On-site authorization processes on risk management.	The CNBV will amend the operational regulation for banking institutions to strengthen securitizations disclosure of the underlying assets and promoting risk assessment. Also, the CNBV is planning to include rules for due diligence processes and quantitative retention requirements for securitizations. Special emphasis is given to re-securitizations. Such improvements to the operational regulation will not require approval under the legislative process and will take place within the existing regulatory and supervisory powers.

19 (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	Monoliners in Mexico are not allowed to engage on structured credit activities. As a result, during the crisis these entities did not face solvency problems and neither are signs that indicate potential problems.	No further changes are expected to the capital requirement for monoliners, due to their stable position and their restriction to issue structured credit instruments.
20 (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 Securities Market Law prevents on a series of aspects which securitizations should comply with. As such, it requires enhanced levels of transparency on the underlying instruments. Financial authorities are constantly reviewing and monitoring that these requirements keep the pace with international best practices.	The CNBV plans to include in the regulation specific requirements on due diligence procedures applicable to fund managers when purchasing complex instruments. Also, the CNBV plans to issue new regulation regarding business conduct rules in relation the offering of investment services.
21 (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	On September 2008, the regulatory framework was amended to include disclosure guidance on securitizations prospectus. Additionally it was established that annual, quarterly and monthly reports should integrate sufficient information of the securitization underlying assets.	Financial authorities are constantly evaluating the perimeter of the regulatory framework, following international recommendations on structured products disclosure to promote increased levels of transparency.
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. 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	By end-2012 at the latest	Work is underway to assess OTC derivative contracts subject for standardization and their feasibility for trading on a regulated exchange or a regulated trading platform, as well as for being centrally cleared and settled through a CCP. According to data from the central bank, most commonly negotiated OTC derivative contracts are interest rate swaps, between domestic financial institutions and foreign financial institutions as counterparties. These contracts are traded with basic ISDA standards, which may facilitate their standardization. However, financial authorities are continuing to examine whether other type of contracts should also be standardized.	Financial authorities are evaluating the regulatory proposals assessed by other countries to better address these reforms. In order to implement the OTC derivatives markets reform in a timely and more effective way, financial authorities are evaluating the possible creation of a new Law on Derivatives Markets in the following months.

	(Lon)		requirements. 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.		Finally, there is a project to create a trade derivatives repository. Currently, financial authorities and market participants are evaluating the most effective way to implement this project. The amendment to the Securities Market Law in 2009, establishes that securities issuers must inform the CNBV and to the stock market authorities their exposure on financial derivative instruments, including, the underlying assets, the notional or reference value and the terms of payment for such exposure at the time of information disclosure. Also, issuers must detail possible contingencies and their impact to the financial position.	
V. Developing macro-prudential frameworks and tools						
23 (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 Financial System Stability Council was established by presidential decree (July 28, 2010) to identify risks that may disrupt the functioning of the financial system, assess the macro prudential policies to mitigate their impact and identify the vulnerabilities of the financial system and the economy that may eventually have a significant impact on the development of the financial system. Accordingly, the Financial System Stability Council is comprised by the financial authorities and supported by working groups developed to conduct periodical analysis and research and to identify best practices.	The Financial System Stability Council has the mandate to monitor continuously the development of quantitative and qualitative indicators to identify potential systemic risks.
24 (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	Ongoing	In accordance to their respective mandates, financial authorities participating in the Financial System Stability Council have sufficient powers for obtaining the required information from their regulated / supervised institutions, markets and instruments.	The Financial System Stability Council will evaluate continuously that the information provided by the market is sufficient to identify potential systemic risks. In addition, the Committee will follow the developments and best practices at an international level to achieve consistency.

			in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.			
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level… Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	There is work ongoing within the Financial System Stability Council to design metrics and quantitative indicators (including a simple, non-risk based leverage measure) to identify systemic risks. Such works include the assessment of micro and macro prudential indicators to identify and to assess risks building up across the financial system.	Works in the Financial System Stability Council will be enhanced once the BCBS defines the standards for liquidity and leverage.
26 (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 Financial System Stability Council is working on the development of macro prudential indicators to monitor the evolution of asset prices and their implications.	Further enhancements to macro-prudential tools to identify relevant changes in asset prices.
27 (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	With the establishment of the Financial System Stability Council, the authorities strengthened the information exchange mechanisms implemented to identify ex ante the vulnerabilities affecting financial stability and also to ensure that during stress periods, the required information flows expeditiously. Other cooperation mechanisms include: • On October, 2008, the CNBV and the Central Bank signed a MoU for information exchange and joint on-site inspections. • The National Insurance and Sureties Commission (CNSF) and the IAIS signed an information exchange agreement (Multilateral Memorandum of Understanding, MMoU), additionally, the	Further steps include enhancing the cross-border information exchange mechanisms with other national authorities.

					CNSF signed this year MoUs with other national authorities and is negotiating other MoUs for this purpose. The CNBV has established bilateral information exchange mechanisms with other national supervisors.	
VI. Strengthening accounting standards						
28 (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	Effective on January 1, 2012, all listed companies will be required to present their financial information accordingly to IFRS, as issued by the IASB, however, early implementation is allowed. Financial authorities are monitoring the development of international accounting standards and have submitted comments when necessary.	With respect to the banking sector, financial authorities will evaluate the best alternative to incorporate the high quality standards into the regulatory framework once the international accounting standard setters define them.
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011	Given Mexico will comply with IASB standards by 2012, authorities will continue to monitor the evolution of IASB standards to comply with them after the convergence project is completed.	Financial authorities will monitor the progress of the IASB and FASB convergence project.
30 (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	Current accounting rules require financial institutions to adapt fair value on some trading book activities. Financial authorities are following the development of international accounting standards in this respect.	Once the high quality standards are defined, financial authorities will evaluate the best manner to incorporate them into the regulatory framework.
31 (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	End-2009	Financial authorities are following the development of international accounting standards in this respect.	Once the international accounting standards on FVA are defined, financial authorities will evaluate the best manner to incorporate them into the regulatory framework.

			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.			
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. 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. All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	As a member of FATF, Mexico has adopted the recommendations to its regulatory framework. However, since the revaluation of FATF to Mexico during 2008, the authorities are currently amending diverse regulations to increase its compliance to international standards. In this respect, financial authorities are undertaking a comprehensive reform to the AML/CFT regulatory framework to enhance prevention of illicit transactions. Such reform includes the standardization of AML/CFT frameworks for different financial entities and prevents regulatory arbitrage from undertaking similar activities. On July 28 2010, the President of Mexico signed the decree for the establishment of the Financial System Stability Council. The Council is led by the Minister of Finance and includes the participation of the heads of the financial authorities. The peer review process for Mexico was concluded in September 2010. The Mexican Financial System has undergone the FSAP process twice, first time on 2000 and then on 2006. The results from the IMF/WB reviews were made public.	While the AML/CFT regulatory framework has been implemented for most financial entities, during 2011 the authorities plan to complete the list. Remaining entities include mutual funds and other regional and small sized saving and loans. During 2011, the new methodology is planned to be implemented on an institutional basis for which no changes to the legal framework are required. Authorities will continue evaluating developments of international financial standards to maintain financial stability, enhanced openness and transparency in the financial sector. The IMF / World Bank conduct regular visits as a follow up on the progress of the financial system policies.

Reforming compensation practices to support financial stability						
33 (15)	(Pitts) (Tor) (Seoul)	Implementation of FSB/FSF compensation principles	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. We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.	End-2010	On November 2010, the CNBV amended the operational rules for banking and brokerage firms to address the implementation of compensation and remunerations practices based on the principles and standards of implementation of the FSB. These rules establish a 90 days period for the board of these institutions to develop and have approved a compensation committee that will be responsible for the implementation, maintenance, evaluation and supervision of compensation practices and their alignment with the risks taken.	Authorities will continuously assess further improvements on international best practices to enhance our current regulatory framework.
34 (16)	(Pitts)	Supervisory review of firms' compensation	Supervisors should have the responsibility to review firms' compensation policies and	Ongoing	The operational rules for banking and brokerage firms consider corrective measures, including additional capital	

		policies etc.	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.		requirements for institutions that fail to implement sound compensation regimes. In addition, these rules establish that banking and brokerage firms should inform the CNBV on their compensation regimes and on any further amendments to them.	
VIII. Other issues						
Credit rating agencies						
35 (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	According to the Securities Market Law, Credit Rating Agencies require authorization from the CNBV. This process comprises the registry of the firm's legal incorporation information and correspondingly, information from the shareholders, from the members of the board and from the main directors. Also, requires a business plan document, the operative manuals (including the description of the processes and the output scales of ratings, as well as the policies for publishing the ratings), the code of conduct and the compliance of the board and the directives to the international standards. Additional information that authorities shall consider relevant might be requested.	Following IOSCOs recommendations, the CNBV will issue the new rules for CRAs which will contain the amendments to the Code of Conduct and several rules that are considered adequate for strengthening market discipline.
36 (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	End-2009	The CNBV has authority to issue additional requirements beyond the CRAs code of conduct. The Securities Market Law empowers the CNBV to modify where appropriate the operating rules.	The CNBV is in the consultation process for reviewing and discussing a new set of rules aimed to improve transparency within the rating process, enhance the procedures for rating structured products and reduce CRAs' potential conflicts of interest.

			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.			
37 (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 CNBV is currently working in the new regulatory framework to improve the quality and integrity of the credit rating process and avoid conflicts of interest, taking into consideration avoiding regulatory asymmetries with other regulations.	Financial authorities will evaluate on a continuous basis the regulatory developments in order to maintain the best regulatory approach towards CRAs.
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. 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 CNBV is currently reviewing the impact of CRA ratings in the regulatory frameworks for different market participants.	The CNBV has presented a proposal to modify the methodology for assessing the banking reserves supported by a risk based approach for credits to local states and municipalities, as well as for corporate firms. The new methodology aims to reduce the reliance on credit ratings from CRAs and promote the use of internal assessment of risk to build credit reserves. The CNBV will continue assessing the impact of ratings within the financial regulation in order to identify and avoid potential over-reliance on CRAs ratings.
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	The CNBV efforts are conducted in three frontlines:	Financial authorities will conduct regular assessments to verify the adequacy and effectiveness of stress testings and assess

					I) Development of a new agenda for risk management supervision which stresses the risk governance of banks and incorporates lessons from the recent crisis, such as the need for a prompt and clear communication with the bank and for the systemic risk measurement of a bank's portfolio. II) Building up of a stress test exercise for banks involved on traditional activities. This exercise has allowed for high level discussions on the bank's need for capital requirements on the forthcoming two years. III) Developing a risk based framework for macroeconomic stress testing that allows the analysis of risk at the individual institution level and at the systemic level, taking into account distress dependence amongst institutions and how such dependencies change as functions of different macroeconomic and financial risk factors. This framework will eventually be intended to account for second round effects, allowing to analyse the effect of shocks going from the financial system to the real economy.	the need for stronger coordination between the central bank and the prudential regulator on the design of stress tests.
40 (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	Accounting standards in Mexico require that financial institutions disclose impaired assets and fair value losses from both financial assets and financial liabilities. Furthermore, the banking supervisor is allowed to require when needed, additional information from financial institutions.	Work is ongoing to develop a regulatory framework for convertible instruments for banking capitalization.
41 (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	Current prudential regulation require financial institutions to disclose qualitative and quantitative information on credit, liquidity, market and operational (legal and technological) risk exposures and their risk management procedures, including: policies, methodologies, VAR, descriptive	The CNBV is constantly reviewing international developments on risk management practices and disclosure to amend the prudential regulation and accounting standards accordingly.

					statistics on credit risk and expected losses and any other relevant information. Similarly, accounting standards require financial institutions to disclose impairment and fair value losses on financial assets and financial liabilities (taking into account materiality in the case of interim financial reporting). Furthermore, the CNBV is allowed to require when needed additional information to financial institutions.	
Others						
42 (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	The legal framework for deposit insurance arrangements in Mexico complies with the Core Principles for Effective Deposit Insurance Systems of the IADI. The deposit insurance agency (IPAB), is member of the IADI.	In light of further developments on the IADI principles, the authorities would evaluate the best form to adapt them into the regulatory framework.
43 (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	The Ministry of Finance and the Central Bank of Mexico implemented a series of measures to restore confidence and provide liquidity to support an orderly functioning of the markets. While these measures resulted positively to overcome the effects of the crisis, their implementation was temporary and has concluded. Among the main measures there were: • The flexibility on rules for bank liquidity counters, making guarantees required to collateralize liquidity loans more flexible by accepting high rated corporate notes, monetary deposits and unrated banking notes. Additionally, the Central Bank provided interest rate swaps mechanisms and installed a program for repurchasing federal certificates. • The established mechanisms to support the refinancing of debt instruments issued by corporate firms and by non-bank intermediaries. • Other measures implemented to support the development of the housing sector,	While support measures addressed to the financial sector have ended, the financial authorities will evaluate the experience of other economies, to adapt best practices on contingent situations.

					including the purchase of mortgage backed securities; the installation of credit facilities and bridge loans to finance constructions, and; a facility to guarantee mortgage backed securitizations rolled over.	

Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)
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)