FSB- G20 - MONITORING PROGRESS – the Netherlands 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	Basel II has been incorporated in the Capital Requirements Directive of the European Union which has been implemented in Dutch law on January 1, 2007.	
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	Higher capital requirements for trading book are laid down in the Capital Requirements Directive III, which will be implemented in the Netherlands on 31 December 2011.	A BCBS fundamental review of the trading book is under way. A consultation paper will be delivered Spring next year.
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with	January 1, 2013 and fully phased in by January 1, 2019.	Basel III is being introduced in Europe through the Capital Requirements Directive IV. The planned date of entry into force is 1 January 2013.	

		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.	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.		Next to this the Netherlands has introduced stricter liquidity requirements as of 1 May 2011. This concerns larger haircuts for eligible liquid assets.	
4 (4, 7, 9, 48)	(WAP) (FSF 2009) (FSF 2008)	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 requirement. II.10 National supervisors should closely check banks' implementation of the updated guidance on the management	Ongoing	ad 1: Basel Committee Pillar 2 guidance enhances our supervision, ad2: A comprehensive assessment of a bank´s stress testing programme (the methodology which the banks use, the outcomes of a (macro) stress test, scenario analysis and a reverse stress test) is part of De Nederlandsche Bank's (DNB) Supervisory Review and Evaluation Process (SREP) and will continue to be in the future. This test is based on the BCBS principles for sound stresstesting. This is complemented by prescribed stress tests by the European Banking Authority (EBA). ad 3: The Basel Committee liquidity principles form an important benchmark for our supervision on banks' liquidity management. These principles have been	

	(FSB 2009)		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.		further built upon by our own supervisory expectations in the Pillar 2 process. ad 4: not applicable	
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	Although we have no specific supervisory regime for SIFI's, our most systemically important financial institutions are extensively supervised on an ongoing basis.	
6 (43, 44)	(Pitts) (Seoul)	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	End-2010 (for setting up crisis management groups) Ongoing	In 2010 the first ING Crisis Management Group (CMG) meeting has taken place with the supervisors, central banks and ministries of finance of the members of the core college of ING.	Preparations for a second ING CMG meeting with the authorities are underway. This meeting is planned at the end of 2011.

	   (Lon)		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 a common interest in that financial institution meets at least annually.			
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	On a national as well a European level a review process is ongoing with respect to crisis management in general (including resolution regimes and bankruptcy laws). The Dutch authorities have in preparation a legislative proposal on crisis management, introducing powers to the Dutch Central Bank and the minister of Finance to transfer assets and liabilities or shares of a financial institution. This legislative proposal will be brought before Parliament in October 2011. The European Commission has in preparation a proposal for a Directive on crisis management. The Commission has announced to publish its proposal before the end of 2011.	The expectation is that the Dutch legislative proposal will come into force mid-2012.

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	In line with current EU requirements for colleges are established for cross border groups. This includes ING and AEGON (two of the LCFI's identified as part of the FSF recommendations) and Rabobank, ABN AMRO en Eureko. As home supervisor, DNB has initiated and shared a group wide risk-assessment with college members.	
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	In order to facilitate the supervisory exchange of specific information, the establishment of the European System of Financial Supervisors (ESFS) is an important step forward. Information sharing is strengthened, inter alia, by the further strengthening of the colleges of supervisors within the ESFS, and the issuance of technical standards by the three new European Supervisory Authorities (ESAs). Moreover, the European Systemic Risk Board (ESRB) has been established to monitor the macro-economic risks within the EU and make recommendations to mitigate these risks. In doing so, the ESRB analyses relevant data and plays an active role in the exchange of information.	
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	DNB has completed the self-assessment of the follow-up of the SIE-report, which shows that it is compliant or largely compliant with the international standards	DNB will implement in its jurisdiction the FSB-framework for all global and domestic systemic relevant institutions. DNB is also implementing a strengthening of its supervisory approach with a focus on enhancing enforcement.
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	We will each review and adapt the boundaries of the regulatory framework to keep pace with	Ongoing	The scope of supervision is broadened with the implementation of the European regulation for supervision of CRAs and the	Within Europe the Financial Conglomerates Directive will be reviewed.

		framework	developments in the financial system and promote good practices and consistent approaches at an international level.		Alternative Investment Fund Managers Directive (AIFM), which brings hedge funds and private equity under the scope of supervision.	The FSB will continue its work on shadow banking.
12 (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	In its supervisory approach, DNB has enlarged its focus to address governance and business models of financial institutions, including evaluations of suitability of board members and board effectiveness.	The EBA has set up a permanent committee to discuss and evaluate financial 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	In July 2011 the European Alternative Investment Fund Managers Directive (AIFMD) is published which covers a.o. those aspects. The Netherlands is currently in the process of implementing this Directive that will be implemented before July 2013.	The Netherlands will continue the process of implementing the AIFM Directive into national legislation.
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,	End-2009	The Netherlands endorse the importance of international cooperation as regards the supervision of investment funds and is willing to contribute to any initiative to this end. The AIFMD will contribute to this goal since it requires cooperation between relevant	

			cooperating through the FSB, develop measures that implement these principles by the end of 2009.		authorities within and outside Europe when a fund is located in a different jurisdiction from the manager.	
15 (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	Yes, via Capital Requirements Directive (CRD) IV capital requirements for Counterparty Credit Risk (CCR), the application of prudent person principle for any investments in such counterparties and the large exposure requirements.	
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	See 15	
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	European Capital Requirements Directives II and III address stricter measures with respect to securitisation and re-securitisations. CRD II requires originators to retain 5% of economic exposure on their books. At the same time, firms investing in securitisations are required to conduct comprehensive due diligence, whereby failure to comply is subject to capital penalties. CRD III applies the same capital treatment to re-securitisations. Additionally, it tightens disclosure requirements on securitisation exposures. CRD II has come into force on 31.12.2010, CRD III will come into force on 31.12.2011.	The supervisory practice is being conducted according to the CRD II from 31.12.2010 as lower regulation containing CRD II provisions has been in place since that date. Formally the Netherlands is aiming to introduce CRD II into national law on 1.01.2012.
18 (51, 52)	(Lon)	Improvement in the risk management of securitisation, including retainment of a part of the risk of	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	See 17	

	(Pitts)	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.			
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		The implementation of Solvency II Directive will strengthen the insurance supervisory framework within Europe.
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	On 31 December 2010 article 122a of the CRD came into effect and the guidelines for this article were published. This article sets minimum requirements on disclosure on securitisations by issuers and sets also the minimum requirements on the due diligence by investors. Apart from that credit institutions are only allowed to invest in securitisations where the issuer has retained at least 5% economical interest.	The guidelines will be redrafted by EBA into Binding technical standard that will take effect by 2014.
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	See 20	
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	By end-2012 at the latest	The European Council has reached a general approach on the European Commission's proposal for derivatives legislation (EMIR) and has the mandate to start trilogue negotiations with the European Parliament and the European Commission.	We support the general approach of the European Council and will implement EMIR in our national legislation when a final text is agreed in the trialogue between the EU Commission, the EU Parliament and the EU Council. This is expected in the coming months.

	(Lon)		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. 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.			
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 Netherlands Authority for the Financial Markets (AFM) can forbid short-selling in exceptional market circumstances There is a fixed LTV for mortgages in the Netherlands. AFM monitors compliance.	It is planned to establish a Macroprudential Committee that can analyse macroprudential developments and make recommendations. International and European agreed instruments such as countercyclical capital buffers, extra buffers for Systemically Important Financial Institutions, Recovery and Resolution Plans, Leverage requirements for Alternative Investment Fund Managers will be implemented in the regulatory system.
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 in close coordination at	Ongoing	On a national level, the authorities have the power to gather relevant information to fulfil their mandates, in particular for microprudential supervision and monetary policy. Regular reporting as well as exercises (such as stress tests) and ad hoc data requests provide insight in systemic risk. DNB is involved with international initiatives to reduce data gaps and improve	Implementation of the FSB template for G-SIBs, which also involves more cross-border data sharing. Consideration of a strengthening and broadening of the power to collect data - also from non-supervised institutions - for macroprudential/systemic purposes, in line with a strengthening of the mandate for

			international level in order to achieve as much consistency as possible across jurisdictions.		information on systemic risk from a cross-border initiative.	macroprudential policy.
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	See 23	See 23
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	n/a	
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	DNB is both the central bank as well as supervisory authority. The information sharing advantages have proved themselves during the crisis.	
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	The AFM participate both in the ESMA-Fin project group on IFRS and in ESMA-Fin EECS. Consistent application and enforcement of high-quality accounting standards has been identified as one of DNB´s High Priority topics in 2011 and 2012. Prudential supervision will also focus on this issue.	DNB participates intensively in (inter)national committees with other supervisors and accounting setter and the private sector to ensure consistent application and enforcement of high-quality accounting standards.

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	The Netherlands strongly support the statement of the G20 that it is of utmost importance to achieve a single set of high quality, global accounting standards. Through participation in the so-called Three-Way-Dialogue (IASB/FASB, IIF, BCBS/ATF) DNB joins the international effort of convergence. These dialogues will continue after 2011.	
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	DNB participates in the EBA task force for accounting and procyclicality and the EBA accounting subgroup both of which have the objective of devising standards and methods for dealing with s.c. “weak” valuations. Moreover, DNB participates in the BCBS/Accounting Task Force which group is analysing the impact of changing accounting standards (such as IFRS 9) on capital treatment under Basel II and Basel III.	
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 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	DNB is involved in the revision processes of IASB through international fora such as BCBS, IAIS, EBA and EIOPA.	We follow closely the agenda of IASB (and FASB) in this respect

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	The Netherlands is strongly committed to strengthened adherence to international prudential regulatory and supervisory standards and the maintenance of financial stability. Also in line with our commitment to an open and transparent financial sector and periodic peer reviews, the Netherlands has undergone an FSAP update in 2010, with the reports being published in June 2011. The FSAP update shows a very high degree of compliance with international standards and put in evidence the significant legislative changes and regulatory and supervisory developments in the Netherlands' financial landscape since the last FSAP mission in 2003/2004.	The Netherlands will introduce new legislation to strengthen its crisis management framework, which includes a strengthening of its resolution powers. In addition, it will further develop a macroprudential framework and intensify its supervision towards internationally active and systemic financial institutions.
Reforming compensation practices to support financial stability						
33 (15)	(Pitts)	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	End-2010	In December 2010 the Netherlands implemented the EU regulation on remuneration (CRD III) in its financial supervision act (Wft) and in the regulation on sound remuneration policy of the DNB. This regulation applies to all financial institutions. To ensure international level playing field the regulation fully implements the FSB principles and the CRD III texts. (see for more information the Dutch response on the second peer review on compensation practices)	See 34

	(Tor) (Seoul)		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.			
34 (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	DNB has – based on the regulation on sound remuneration policy (CRDIII) - full supervisory powers to enforce compliance to these rules by financial institutions. Recently in September 2011 DNB reported on the compliance of banks and insurers on the regulation on sound remuneration policy. This report provides the view that big steps have been taken by banks and insurers. But this does not mean that the work is completed. More has to be done to achieve full implementation by financial institutions. DNB has indicated that it will use her supervisory power to enforce the regulation and achieve further full compliance on the remuneration policy. At the same time the commission to supervise the principles on remuneration policy published a preliminary report on the implementation level of these principles	In December 2011 and in 2012 both DNB and the commission on remuneration policies will continue there supervisory and monitoring work.

					with banks. Since the first report at the end of 2010 significant steps in the good direction have been made. But there is still some progress to be made for full implementation by all banks. These principles are self regulatory and financial institutions have committed themselves to comply with these principles.	
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	See 36	
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 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	Since 7 December 2009 CRA Regulation I has entered into force. It introduced a common regulatory approach in order to enhance the integrity, transparency, responsibility, good governance and reliability of credit rating activities, contributing to the quality of credit ratings issued in the EU. This thereby contributes to the smooth functioning of the internal market while achieving a high level of consumer and investor protection. It lays down conditions for the issuing of credit ratings and rules on the organisation and conduct of credit rating agencies to promote their independence and the avoidance of conflicts of interest. The CRA II Regulation came into force at 1 June 2011. In this amending Regulation, the supervision of CRAs in the EU moved from colleges of supervisors to ESMA since 1 July 2011. ESMA has the role to exercise	In the fall of 2011 a new proposal of the European Commission is expected to amend the latest CRA Regulation. This proposal of CRA Regulation III has yet to be published.

					supervision on the credit rating agencies in the EU. This and other measures concerning managing conflict of interest and assuring transparency and quality of the rating process, have been implemented by the CRA Regulation II.	
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	New regulation in the EU is in place (see 38) and differences with regulation outside of EU still exist. Within the framework of the FSB principles we support the work of all jurisdictions to implement as fast as possible.	Hopefully the differences will decrease in the future due to ongoing work from other jurisdictions.
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 EU directive (2009/111/EG) on (among others) securitisation is a good example of how to increase investor awareness and stimulate independent evaluation. This directive requires that investors have a comprehensive and thorough understanding of their securitisation exposures. Furthermore credit institutions are required to regularly perform their own stress tests appropriate to their securitisation positions. To this end, credit institutions may rely on financial models developed by an ECAI provided that credit institutions can demonstrate, when requested, that they took due care prior to investing to validate the relevant assumptions in and structuring of the models and to understand methodology, assumptions and results. Not only the initiator has the duty to provide information on the assets underlying a securitisation, the investor has the duty to apply this information in their own due diligence and their own risk assessment of the securitisation position obtained. The leading principle is that an external rating is not a substitute of an internal analysis.	This new directive entered into force on 31 December 2010 and close monitoring will be done by the supervisory authority.

Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	See 4 In addition DNB assesses the stability of financial institutions and the financial system as whole. Since 2004, DNB has used stress testing of large banks, insurance companies and pension funds as a regular component of its macro-prudential analysis, usually publishing the result at an aggregated level (see various issues of DNB´s Overview of Financial Stability). DNB participated in the CEBS (2010) / EBA (2011) stress test with four banks, which covered the majority of the Dutch banking sector. Key aspects of the CEBS and EBA stress test is the elaborate publication of the stress test results bank by bank. In applying the stress test principles DNB does not materially go further beyond international guidelines.	
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	DNB is continuously monitoring the financial risks arising from recent market developments. Identified financial risks are analysed internally on the basis of exposures of the most important supervised entities. In the analysis both asset values (impairments or fair values) and capital charges are taken into account when pillar 2 consequences per entity are evaluated. By doing this DNB enforces compliance with accounting requirements and DNB is monitoring an entity's need for additional capital. Concrete in recent months DNB monitored the valuation of Greek sovereign debt instruments (and other GIIPS-countries) and commercial real estate exposures. The evaluation resulted in some cases in remedial actions. DNB also encouraged auditors to apply the	DNB will explicitly monitor the exposures regarding GIIPS sovereign debt instruments and commercial real estate per year end (31 December 2011). DNB is considering the year end guidance around impairments and capital charges of sovereign debt instruments. DNB is also in close contact with the NBA (Dutch Association of Accountants) and the AFM.

					21 July EU-leaders summit results in a consistent manner (Amortised Cost bonds under private sector programme to be impaired with 21 percent and fair valued bonds valued at about 50 percent of the nominal amount. Moreover DNB has encouraged banks to risk weight the Greek sovereigns at the same level of the impairments, in order to include the expected losses in capital as well.	
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	DNB has implemented pillar 3 and the best practices of the Financial Stability Forum (FSF)/ Senior Supervisors Group (SSG). DNB and EBA monitor disclosures of financial institutions. EBA has formulated good practices and guidelines. DNB has contributed to EBA's pillar 3 assessment of a sample of European banks (including Dutch banks) which has been done for the 3rd year in a row. Dutch banks have disclosed a vast amount of information on the 2011 stress test.	
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		Based on a review of the Dutch deposit insurance system by the Ministry of Finance and DNB together with the Dutch Banking Association in 2009, the Minister of Finance decided that the Dutch deposit guarantee system will be transformed from an ex post funded system into an ex ante funded system. As announced by the Minister of Finance in early 2011, the banks will pay contributions on a quarterly basis, building up a fund equal to about 1% of the guaranteed deposits starting from 1 July 2012. Furthermore, the FSAP of the Netherlands of 2011 addressed four possible improvements for the DGS, which refer to ex ante funding, contribution to resolution, timeliness and depositor preference. The

						Netherlands is carrying out improvements on ex ante funding, contribution to resolution and timeliness. Depositor preference is being considered by the Ministry of Finance and the Dutch Central Bank. In addition, the EU is negotiating a new Directive on deposit guarantee schemes regarding, among others, ex ante funding. While the proposed changes for the Dutch national DGS come earlier than the new recast Directive, the Ministry and DNB explicitly anticipate for developments within Europe in the design of the revised Dutch national DGS.
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	In the midst of the crisis, a few Dutch banks received direct state capital assistance. Due to the capital instruments high pricing and gradual economic recovery, the banks have already repurchased a substantial portion of the amount received. In October 2008, the Netherlands introduced its Credit Guarantee Scheme of 200 billion euro for the issuance of medium term debt instruments by banks. The Scheme was open until the end 2010, although no bank used the scheme in 2010. In order to stimulate banks to fund themselves in alternative ways, the Credit Guarantee Scheme was made less attractive by increasing the guarantee fee as of 1 January 2010. The last outstanding guarantee will expire in 2014. The exit from extraordinary monetary support for eurozone countries like the Netherlands is determined by the ECB The fiscal exit of EU-countries is coordinated via the Stability and Growth Pact. On the 2nd of December 2009 the Ecofin Council started an Excessive Deficit	

					Procedure (EDP) for The Netherlands. The implementation of the EDP-recommendations is discussed in the Stability Programme Update of the Netherlands. The Netherlands has started consolidation in 2011 and expects to bring the deficit below 3% of GDP in 2012 – a year ahead of the deadline.	

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)