FSB- G20 - MONITORING PROGRESS – the United Kingdom 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	Committee of European Banking Supervisors (CEBS) confirmed to the Group of Governors and Heads of Supervision (GHOS) on behalf of the EU that the Capital Requirement Directive – CRD (Directives 2006/48/EC and 2006/49/EC) – transposes the Basel II principles into the EU legislation. The CRD was transposed into Member States' legislation and it has been in force since 1 January 2007.	The UK remains committed to the Basel capital framework (which provides minimum standards internationally), including working towards further enhancements.
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 Dec. 2011 for all elements of the revised trading book rules.	By end-2011	The UK supports the BCBS agreement of June 2010 on Revisions to the Basel II market risk framework. The Financial Services Authority (FSA) has consulted on the EU amendments package 'CRD III' (which reflects the July 2009 Basel II revision on trading book and securitisation) in order to implement by 31 December 2011. The FSA published its Feedback Statement 11/4 (The prudential regime for trading activities: a fundamental review) in July 2011. This focused on the fundamental review of the trading book regime being developed by the BCBS and set out feedback we had received on this subject.	

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.	We expect EU legislation to implement the BCBS agreed standards across capital and liquidity via CRD IV. With the publication of the Basel III proposals for liquidity, FSA undertook a gap analysis of the reforms with a view to identifying where it may be appropriate to make changes to the UK domestic liquidity standards. The FSA is confident that the structure of its UK liquidity regime continues to be sufficiently flexible to allow for the integration of the Basel reforms as implemented through EU law in a timely and consistent manner.	The Basel III liquidity standard is subject to an observation period. FSA will continue to provide support and engagement in the Basel Quantitative Impact Study (QIS) as part of the observation period (including liaison with UK firms participating in Basel QIS). FSA will continue to work with BCBS in the refinement and finalisation of the Basel III liquidity standard.
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 requirement.	Ongoing	Building on BCBS enhanced stress testing practices, FSA continues to embed stress testing practices as part of its supervisory review processes. Recently, the European Banking Authority (EBA) published (July 2011) results of the EU-wide stress test exercise. The EBA exercise showed that the UK banks are well placed to handle further periods of economic stress as outlined in the macroeconomic parameters. In Policy Statement 10/14 the FSA finalised its approach to Capital Planning Buffers which further clarifies its strengthened approach to stress-testing and capital planning buffers. In addition, some UK banks are supervised against an enhanced supervisory framework in which they are assessed as to whether they are able to withstand a severe stress whilst continuing to maintain adequate financial resources and meet 4% Core Tier 1 at all times. The UK further defined what should count towards Core Tier 1; this takes the UK definition in the direction of the BCBS agreement. In February 2011 the FSA communicated to industry	The FSA is considering the treatment of a number of Pillar 2A risk types (e.g. Interest Rate Risk in the Banking Book, concentration risk) in order to communicate its expectations to the industry. It shall be participating in ongoing and future international work in policy development as appropriate which will inform its approaches, as will the development of Binding Technical Standards by the EBA. Development of its policies and practices will also be undertaken in the light of other relevant international principles, guidelines and recommendations, e.g. the recent revision for the CEBS/EBA guidelines on the treatment of Interest Rate Risk in the Banking Book. The operating models of the future UK supervisory authorities will shape the form of the policies that are developed and implemented. FSA will continue to roll out its liquidity

	(FSF 2008) (FSB 2009)		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.		its expectations for the assessment of capital requirements for defined benefit pension schemes and Individual Capital Adequacy Standards for insurers. The UK introduced a new liquidity regime from December 2009 in response to the crisis and ahead of BCBS agreeing a package of liquidity measures. The FSA's liquidity regime includes measures which implement the BCBS's guidance on the management and supervision of liquidity. Liquidity supervision was identified as a key area by the Turner Review (2009); UK bank supervisors have therefore continued to give this area significant attention and have developed considerable experience in this area.	regime to firms, including through its supervisory liquidity review process and the issuing of individual liquidity guidance to firms.
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	Consolidated supervision is an integral part of the FSA's prudential supervision.	Consolidated supervision is an integral part of the FSA's prudential supervision.
6 (43, 44)	(Pitts)	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	End-2010 (for setting up crisis management groups)	The UK is working with the FSB and international partners on taking forward crisis management groups (CMGs) for the most internationally-active banking groups pursuant to the FSF's Principles for Cross-Border Coordination on cross-border crisis management. CMGs are now operational for four major cross-border banks. An FSA pilot project on Recovery and Resolution Plans (RRPs) involving a small number of large UK banks is currently underway and will contribute to the development of UK and international policy in this area	Following consultation in respect of CP11/16, the FSA proposes during the first quarter of 2012 to publish final rules in a Policy Statement. The UK authorities expect to deepen their involvement in CMGs as they develop experience as home and host country supervisor.

	(Seoul) (Lon)		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 a common interest in that financial institution meets at least annually.	 Ongoing	as outlined in the FSA's consultation paper Recovery and Resolution Plans (CP11/16), published in August 2011. The CP covers the proposed requirement for certain financial services firms to prepare and maintain RRPs and separately (for some of these firms and others) to make additional preparations in relation to their investment client money and custody assets holdings.	

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 UK authorities have actively participated in the work on the FSB and the BCBS to develop a better understanding of the legal and operational constraints to managing an orderly resolution process for a major cross-border firm. The FSB's Resolution Steering Group, chaired by Paul Tucker, has been considering outputs from the CMGs and has identified a number of practical impediments to resolution of complex cross-border firms and has been considering how to address them. Following the FSB's consultation paper Effective Resolution of Systemically Important Financial Institutions (issued July 2011), the Group's conclusions will feed into the FSB's broader work on tackling the risks posed by SIFIs, which will be transmitted to G20 Leaders ahead of their November 2011 Summit. The UK implemented a new Banking Act in February 2009. This establishes the legal framework for a Special Resolution Regime, which gives the UK authorities a variety of tools to resolve a failing bank or building society (a private sector purchaser tool; a bridge bank tool; Temporary Public Ownership (TPO); and new bank insolvency and bank administration procedures). The FSA published its consultation paper Recovery and Resolution Plans (CP11/16) in August 2011. The CP covers the proposed requirement for certain financial services firms to prepare and maintain RRPs and separately (for some of these firms and others) to make additional preparations in relation to their investment client money and custody assets holdings.	Following consultation in respect of CP11/16, the FSA proposes during the first quarter of 2012 to publish final rules in a Policy Statement. September: The Independent Banking Commission on Banking (ICB) recommended placing a regulatory 'ring-fence' around the retail and the SME banking activities of universal banking groups headquartered and regulated in the UK by 2019 (primary legislation by 2015). The ring-fence entities would be expected to hold a minimum of 10% CT1 (13.5% total capital). The ICB also recommended that the existing Special Resolution Regime should be supported by giving the resolution authorities two complementary bail-in powers available for use in resolution; and provided that banks be required to hold a further 3.5% 'bail-inable' debt (long-term, unsecured debt) on top of their equity capital requirement accessible should the bank no longer be a going concern. The Government has welcomed the ICB's report in principle. It has not provided a final response to the report but has committed to do so by the end of this year.

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 FSA has established colleges for all its major cross-border firms and these are run in line with the recently agreed Basel and IAIS guidance on colleges and the more detailed European college requirements. In addition, the FSA participates in colleges for many firms that are active in the UK. Through its college activity, the FSA seeks to improve its shared understanding of the relevant firm and how its risks are being mitigated, and often follow-up with joint work with other supervisors to further achieve its objectives.	The FSA intends to further embed and enhance its college activity, in particular for some of the institutions for which it is the host regulator given their potentially significant impact on UK financial stability.
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 FSA has formal information gateways in place to cover most key host relationships.	The FSA will continue to develop and widen its set of memoranda of understanding to ensure that it has workable gateways with all relevant material host supervisors.
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 FSA has been an active participant in the FSB's work stream covering Supervisory Intensity and Enhancement. It has completed the FSB's survey on adherence to certain BCBS core principles.	
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	Ongoing	On 16 June 2011, the Treasury published *A new approach to financial regulation: the blueprint for reform*. This details the Government's proposed	The Government will seek to deliver the necessary primary legislation in 2012.

		framework	to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.		reforms of financial regulation in the UK and includes draft legislation on the core elements of reform. The proposals include the creation of a new Financial Policy Committee (FPC) in the Bank of England, with primary statutory responsibility for maintaining financial stability; the creation of a new Prudential Regulatory Authority (PRA) as a subsidiary of the Bank of England; and the creation of the Financial Conduct Authority (FCA), which will be a focused conduct regulator.	
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	As Hector Sants noted in his Chief Executive's report prefacing the FSA's Annual Report 2010/11, the FSA continued to focus on the recruitment and retention of high-quality staff. The average number of full-time equivalent employees for 2011/10 was 3,291, up from 2,952 during the previous period. This increase in resources is associated with a revised regulatory philosophy and operating model. The new, outcomes-based approach recognises that the FSA will intervene in a proactive way when it believes that the results of a firm's actions will pose risks to its statutory objectives. In its June 2011 consultation document, the Government set out further detail of plans to create a Prudential Regulation Authority (PRA), to ensure that a new, more judgement-focused approach to regulation of firms is adopted so that business models can be challenged, risks identified and action taken to preserve stability. The Bank of England and the Financial Services Authority have published two documents setting out further information about the PRA's proposed approach to banking supervision (May 2011) and insurance supervision (June 2011).	The Government will seek to ensure the passage of the necessary primary legislation in 2012.

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	Hedge fund managers are already subject to supervision by the FSA. The FSA undertakes a biannual survey of hedge fund managers (comprising 50 large UK-based managers) to determine inter alia: - the size of funds' 'footprints' in the market, including measures of leverage and risk; - the scale of any asset/liability mismatch; - substantial market or asset class concentration and liquidity issues; and - credit counterparty risks between hedge funds and other market participants.	Within the EU, the Alternative Investment Fund Managers Directive (AIFMD) will require substantially more transparency for hedge funds (and other alternative asset managers).
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	End-2009	Action addressed to the FSB.	

			principles by the end of 2009.			
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	The FSA has for many years undertaken a hedge fund as counterparty survey to determine the counterparty exposures of the prime brokerage arms of the major investment banks. This survey is used alongside other supervisory tools to enable supervisors to identify exposures which may give rise to concern and to assess the effectiveness of counterparty risk management. The FSA will continue to develop its hedge fund as counterparty survey and continue to integrate the analysis of this with the analysis undertaken of the hedge fund manager survey.	
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 FSA participates in the annual Prime Brokerage Survey which provides information on how much the large investment banks lend, how leveraged their positions are and the quality of the collateral. It also serves to provide an indication of the totality of its relationships (including non Prime Broker) and counterparty exposures. The FSA introduced a hedge fund manager survey in October 2009 to assess and mitigate the potential systemic risk of this sector. One important aim of the hedge fund manager survey is to understand the use of leverage by hedge funds. It does this by gathering information on the channels through which hedge funds can borrow money (e.g. collateralised borrowing through prime brokerage agreements, sale and repurchase agreements or synthetically using instruments such as swaps or contracts for differences) and the counterparties through which they borrow.	
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	During 2010	The UK's implementation of the CRDII securitisation requirements came into force on 31 December 2010.	

			capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.			
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	Article 122a of the Capital Requirements Directive came into force on 1 January 2011.	
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 FSA has established a benchmark for an enhanced capital requirement for the UK monoline subsidiaries it supervises, and without that level of capital no plan for resuming UK business would be acceptable.	The FSA will be reviewing firms' internal capital assessments (and associated risk management and governance), with a view to establishing suitable capital levels for a firm in relation to its specific portfolio if and as they reactivate. Reactivating firms are also expected to develop their internal models ready for approval on implementation of Solvency II.
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 BCBS had agreed revisions to the Basel II framework to strengthen the requirements for investors in securitisation. CRD2 (which implements Basel in Europe) implements more detailed proposals in this area. These amendments came into force on 31 Dec 2010.	

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	The FSA has established a team of accounting review specialists to monitor and analyse financial reporting by larger banks and identify areas of interest therein that may impact the FSA's prudential supervision or the operation of market discipline. Based on this ongoing work, the FSA will continue to keep under consideration the appropriateness and desirability of further policy initiatives to strengthen disclosure.	The accounting review team (ART) continues to monitor and analyse annual and interim financial reports for the leading financial institutions supervised by the FSA. The ART meets with the banks, audit firms and investor groups on a regular basis to provide feedback on its analysis of financial information and identify areas where enhanced disclosure may be most effective.
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts) (Lon)	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 requirements. We will promote the standardization and	By end-2012 at the latest	Legislative proposals for the regulation of European Market Infrastructure are at an advanced stage with final text expected to be adopted around the end of 2011. This will provide the framework for implementing G20 commitments to clearing and trade repository reporting in the EU. In February 2011 the IOSCO task force on OTC derivatives, co-chaired by the FSA, published a report on trading of OTC derivatives which sets out guidance for regulators in determining products that could be suitable to be traded on an 'exchange'. It also set out important criteria that trading platforms must meet in order to satisfy regulatory expectations. In August 2011 CPSS-IOSCO published for consultation a report on data reporting and aggregation to ensure effective global data collection through trade repositories. The OTC Derivative Regulators Forum (ODRF) – chaired by the FSA – continues to progress the development and implementation of frameworks for effective cooperation and coordination on oversight arrangements and information sharing among the relevant authorities for individual trade repositories and systemically important OTC derivatives CCPs. The FSA, as part of the OTC Derivatives Supervisors Group, has made significant progress by working with	In early 2012 the IOSCO task force on OTC derivatives plans to publish a report setting out the current use of trading platforms for OTC derivatives with multiple or single liquidity providers. IOSCO will also publish a report on international standards for OTC derivatives, which will include considerations for how to best coordinate mandatory clearing obligations and the oversight of market intermediaries in OTC derivatives markets. Throughout 2012 FSA will be working with ESMA to develop binding technical standards to implement mandatory clearing requirements and requirements for reporting to trade repositories in the EU. The BCBS finalised the treatment for uncleared OTC derivatives in December 2010; however the remaining requirements for capitalisation of exposures to central counterparties (i.e. cleared derivatives) are due for consultation shortly. These rules are expected to be implemented by the

			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.		G14 dealers to increase standardisation of OTC derivatives. Future work will focus on increasing standardisation across products; to expand use of central clearing; to enhance bilateral risk management; and to increase transparency. In October 2011, the FSA published a consultation paper with proposals to improve the resilience of the financial resources of recognised bodies, including clearing houses and regulated markets. In October 2011 the EU Commission published legislative proposals (via revisions to MiFID) which will take forward in the EU the G20 commitment in relation to exchange trading of OTC derivatives and accompanying transparency requirements. Delays in formalising these proposals will mean that the EU will not have implemented part of the G20 commitment by end 2012 although the legislative framework may be in place by this time.	Capital Requirements Directive and Regulation for implementation by end 2012. The European Commission is currently consulting on this. A consultation paper on international standards on margining for non-centrally cleared derivatives will be published by BCBS, IOSCO, CGFS and CPSS in 2012.
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 UK authorities work to monitor and address risks across the financial system. On 16 June 2011, the Treasury published *A new approach to financial regulation: the blueprint for reform*. This sets out more detail about the Government's proposed reforms of financial regulation in the UK and includes draft legislation on the core elements of reform. The document outlines plans to provide a dedicated focus on macro-prudential analysis and action, to ensure that risks developing across the financial system as a whole are identified and responded to. Through legislation, the Government will create a new Financial Policy Committee (FPC) in the Bank of England, with primary statutory responsibility for maintaining financial stability. The FPC will be provided with control of macro-prudential tools to ensure that systemic risks to financial stability are dealt with. The interim FPC was established in February 2011. Its	The Government will seek to ensure the passage of the necessary primary legislation in 2012.

					first Financial Stability Report was published in June 2011. The interim FPC will undertake, as far as possible, the work of the permanent FPC.	
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 international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	On 16 June 2011, the Treasury published *A new approach to financial regulation: the blueprint for reform*. This sets out more detail about the Government's proposed reform of financial regulation in the UK and includes draft legislation on the core elements of reform. This will include appropriate arrangements for the information gathering and sharing by the new regulatory bodies.	The Government will seek to ensure the passage of the necessary primary legislation in 2012.
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	FSA and Bank of England monitor leverage at system-wide and sectoral (financial, household, non-financial corporate) levels as part of their macroprudential analysis work. The Bank and the FSA have been fully engaged in the work of the BCBS and the FSB to develop framework for addressing leverage. The interim FPC was established in February 2011. Its first Financial Stability Report was published in June 2011. The interim FPC will undertake, as far as possible, the work of the permanent FPC. The legislation that will establish the FPC has been published in draft for Pre-Legislative Scrutiny ahead of introduction to Parliament. [FSB Comments: Some sentences in the right section and this section seem to be duplicative?]	In July 2010, the Treasury issued a consultation paper *A new approach to financial regulation: judgement, focus and stability*. Further detail, including draft legislation, is set out in *A new approach to financial regulation: the blueprint for reform*, which was published on 16 June 2011. The proposals include the creation of a new Financial Policy Committee (FPC) in the Bank of England, with primary statutory responsibility for maintaining financial stability. The FPC will have control of specific macroprudential tools to fulfil its objective. The interim FPC was established in February 2011. Its first Financial Stability Report was published in June 2011. The interim FPC will undertake, as far as possible, the work of the permanent FPC. It is also undertaking analysis of potential macroprudential tools. It will update the Treasury on its thinking before the end of the year and again in 2012.

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 Bank of England actively monitors asset price developments consistent with its remit for both monetary and financial stability. This is also part of the FSA's ongoing market surveillance and risk management process.	The FPC will, as part of its responsibility for maintaining financial stability, monitor and address threats to stability arising from imbalances in the financial system.
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	Post crisis, the need for closer collaboration in support of financial stability was widely noted by both Bank and FSA senior management. Extensive cooperation between regulatory and central bank staff occurs across a range of activities, including (but not limited to) crisis management planning, bank resolution, funding profiles and minimum capital standards.	On 16 June 2011, the Treasury published *A new approach to financial regulation: the blueprint for reform*. This sets out more detail about the Government's proposed reforms of financial regulation in the UK and includes draft legislation on the core elements of reform. In addition to the setting up of a Financial Policy Committee, the proposals include the creation of a new Prudential Regulation Authority as a subsidiary of the Bank of England. The PRA will be chaired by the Governor of the Bank of England. A new Deputy Governor for prudential regulation will be chief executive of the PRA. By integrating the PRA's most senior management with that of the Bank, the Government intends that the supervision of UK financial firms will benefit from the expertise, experience and credibility of the central bank.
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	Ongoing	The European Securities and Markets Authority (ESMA) has a forum - the European Enforcers Coordination Sessions (EECS) - in which all EU National Enforcers of financial information exchange views and discuss experiences of enforcement of IFRS. A key function of EECS is the analysis and discussion of decisions taken by independent EU National Enforcers in respect of financial statements	The BBA Code will continue to be applied by the UK's 7 largest banks. In May 2011, the FSA published its Code of Practice for the relationship between the external auditor and the supervisor. One of the aims of the Code is to contribute to high-quality external

			enforcement of high-quality accounting standards.		published by issuers with securities traded on a regulated market and who prepare their financial statements in accordance with IFRS. Extracts from the EECS database of enforcement decisions are published on a regular basis and provide greater transparency for market participants on interpretations provided of unusual cases that they may find useful. The FSA has encouraged the banks, through the BBA, to develop a Disclosure Code which sets out principles and guidance for high quality financial report and which the UK's 7 largest banks applied from 2009. In June 2010 the FSA published a Discussion Paper (DP) Enhancing the auditor's contribution to prudential regulation (DP10/3) which, among other things, discusses the importance of auditors' professional scepticism from auditors of financial institutions for driving high-quality disclosures - particularly for areas that require significant management judgement – and suggests ways in which the application of auditor scepticism could be enhanced.	auditing by promoting an effective relationship between the auditor and supervisor in the context of a particular regulated firm. As part of this, the Code envisages discussions between supervisors and auditors about the adequacy and reliability of disclosures in light of statutory reporting requirements.
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	While the IASB and FASB have continued to work on a number of joint projects or areas of common interest, it is not clear how much progress on convergence is being achieved on major projects. We support convergence in principle, though convergence should not compromise the quality of standards issued by the IASB.	Though the boards continue to work on a converged solution for impairment of financial instruments, they have diverged so far on offsetting of financial instruments and classification and measurement. There are currently few indications that the boards will finally agree to converged solutions in these two areas.
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	End-2009	The FSA has made changes to its Handbook implementing proposed changes to the EU's Capital Requirements Directive in this area. These will implement new requirements with the BCBS amendments to its prudent valuation framework.	An FSA policy statement amending the FSA Handbook for CRD III changes in respect of prudent valuation methodology is to be issued shortly. These changes are expected to be in force for 31/12/2011.

			instruments when data or modelling needed to support their valuation is weak.			
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	The IASB continues to consult on ways to improve the accounting for financial instruments. A new standard (IFRS 9) on the classification and measurement of financial assets and financial liabilities has been issued and the IASB continue to discuss possible improvements to impairment and hedge accounting requirements following previous exposure drafts on financial assets impairment (Nov 2009) and hedge accounting (Dec 2010). A new standard on fair value measurement has also been issued (May 2011). A final standard on general hedge accounting is expected soon.	All issued or proposed standards move in the direction of dampening the adverse dynamics associated with fair value accounting (e.g. expanded use of amortised cost), enabling transfers between categories and simplifying hedge accounting requirements.
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon)	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	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	Ongoing	The UK authorities strongly support the use of peer review and external assessment as a means of promoting compliance with international standards. The UK received a second IMF FSAP assessment early in 2011 and the IMF's findings in their entirety (i.e. FSSA, DARs and TNs) were published in August 2011.	The UK authorities are now carefully considering the IMF's recommendations in the process of designing the new regulatory framework in the UK. The authorities have also publicly declared their intention for the new regulatory authorities to be compliant with international standards.

	(WAP)	conducted specifically in your jurisdiction.	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.			
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 have the ability to modify compensation structures in the case of firms that fail or require extraordinary public	End-2010	The FSA's first set of rules on remuneration ("the Code") came into effect from 1 January 2010 for approximately 27 major firms. The Code has since been revised, principally to better align with the remuneration provisions within the EU-wide directive, CRD3. The revised Code came into force on 1 January 2011 and applies to over 2700 firms on a proportionate basis.	

	    (Tor) (Seoul)		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	Ongoing	The FSA has, for the past two years, conducted an annual intensive supervisory review of the remuneration policies and practices at the largest (deemed to be significant) banks and investment banks, who were not permitted to communicate or distribute their 2009 and 2010 remuneration without the FSA's approval. The FSA will repeat the procedure for the 2011/12 remuneration round.	The FSA will be starting its annual review of significant firms again from October 2011. The process will be similar to the previous two years, and is set out in some detail in a Dear CEO letter, which has been published on the FSA website. Additionally, the FSA has been working to integrate the supervision of remuneration for the large number of other firms in scope of the Code into usual FSA processes. This process will also take into account advice from the FPC in 2011 on firms seeking to build capital via retention of strong earnings.

			extraordinary public intervention.			
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	The EU Regulation on CRAs, which is broadly based on the IOSCO Code, entered into force in December 2009. This requires all CRAs established in the EU, and those based in third countries who wish their ratings to be used for regulatory purposes in the EU, to be subject to registration and supervision within the EU.	The national competent authorities are currently in the process of finalising the registration of CRAs.
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	End-2009	The EU Regulation on CRAs, which is broadly based on the IOSCO Code and entered into force in December 2009, contains provisions on conflicts management, differentiation of structured finance ratings, transparency of rating methodologies and other disclosure requirements. The FSA is the UK's competent authority for CRA oversight.	ESMA has been empowered by EU law to take over the legal responsibility for the regulation and supervision of those CRAs operating in the EU. The nature of the FSA's involvement in ongoing supervision of those CRAs located in the UK will depend on the nature of the tasks delegated to it by ESMA.

			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 FSA has engaged with the work on CRAs undertaken by the FSB and IOSCO (which has formed a standing committee on CRAs (SC6)) and will continue to do so.	
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	Draft EU proposals have been put forward covering this area.	
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	Since September 2008, the Financial Services Authority (FSA) has: - greatly increased the use of stress tests as an integral element of its ongoing supervisory approach. - embedded this revised approach in its intensive	A multi-pronged approach to stress-testing is now integrated in our on-going supervisory framework.

					supervisory regime. The FSA's approach to stress testing, similar to many other countries, consists of firms' own stress testing, FSA stress testing of specific high impact firms and simultaneous system-wide stress testing undertaken by firms; these are interlinked and mutually reinforcing. To support these, the FSA undertakes the following activities: policy setting of firms' stress testing requirements; setting stress scenarios and monitoring and aggregating stress test scenarios and results.	
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	Continued stress testing of banks and building societies against FSA interim capital framework.	
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	Firms have continued to enhance their risk disclosures in their published annual reports. CEBS undertook an analysis of banks' annual (2009) and Pillar 3 disclosures. The reports on both were published in June 2010. CEBS also published (in April 2010) 'Principles for disclosures in times of stress (Lessons learnt from the financial crisis)' - a set of disclosure principles that reflected the lessons learnt from the financial crisis and assist institutions in improving the quality of their public disclosures. The FSA's Discussion Paper (DP) on banks' disclosures (published in October 2009) proposed ways to enhance disclosure and introduced an industry-badged code for financial reporting (the BBA Code), which the UK's largest banks applied in their 2009 annual reports. [Ref: DP09/5] In September 2010 the FSA published the Feedback Statement to this DP which further enhances the BBA Code by including an explicit commitment for these banks to meet with the FSA to discuss disclosure matters in advance of each annual and interim (half-year) reporting period.	In June 2011, the UK's interim Financial Policy Committee recommended that the FSA "to ensure that improved disclosure of sovereign and banking sector exposures by major UK banks becomes a permanent part of their reporting framework, and to work with the FPC to consider further extensions of disclosure in the future". The FSA is currently taking forward this recommendation.

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	In the context of the FSB's thematic review of deposit insurance, the UK has submitted to the FSB an analysis of the UK's deposit insurance arrangements.	
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	On fiscal policy: The Budget Report of 22 June 2010 set out the Government's forward-looking fiscal mandate; to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period. The mandate is designed to protect the most productive public investment expenditure and to allow some fiscal flexibility at a time of economic uncertainty. At this time of rapidly rising debt, the fiscal mandate is supplemented by a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16. The Government set out detailed spending plans at the Spending Review in October 2010, and reaffirmed the consolidation plan at Budget 2011. On fiscal institutions: For the first time the Government's fiscal policy decisions have been based on independent forecasts for the economy and public finances. In advance of the June Budget, the Government created a new and independent Office for Budget Responsibility (OBR). This reform introduces independence, greater transparency and credibility to the fiscal framework and places the UK at the forefront of fiscal institutional reform internationally. In March 2011, the OBR was put on a statutory footing, with its independence protected in primary legislation. On financial sector interventions: The authorities have incorporated an exit strategy into the design of each of their financial sector interventions. For example, when it was announced, the Bank of England made clear the temporary nature of the Special Liquidity Scheme, which is due to end in January 2012. Similarly, there is a final expiry date for debt issued under the Credit Guarantee Scheme of April 2014. In implementing the	

					exit strategy from other interventions, the Government will seek to enhance financial stability and take into account the robustness of the economic recovery and the resilience of the financial sector as well as intervention-specific criteria (e.g. distortion to competition, fiscal impact) in considering whether a given course of action constitutes value for money.	

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)