PROGRESS REPORT ON THE ECONOMIC AND FINANCIAL ACTIONS OF THE LONDON, WASHINGTON AND PITTSBURGH G20 SUMMITS PREPARED BY THE UK CHAIR OF THE G20

ST ANDREWS, 7 NOVEMBER 2009

No.	SUMMIT COMMITMENT	PROGRESS AND NEXT STEPS
MACROECONOMY		
1	We commit to deliver the scale of sustained fiscal effort necessary to restore growth.	Fiscal stimulus on the necessary scale is well underway in G20 countries. In general, revenue measures and social transfers have been implemented more quickly than infrastructure projects. Stimulus should continue to support activity through 2010 in the advanced G20. Fiscal policy is projected to begin tightening in emerging G20 economies next year.
2	Our central banks have pledged to maintain expansionary policies for as long as needed and to use the full range of monetary policy instruments, including unconventional instruments consistent with price stability.	Most major economy central banks have reduced policy interest rates to close to the zero interest floor. Some central banks have signalled that interest rates are likely to remain low for an extended period, while others have indicated that monetary policy would only be tightened once the macroeconomic environment improves and the outlook for inflation picks up. Central banks have also used a range of unconventional or enhanced measures, tailored to the circumstances of their economies, to support financial intermediation and improve credit flows.

3	We pledge to sustain our strong policy response until a durable recovery is secured. We are resolved to ensure long-term fiscal sustainability and price stability, and put in place credible exit strategies. We task our Finance Ministers, working with input from the IMF and FSB, at their November 2009 meeting to continue developing cooperative and coordinated exit strategies recognising that the scale, timing, and sequencing of this process will vary across countries or regions and across the type of policy measures.	The IMF have proposed a set of principles which are intended to establish common ground for the design and implementation of policies during the exit from the extraordinary support measures taken during the crisis. The FSB has reported to G20 Ministers and Governors on FSB members' plans for exit from extraordinary financial sector support measures, has proposed general considerations and principles that help guide the formulation of strategies, as well as areas for potential co-ordination. <u>At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following:</u> While we will continue to provide support for the economy until the recovery is secured, we also commit to develop further our strategies for managing the withdrawal from our extraordinary macroeconomic and financial support measures. We agreed to cooperate and coordinate, taking into account any spillovers caused by our strategies, and consulting and sharing information where possible. To ensure credibility, our plans will be based on prudent assumptions and communicated promptly and transparently. We agreed to implement our plans flexibly, taking full account of variations in the pace of economic recovery and market conditions across countries and regions, and the complex interactions between different policy areas. The IMF and FSB will continue to assist us in reviewing strategies and implementation, identifying areas where coordination is particularly important and providing assessments of their collective impact on the global economy and the financial system. We welcome the work of the IMF and FSB to develop principles for exit.

4	We agreed to launch a Framework for Strong, Sustainable, and Balanced Growth. To put in place this framework, we commit to develop a process whereby we set out our objectives, put forward policies to achieve these objectives, and together assess our progress. We will ask the IMF to help us with its analysis of how our respective national or regional policy frameworks fit together. We will ask the World Bank to advise us on progress in promoting development and poverty reduction as part of the rebalancing of global growth. We will work together to ensure that our fiscal, monetary, trade, and structural policies are collectively consistent with more sustainable and balanced trajectories of growth. We will undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilisation. We call on our Finance Ministers and Central Bank Governors to launch the new Framework by November by initiating a cooperative process of mutual assessment of our policy frameworks and the implications of those frameworks for the pattern and sustainability of global growth.	At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: To underscore our new approach to economic cooperation, we launched the G20 Framework for Strong, Sustainable and Balanced Growth, adopted a detailed timetable and initiated a new consultative mutual assessment process to evaluate whether our policies will collectively deliver our agreed objectives. We will be assisted in our assessment by IMF and World Bank analyses and the input of other international organisations as appropriate, including the FSB, OECD, MDBs, ILO, WTO and UNCTAD. We agreed a compact: • to set out our national and regional policy frameworks, programmes and projections by the end of January 2010; • to conduct the initial phase of our cooperative mutual assessment process, supported by IMF and World Bank analyses, of the collective consistency of our national and regional policies with our shared objectives, taking into account our institutional arrangements, in April 2010; • to develop a basket of policy options to deliver those objectives, for Leaders to consider at their next Summit in June 2010; and • to refine our mutual assessment and develop more specific policy recommendations for Leaders at their Summit in November 2010.
5	We will conduct our economic policies cooperatively and responsibly with regard to the impact on other countries and refrain from competitive devaluations of currencies and promote a stable and well-functioning international monetary system.	Since the London Summit, representatives of G20 countries have continued to meet and cooperate on many aspects of the response to the crisis. Leaders, at the Pittsburgh summit, called Finance Ministers to develop our process of mutual assessment to evaluate the collective implications of national policies for the world economy. This included assessment of the implications and consistency of foreign exchange developments.

6	We will support, now and in the future, candid, even-handed, and independent IMF surveillance of our economies and financial sectors, of the impact of their policies on others, and of risks facing the global economy.	Coverage of financial sector issues in surveillance is being reinforced by the new Financial Sector Surveillance Guidance Note, recent reforms to the Financial Sector Assessment Programme (FSAP), and complementary efforts to integrate financial sector work into surveillance. Assessment of risks facing the global economy is being strengthened through the IMF-FSB early warning exercise and the discussion of cross-cutting themes in major Article IV consultations. Publication rates for country staff reports are high at around 90 per cent. In Pittsburgh, Leaders committed to work together to strengthen the Fund's ability to provide even-handed, candid and independent surveillance of the risks facing the global economy and the international financial system.
7	Make best possible use of investment funded by fiscal stimulus programmes towards the goal of building a resilient, sustainable and green recovery.	Infrastructure spending in G20 stimulus packages amounts to 0.6-0.7 per cent of GDP in both 2009 and 2010. In some countries, infrastructure measures are specifically designed with a "green" component, including by improving the energy efficiency of schools and other public facilities, promoting low carbon emission in private buildings. A number of countries have also launched tax-rebate programs that support the purchase of more fuel-efficient vehicles or aim to promote biodiesel.
8	We recognise that the current crisis has a disproportionate impact on the vulnerable in the poorest countries and recognise our collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential. As well as other commitments made to support the poorest, we call on the UN, working with other global institutions, to establish an effective mechanism to monitor the impact of the crisis on the poorest and most vulnerable.	In London and Pittsburgh, Leaders reaffirmed their commitment to meet the Millennium Development Goals and their respective Official Development Assistance pledges. The Global Impact and Vulnerability Alert System (GIVAS) was set up following the London Summit to monitor the impact of the crisis on the poorest and most vulnerable and launched at the UN General Assembly in September. Funding is being sought. Leaders committed to improving access to financial services for the poor, and to launch a G20 Financial Inclusion Experts Group and a G-20 Small- and Medium-sized Enterprise Finance Challenge - a call to the private sector to put forward proposals for how public finance can maximise deployment of private finance on a sustainable and scalable basis. In Pittsburgh, The G20 committed to work with the World Bank's Stolen Assets Recovery Program to secure the return of stolen assets to developing countries, and support other efforts to stem illicit outflows. As called for by Leaders at Pittsburgh, the World Bank has produced an initial framework for a 'Global Agriculture and Food Security Programme' that will support efforts to improve global nutrition and development of, and investment in, agricultural systems. It is looking operationalise the mechanism by the end of the year. The $20bn pledge at L'Aquila should be delivered over the next few months. Discussions are taking place on how best to monitor and report on progress.

9	In London, we agreed on the desirability of a new global consensus on the key values and principles that will promote sustainable economic activity. We support discussion on such a charter for sustainable economic activity.	In Pittsburgh, Leaders adopted the Core Values for Sustainable Economic Activity (including propriety, integrity, and transparency), and agreed that these would underpin work on the Framework.
RESTORING LENDING		
10	We are committed to taking all necessary actions to restore the normal flow of credit through the financial system and ensure the soundness of systemically important institutions, implementing policies in line with the agreed G20 framework for restoring lending and repairing the financial sector.	Since September 2008 more than half of the G20 governments have taken exceptional crisis containment actions aimed at restoring market stability, creditor confidence, and the health of the banking system. Financial markets have improved in recent months, but much remains to be done to restore financial systems to health, and a return to normal levels of credit intermediation will be slow with continued need of government support in some cases. Economic conditions, the stability of financial systems, and market-based mechanisms will determine when and how financial sector policy support will be removed.
TRADE FINANCE		
11	We will ensure availability of at least $250bn over the next two years to support trade finance through our export credit and investment agencies and through the MDBs (up to $50bn from the IFC Global Trade Liquidity Pool (GTLP) over the next three years, including $3-4bn in voluntary bilateral contributions to the IFC Pool, with significant co-financing from the private sector).	The $250bn two-year support framework has been effectively implemented, and is particularly focussed on emerging markets and low-income countries, via additional bilateral and multilateral support programmes. Approximately $65bn has been taken-up by banks and buyers in first six months. All MDBs have launched specific initiatives or extended existing ones on trade finance and the GTLP has, received commitments of more than $4bn from donors, and $3.6bn from commercial banks. This is in addition to a separate parallel facility, the Global Trade Finance Programme (GTFP).
12	We ask regulators to make use of available flexibility in capital requirements for trade finance.	Eligible countries continue to consider flexibilities, including through ongoing co-operation in the Basel Committee on Banking Supervision (BCBS) and Financial Stability Board (FSB). The World Trade Organisation chaired Expert Group on trade finance will also take stock on Basel II and trade finance ahead of the Pittsburgh Summit.

IFI REFORM		
IMF RESOURCES		
13	We have agreed to increase the resources available to the IMF through immediate financing of $250bn, subsequently to be incorporated into an expanded and more flexible New Arrangements to Borrow (NAB), increased by up to $500bn, and to consider market borrowing if necessary.	In Pittsburgh, Leaders announced delivery of the London Summit pledge to treble IMF resources, including by contributing over $500 billion to a renewed and expanded NAB. Commitments have been set out at www.imf.org/external/np/exr/faq/contribution.htm.
14	Doubling of IMF's concessional lending capacity for low-income countries (LICs) agreed in London.	Resources from the agreed sale of IMF gold, consistent with the IMF's new income model, and funds from internal and other sources will more than double the Fund's medium-term concessional lending capacity.
15	Doubling of access limits for lending to LICs within the Debt Sustainability Framework agreed in London.	Access limits have been doubled.
16	Leaders committed, consistent with the new income model, that additional resources from agreed sales of IMF gold will be used, together with surplus income, to provide $6bn additional concessional and flexible finance for the poorest countries over the next 2-3 years (IMF to come forward with proposals by Spring Meetings).	The IMF Board approved a comprehensive LIC support package on 23 July 2009, which includes stepped-up financial assistance, exceptional interest relief, higher concessionality, and the creation of new more flexible LIC facilities that are tailored to meet LICs' crisis needs. IMF's internal resources (including resources linked to gold sales) and additional bilateral contributions will be used to help finance up to $10 billion new lending to low-income countries over the next three years and up to $17 billion through to 2014.

17	We support a General Special Drawing Rights (SDR) allocation, which will inject $250bn into the world economy and increase global liquidity, $100bn of which will go directly to emerging market and developing countries.	General SDR allocation amounting to the equivalent of $250bn was made on 28 August 2009. The equivalent of nearly $100bn went to emerging markets and developing countries (of which LICs will receive over $18bn). To support SDR liquidity, the IMF has substantially expanded the capacity of voluntary arrangements for buying and selling SDRs in exchange for currencies in the SDR basket. Several countries are considering, on a voluntary basis, the mobilisation of existing SDR resources to support the IMF's lending to the poorest countries.
18	Urgent ratification of the Fourth Amendment of the IMF's articles.	The Fourth Amendment entered into force on 10 August 2009. As a result, a special one-off allocation of SDRs, amounting to about $33 billion, was made on 9 September 2009.
WORLD BANK RESOURCES		
19	We support a 200 per cent general capital increase at the Asian Development Bank (ADB) agreed.	ADB's Board of Governors adopted a resolution in April 2009, approving a 200 per cent increase in ADB's capital stock. This will triple ADB's capital base from approximately $55bn to $165bn.
20	We support a substantial increase in lending of at least $100bn by the MDBs, including to LICs, to a total of up to $300bn over the next three years (by 2012) agreed.	The Multilateral Development Banks (MDBs) have all substantially increased their lending, planning to lend in excess of $110bn more this year in response to the strong crisis-driven demand. Over the past year (as of 30 September), the World Bank Group committed over $70 billion to support countries hit by the global crisis. Total new demands are projected to reach over $130 billion over [financial years] 2009-12. Total MDB lending will increase to around $300bn over the next three years.

21	We support full and exceptional use of MDB balance sheets, to create further capacity for lending to meet crisis needs agreed in London. In Pittsburgh, Leaders called on Finance Ministers to consider how mechanisms such as temporary callable and contingent capital could be used in the future to increase MDB lending at times of crisis.	The MDBs have taken concrete steps to enhance their financial capacity through exceptional use of their balance sheets. For example: • the World Bank have agreed an increase in International Bank for Reconstruction and Development (IBRD) loan pricing and over the next three years; • the European Bank for Reconstruction and Development's (EBRD) Board have approved a change in the interpretation of the Bank's statutory gearing ratio to an operating assets basis, providing additional headroom for operating asset growth. Significant progress has been made in utilising EBRD's balance sheet; • the African Development Bank's (AfDB) Board of Directors approved a change to the Bank's debt to Usable Capital Ratio in July 2009; • the Asian Development Bank (ADB) is making full use of its financial positions to provide countercyclical funding support to its crisis-affected DMCs and released \$400m from its prudential minimum liquidity to the Asian Development Fund; and • the Inter-American Development Bank (IaDB) has increased its balance sheet by \$4bn through the innovative addition of temporary callable capital and will increase disbursements by \$2bn having eliminated the Policy Based Borrowing Authority. The MDBs are considering other options and developing further proposals.
22	We ask relevant ministers to explore the benefits of a new crisis support facility in IDA to protect LICs from future crises and the enhanced use of financial instruments in protecting the investment plans of middle income countries from interruption in times of crisis, including greater use of guarantees.	The World Bank is currently designing the Crisis Response Facility; it will be discussed at the IDA Mid-Term Review in November 2009. The Bank is developing a strategy to enhance Bank (IBRD/IDA) guarantees, including by improve the guarantee product's attractiveness

23	We commit to ensure the MDBs are appropriately funded, and we support reviews of the need for capital increases at the IADB, AfDB, EBRD to be completed by the first half of 2010. We agreed that additional resources must be joined to key institutional reforms to ensure effectiveness: greater coordination and a clearer division of labor; an increased commitment to transparency, accountability, and good corporate governance; an increased capacity to innovate and achieve demonstrable results; and greater attention to the needs of the poorest populations.	The relevant MDBs have begun the process of reviewing the need for a capital increase, with a view to a decision in the spring. The Development Committee agreed at the World Bank Annual Meetings that a review and decision on capital would be completed by Spring 2010. UK and other shareholders are pushing World Bank to do more to stretch their balance sheet. Management is currently preparing two papers on post-crisis directions and on internal reform to be discussed by the Board in early 2010. <u>At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following</u>: We reaffirmed our commitment to: complete the review of World Bank and RDB capital to ensure they have sufficient resources conditional on reforms to ensure effectiveness, by the first half of 2010. We look forward to the ambitious replenishment of IDA and the African Development Fund, and the work on exploring the benefits of an IDA crisis facility, and the work on the Stolen Assets Recovery Programme.
24	IDA resources should be frontloaded, using the existing flexibility in the Debt Sustainability Framework (DSF).	The World Bank has relaxed the standard frontloading rule to allow countries to frontload up to half of their annual allocation (instead of the regular 30 per cent) for programs or projects that respond to the impact of the crisis, and is fast-tracking up to $2bn of IDA15, consistent with the Bank's existing operational guidelines on crisis response. In addition, the AfDB launched the AfDF Fast Track Programme, to enhance flexibility in AfDF operations and policies, including to allow significant frontloading of resources. The ADB is allowing up to 100 per cent front-loading in 2009 for all ADF countries.
25	We support actions to leverage private capital more effectively for the MDBs, including through use of guarantees, bond insurance and bridging finance.	The MDBs have stepped up their efforts to leverage private capital to maximize their impact, through development of new initiatives or reinforcement of existing ones. Some have taken specific actions using guarantee schemes or mitigating risks for private lenders. Actions include: • the World Bank has recently formed lender coalitions, and expanded the use of guarantees, insurance instruments and risk management products. It is also continuing a dialogue with major underwriters of emerging market bond issuance and liability management experts to identify innovative co-financing opportunities; • the EBRD has made significant progress in developing initiatives, such as the Joint IFI Action Plan; • amongst other things, the AfDB has, with the Africa Commission, agreed to set-up an African SME Guarantee Fund to address the constraint to investment finance for SMEs and for capacity development for financial institutions and SMEs; • the ADB increased its allocation for guarantees by $2bn in 2009, including the Trade Finance Facilitation Program and investment in several infrastructure financing projects through its private sector lending. • the IaDB continues to increase its non-sovereign guaranteed portfolio.

26	Low-income IDA countries with sustainable debt positions and sound policies should be given temporary access to non-concessional IBRD lending to compensate for the loss of access to capital markets.	To help tap the potential for commercially viable and fiscally attractive foreign exchange-earning projects in many IDA countries, the World Bank is developing an approach to expand the use of IBRD resources for specific projects in IDA countries based on the IBRD Enclave framework.
27	Individual country limits on World Bank lending should be increased as appropriate to enable large countries to access required levels of finance and so support stability and recovery in their regions.	IBRD's Board increased its Single Borrower Limit (SBL) from $15.5bn to $16.5bn for FY2010. This limit is applicable to IBRD's largest borrowing countries that have achieved investment-grade status.
28	We will support, through voluntary bilateral contributions, the World Bank Vulnerability Framework, including the Infrastructure Crisis Facility and the Rapid Social Response Fund.	Vulnerability Framework initiatives are being implemented, including: • raising the ceiling of the Global Food Crisis Response Program (GFRP) from $1.2bn to $2bn. Total World Bank-funded GFRP projects currently amount to almost $1.2bn; • the Rapid Social Response to address urgent social needs by financing immediate interventions in basic social services, safety net programs, and labour market policies; • the Infrastructure Recovery and Assets Platform; and • IFC-led initiatives for the private sector. IFC has mobilized more than $10bn under these initiatives and the initiatives are actively disbursing.
GENERAL IFI LENDING		
29	We have agreed to review the flexibility of the Debt Sustainability Framework.	The IMF and World Bank Executive Boards reviewed aspects of the Debt Sustainability Framework and the IMF Executive Board approved new guidelines for debt limits in Fund-supported programs. Both will allow the Fund and the Bank to respond more flexibly to the needs of their members.

IMF GOVERNANCE		
30	We commit to Implementing the package of IMF quota and voice reforms agreed in April 2008.	42 countries have now accepted amendments to Articles to triple basic votes and provide for an additional Alternate Director for large constituencies. Others are in the process of taking the steps required to accept the amendments. At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We reaffirmed our commitment to complete the 2008 quota and voice reforms.
31	We call on the IMF to complete the next review of quota and voice, by January 2011.	In Pittsburgh, Leaders recognised that the IMF should remain a quota-based organisation and that the distribution of quotas should reflect the relative weights of its members in the world economy, which have changed substantially in view of the strong growth in dynamic and emerging market and developing countries. Leaders committed to a shift in IMF quota share to dynamic emerging markets and developing countries of at least 5 per cent from over-represented countries to under-represented countries using the current quota formula as the basis to work from. Leaders also agreed to protect the voting share of the poorest in the IMF. Leaders agreed that the review will also need to address: • the size of any increase in IMF quotas, which will have a bearing on the ability to facilitate change in quota shares; • the size and composition of the Executive Board; • ways of enhancing the Board's effectiveness; • the Fund Governors' involvement in the strategic oversight of the IMF; and • enhancement of staff diversity. At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We reaffirmed our commitment to deliver the representation and governance reforms agreed in Pittsburgh and reiterated the deadline of January 2011 for the IMF.
32	We agree that consideration should be given to greater involvement of the Fund's Governors in providing strategic direction to IMF and increasing its accountability.	In Pittsburgh, Leaders reiterated their commitment to give the Fund Governors greater involvement in the strategic oversight of the IMF.

WORLD BANK GOVERNANCE		
33	We commit to implementing the World Bank reforms agreed in October 2008.	Reforms are underway: • shareholders are in the process of approving the amendment to the IBRD Articles of Agreement to increase Basic Votes; • sub-Saharan African countries are continuing to discuss how best to arrange themselves within three constituencies; • there is considerable agreement on the importance of a selection process for the President of the Bank that is merit-based and transparent, with nominations open to all Board members and transparent Board consideration of all candidates.; and • the Zedillo Commission's report on corporate governance in the World Bank has been circulated, with an initial response from the President. Its recommendations are to be considered with shareholders and fed into ongoing reform commitments.
34	We look forward to further recommendation, at the next meetings, on voice and representation reforms on an accelerated timescale, to be agreed. (By 2010 Spring Meetings).	The second phase of the World Bank Voice reform is under negotiation with a view to reaching an agreement by the 2010 Spring Meetings. Leaders agreed in Pittsburgh, to pursue governance and operational effectiveness reform in conjunction with voting reform to ensure that the World Bank is relevant, effective, and legitimate. They agreed to adopt a dynamic formula which primarily reflects countries' evolving economic weight and the World Bank's development mission, and that generates in the next shareholding review a significant increase of at least 3% of voting power for developing and transition countries. <u>At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following</u>: We reaffirmed our commitment to deliver the representation and governance reforms agreed in Pittsburgh and reiterated the deadline of the 2010 Spring Meetings for the World Bank.

GENERAL IFI GOVERNANCE AND EFFECTIVENESS		
35	The Chairman, working with the G20 Finance Ministers, will consult widely in an inclusive process and report back to the next meeting with proposals for further reforms to improve the responsiveness and adaptability of IFIs.	The Pittsburgh Summit welcomed Prime Minister Brown's report on his review of the responsiveness and adaptability of the international financial institutions (IFIs) and asked Finance Ministers to consider its conclusions. At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We reaffirmed our commitment to: deliver the representation and governance reforms agreed in Pittsburgh and reiterated the deadlines of the 2010 Spring Meetings for the World Bank and January 2011 for the IMF; complete the 2008 quota and voice reforms; complete the review of World Bank and RDB capital to ensure they have sufficient resources conditional on reforms to ensure effectiveness, by the first half of 2010; make progress on reviewing the mandate of the IMF; and strengthen their capability to prevent and manage future crises.
36	We agreed that the heads and senior leadership of the international financial institutions should be appointed through an open, transparent and merit-based selection process (by 2011).	As part of a comprehensive reform package, G20 Leaders agreed that the heads and senior leadership of all international institutions should be appointed through an open, transparent and merit-based process. We must urgently implement the package of IMF quota and voice reforms agreed in April 2008. Leadership management process has been considered by the World Bank and the IDB as part of the ongoing governance reform and capital review processes, respectively. The EBRD has already implemented principles consistent with this.
37	We will reform the IFIs' mandates, scope and governance to reflect changes in the world economy and the new challenges of globalisation and that emerging and developing economies, including the poorest, must have greater voice and representation.	See Actions 31-35. On IMF mandate, the International Monetary and Financial Committee called for "The Fund to review its mandate to cover the full range of macroeconomic and financial sector policies that bear on global stability and report back to the committee by the next Annual Meetings".

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<tr><td>38</td><td>The IMF should take steps to ensure that its surveillance and lending facilities address effectively the underlying causes of countries' balance of payments financing needs, particularly the withdrawal of external capital flows to the banking and corporate sectors.</td><td>Reforms to IMF lending and conditionality framework to date include:
• the introduction of a new high access crisis prevention instrument (the Flexible Credit Line), available on a precautionary basis to counter possible withdrawal of private financing;
• stand-by arrangements are more flexible as crisis prevention tools;
• new lending instruments for LICs, including increased concessionality and temporary interest relief;
• access limits have been doubled. Charges, fees and maturities have been revised;
• reform of conditionality to ensure conditions sufficiently focused and tailored to circumstances, partly aimed at reducing stigma;
• greater reliance on ex-ante conditionality; and
• elimination of structural performance criteria — structural reforms now to be monitored in context of program reviews.

IMF work to strengthen bilateral and multilateral surveillance, including macro-financial linkages, is ongoing. In September, the IMF's Executive Board adopted a revised Statement of Surveillance Priorities, which sets new economic priorities for 2008-2011.</td></tr>
<tr><td colspan="3">ENERGY AND CLIMATE CHANGE</td></tr>
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39	We will spare no effort to reach agreement in Copenhagen through the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. We welcome the work of the Finance Ministers and direct them to report back at their next meeting with a range of possible options for climate change financing to be provided as a resource to be considered in the UNFCCC negotiations at Copenhagen. In Pittsburgh Leaders committed to phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest. They asked Energy and Finance Ministers, with support from the IFIs, to develop implementation strategies and timeframes, reporting back at the next Summit. They asked the relevant institutions to provide an analysis of the scope of energy subsidies and suggestions for the implementation of this initiative by the next summit.	At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We committed to take action to tackle the threat of climate change and work towards an ambitious outcome in Copenhagen, within the objective, provisions and principles of the United Nations Framework Convention on Climate Change (UNFCCC). We discussed climate change financing options and recognised the need to increase significantly and urgently the scale and predictability of finance to implement an ambitious international agreement. Public finance can leverage significant private investment. Increasing the scope of carbon markets would depend on policy frameworks of developed and developing countries and on the depth of emission reductions on the part of developed countries. To deliver this financing, coordinated equitable, transparent and effective institutional arrangements will be needed. Coordination of support for country-led plans and reporting of this support should be ensured across all financing channels, multilateral, regional and bilateral. We discussed a range of options and, recognising that finance will play an important role in the delivery of the outcome at Copenhagen, we commit to take forward further work on climate change finance, to define financing options and institutional arrangements. We call on the IEA, OPEC, OECD and World Bank to produce a joint report for our next meeting on energy subsidies, and working with our Energy Ministers, we will prepare at that meeting implementation strategies and timeframes, based on our national circumstances, for rationalising and phasing out inefficient fossil fuel subsidies that encourage wasteful consumption, and for providing targeted assistance programmes.
FINANCIAL REGULATION		
40	We are committed to take action at the national and international level to raise standards together so that national authorities implement global standards consistently in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and regulatory arbitrage. We call on the FSB to report on progress to the G20 Finance Ministers and Central Bank Governors in advance of the next Leaders summit.	The Financial Stability Board have provided G20 Finance Ministers and Central Bank Governors with a progress report describing the measures that have been taken and other progress made to date to implement G20 Leaders' commitments and relevant FSF and FSB recommendations. More detail is set out below.

FSB ESTABLISHMENT		
41	We agreed to the establishment of a new Financial Stability Board (FSB) as a successor to the Financial Stability Forum (FSF).	The G20 Leaders at the London Summit transformed the FSF into the FSB, with an expanded membership and a broadened mandate to promote financial stability. The FSB held its inaugural meeting on 26-27 June 2009, and has set up the internal structures needed to address its mandate. These new structures include a Steering Committee and three Standing Committees – for Assessment of Vulnerabilities; Supervisory and Regulatory Cooperation; and Standards Implementation. The FSB also established a Cross-border Crisis Management Working Group, and an Expert Group on non-cooperative jurisdictions. These groupings have all begun their work. In Pittsburgh, Leaders endorsed the institutional strengthening of the Financial Stability Board through its Charter and welcomed its reports to Leaders and Ministers.
42	FSB members have committed 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 (Financial Sector Assessment Program) reports. The FSB will elaborate and report on these commitments and the evaluation process.	The FSB will put in place a framework to strengthen adherence to international regulatory and prudential standards by the end of 2009. The FSB reported on the development of this framework at the November 2009 meeting of G20 Finance Ministers and Central Bank Governors. As part of this framework, work is progressing on the development of a mechanism for peer reviews of FSB members. Peer reviews will take the form of both single-country and thematic reviews, where single-country reviews will examine the adherence to standards and other regulatory initiatives and progress in addressing shortcomings, and thematic reviews will focus on the implementation and effectiveness of FSB policy recommendations or G20 action items or of a specific standard across all FSB member countries. Single-country peer reviews will start by end-2009, with a thematic peer review on the implementation of FSB compensation principles to be completed by March 2010. Thematic and country reviews will move forward in parallel, and in the near term particular emphasis will be put on thematic reviews, reflecting the importance of implementing new standards consistently across the membership.

INTERNATIONAL COOPERATION		
43	The FSB should collaborate with the IMF to conduct early warning exercises (EWE) to identify and report to the IMFC and the G20 Finance Ministers and Central Bank Governors on the build up of macroeconomic and financial risks and the actions needed to address them.	The initial, "dry run" Early Warning Exercise (EWE) was presented to the International Monetary and Financial Committee (IMFC) meeting in Washington on 25 April 2009. The next iteration of the EWE was presented to the IMFC meeting in October.
44	Implement immediately the FSF principles for cross-border crisis management and that systemically important financial firms should develop internationally consistent firm-specific contingency and resolution plans. National 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. Develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future.	The FSB has developed a work programme to propose by the end of October 2010 possible approaches to address the "too big to fail" problems associated with systemically important financial institutions. The FSB will be engaged in three approaches as follows, while drawing on and monitoring the work which is already underway in member bodies as well as work done by domestic authorities which directly contributes to addressing the "too big to fail" issue: • Reducing probability and impact of failure. This approach will examine the various supervisory and regulatory approaches to dealing with systemically important financial institution, including requirements relating to specific funding and capital arrangements, legal and operational structures; • Improving resolution capacity. This approach will consider policies to improve the capacity to undertake an orderly resolution of a failing firm and examine the effectiveness of efforts to improve ex ante crisis preparedness, contingency planning, cooperation and information exchange among relevant authorities; and • Strengthening the core financial infrastructures and markets. This approach will consider improvements to infrastructures and measures to reduce contagion risks. Regarding implementation of the FSF Principles for Cross-border Cooperation on Crisis Management, schedules for firm-specific cross-border contingency planning discussions have been set out and will take place in 2009 and first half of 2010. The FSB Cross-border Crisis Management Working Group is preparing a list of the main elements to be included in contingency planning discussions. Planning will cover contingency funding and de-risking - potential actions to scale down activities or sell non-core business lines with a view to ensuring the continuity of critical financial services, as well as actions to achieve an orderly resolution or wind-down by the authorities, should de-risking measures not be feasible, fail or prove insufficient to preserve the firm as a going concern. <u>At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following</u>: We call for the rapid development of internationally consistent, firm-specific recovery and resolution plans and tools by end-2010.

45	Establishment of the remaining supervisory colleges for significant cross-border firms by June 2009.	Supervisory colleges have now been established for more than thirty large complex financial institutions identified by the FSF as needing college arrangements. These colleges will continue to meet on an ongoing basis. Over the summer, the FSB, BCBS and International Association of Insurance Supervisors (IAIS) carried out a comprehensive stocktaking of college arrangements and practices in the banking sector and insurance sector. The main findings of these surveys were reported to the G20 at the Pittsburgh Summit. The BCBS is working to develop a baseline set of principles along with good practice guidelines to assist the efficient operation of colleges and sharing of information. The principles and guidelines will be completed in the first quarter of 2010. In October 2009, the IAIS adopted a supervisory guidance on the use of supervisory colleges. In June IOSCO launched a Supervisory Cooperation Task Force, which will develop principles for cooperation in the supervision and oversight of cross-border securities market participants. This Task Force will produce its final report for the Technical Committee early in 2010. The FSB will review whether there is any merit in having a broad set of principles setting out good practices in the operation of colleges and information sharing that would apply on a cross-sector basis.
46	Support continued efforts by the IMF, FSB, World Bank, and BCBS to develop an international framework for cross-border bank resolution arrangements.	Progress is being made in the two major international initiatives now underway on bank resolution frameworks, namely the Cross-Border Bank Resolution Group (CBRG) of the BCBS and the initiative by the IMF and the World Bank on the legal, institutional and regulatory framework for national bank insolvency regimes. In September, the CBRG published for consultation a report, which includes recommendations for authorities on effective crisis management and resolution processes for large cross-border institutions. The IMF is producing papers on a Framework for the Cross-Border Resolution of Insolvent Financial Institutions. The first paper will examine key legal and policy issues, and will be completed by end-2009. Following Executive Board discussion, a second paper will set out recommendations for the resolution of these issues, which is scheduled for completion in the spring of 2010. The FSB work programme on reducing moral hazard posed by systemically important financial institutions (Action 44) will include amongst its work the consideration of policies to undertake an orderly resolution of a failing firm.

47	Advanced economies, the IMF, and other international organisations should provide capacity-building programs for emerging market economies and developing countries on the formulation and the implementation of new major regulations, consistent with international standards.	The IFIs will play a key role in both the FSB's assessment processes and the provision of advice to countries so that they may meet international standards in line with country-specific needs.
	PRUDENTIAL REGULATION	
48	Prudential regulatory standards should be strengthened once recovery is assured. The national implementation of higher level and better quality capital requirements, counter-cyclical capital buffers, higher capital requirements for risky products and off balance sheet activities, as elements of the Basel II capital framework, together with strengthened liquidity risk requirements and forward-looking provisioning, will reduce incentives for banks to take excessive risks and create a financial system better prepared to withstand adverse shocks. Leaders have committed to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital and to discourage excessive leverage. These rules will be phased in as financial conditions improve and economic recovery is assured, with the aim of implementation by end-2012.	In Pittsburgh Leaders welcomed the key measures agreed on 7 September 2009 by the Group of Central Bank Governors and Heads of Supervision, the oversight body of the BCBS, to strengthen the supervision and regulation of the banking sector. These include: • Raise the quality, consistency and transparency of the Tier 1 capital base. • Introduce a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration. • Introduce a minimum global standard for funding liquidity that includes a stressed liquidity coverage ratio requirement, underpinned by a longer-term structural liquidity ratio. • Introduce a framework for countercyclical capital buffers above the minimum requirement. The Committee also agreed to assess the need for a capital surcharge to mitigate the risk of systemic banks. The BCBS will issue concrete proposals on these measures by the end of this year. At its October meeting, the BCBS agreed the framework and timeline for undertaking a quantitative impact study and the calibration of the overall capital level by end 2010. The impact assessment will look at the cumulative effect of all the reforms and how they interact. Appropriate implementation standards will be developed to ensure a phase-in of these new measures that does not impede the recovery of the real economy. Government injections will be grandfathered.

49	Guidelines for harmonisation of the definition of capital should be produced by the end of 2009.	The Group of Central Bank Governors and Heads of Supervision, the oversight body of the BCBS, reached agreement on 7 September 2009 to raise the quality, consistency and transparency of the Tier 1 capital base. The predominant form of Tier 1 capital must be common shares and retained earnings. Appropriate principles will be developed for non-joint stock companies to ensure they hold comparable levels of high quality Tier 1 capital. Moreover, deductions and prudential filters will be harmonised internationally and generally applied at the level of common equity or its equivalent in the case of non-joint stock companies. The definition of capital will be harmonised across jurisdictions and all components of the capital base will be fully disclosed so as to allow comparisons across institutions to be easily made The BCBS met in October and made major progress in developing concrete proposals on a revised definition of capital to be assessed in a quantitative impact study in 2010. Calibration of the new requirements to be completed by end-2010. Appropriate implementation standards will be developed to ensure a phase-in of these new measures that does not impede the recovery of the real economy.
50	The FSB, BCBS and Committee on the Global Financial System (CGFS), working with accounting standard setters should take forward implementation of the recommendations published to mitigate procyclicality, by the end of 2009, including a requirement for banks to build buffers of resources in good times that they can draw down when conditions deteriorate.	The Group of Central Bank Governors and Heads of Supervision, the oversight body of the BCBS, reached agreement on 7 September 2009 to introduce a framework for countercyclical capital buffers above the minimum requirement. In October, the BCBS agreed to develop concrete proposals to reduce the pro-cyclicality of Basel II and introduce a counter-cyclical buffer mechanism. There will be four elements to this: • dampening the cyclicality of the minimum capital requirement; • promoting more forward looking provisions; • conserving capital to build capital buffers at individual banks and the banking sector that can be used in stress; and • achieving the broader macroprudential goal of containing excess credit growth and protecting the banking sector from system-wide risk. Proposals for the first three elements will be developed by the end of this year and on the fourth by the middle of next year. A comprehensive package to address procyclicality will be finalised by the end of next year. The BCBS is actively engaged with accounting standard setters to promote more forward-looking provisions based on expected losses. See also Action 85.

51	The BCBS should review minimum levels of capital and develop recommendations in 2010.	At its October meeting, the BCBS agreed the framework and timeline for undertaking an impact study and the calibration of the overall level of capital by end 2010. The anchor of this analysis will be the impact of changes to the definition of capital and enhancements to risk capture (trading book, re-securitisation etc). This will set the foundation for determining any adjustment to the minimum requirement and for the leverage ratio. Appropriate implementation standards will be developed to ensure a phase-in that does not impede the recovery of the real economy.
52	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. Securitisation sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	In July 2009 the BCBS issued final standards to raise capital requirements for resecuritisations, and enhanced risk management requirements around structured products and off-balance sheet activities. The International Organization of Securities Commissions (IOSCO) published in September 2009 a report on regulatory issues related to securitized products and credit default swaps (CDS), which includes recommendations about regulatory approaches to be implemented in the securitisation markets. IOSCO finalised in June 2009 its report on Good Practices in Relation to Investment Managers' Due Diligence when Investing in Structured Finance Instruments. National and regional initiatives are also underway in some jurisdictions to introduce quantitative retention requirements for originators/sponsors of securitisations.
53	The BCBS and national authorities should develop and agree on a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions by 2010.	The BCBS is working to further increase the harmonisation of international liquidity risk supervision in order to raise banks' resilience to liquidity stresses globally and strengthen cross-border supervision of funding liquidity. Work is progressing rapidly. The Group of Central Bank Governors and Heads of Supervision, the oversight body of the BCBS, reached agreement in September to introduce a minimum global standard for funding liquidity that includes a stressed liquidity coverage ratio requirement, underpinned by a longer-term structural liquidity ratio. The BCBS will issue concrete proposals on these measures by end-2009. It will carry out an impact assessment at the beginning of 2010, with calibration of the new requirements to be completed by end-2010. Appropriate implementation standards will be developed to ensure a phase-in of these new measures that does not impede the recovery of the real economy. The BCBS is monitoring banks' implementation of the September 2008 Principles, and will make a thorough review of the progress of implementation in the first half of 2010.

54	Risk-based capital requirements should be supplemented with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system. We support the introduction of a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration. To ensure comparability, the details of the leverage ratio will be harmonised internationally, fully adjusting for differences in accounting.	The Group of Central Bank Governors and Heads of Supervision, the oversight body of the BCBS, reached agreement in September to introduce a leverage ratio as a supplementary measure to the Basel II risk-based framework with a view to migrating to a Pillar 1 treatment based on appropriate review and calibration. To ensure comparability, the details of the leverage ratio will be harmonised internationally, fully adjusting for differences in accounting. A key issue will be the appropriate level and how it interacts with the risk based ratio.
55	All major G-20 financial centres commit to have adopted the Basel II capital framework by 2011.	G20 countries have either implemented or are taking steps to implement Basel II into national regulatory frameworks.
56	BCBS to review guidelines for processes for measurement of risk concentrations in 2009 to ensure they are timely and comprehensive.	The BCBS has strengthened guidance for use in the Pillar 2 supervisory review process of the Basel II framework to address key lessons of the crisis, covering governance, the management of risk concentrations, stress testing, valuation practices and exposures to off-balance sheet activities.
57	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.	The BCBS has strengthened guidance for use in the Pillar 2 supervisory review process of the Basel II framework to address key lessons of the crisis, covering governance, the management of risk concentrations, stress testing, valuation practices and exposures to off-balance sheet activities. National authorities have also strengthened their guidelines for risk management practices following the shift to Basel II. The Senior Supervisors Group (SSG) issued in October 2009 a report setting out the results of a self assessment exercise by twenty large financial institutions to benchmark their own risk management practices against official and industry recommendations issued since the outbreak of the crisis. The report also reviewed in-depth the funding and liquidity issues central to the recent crisis and the areas of risk management practices warranting improvement across the financial services industry.

58	Firms should reassess their risk management models to guard against stress and report to supervisors on their efforts.	The Senior Supervisors Group (SSG) issued in October 2009 a report setting out the results of a self assessment exercise by twenty large financial institutions (see also action 57). While firms indicated they had either fully or partially complied with most recommendations, the SSG members found that these assessments were, in the aggregate, too positive and that much stronger ongoing management commitment to risk control, and the dedication of considerable resources to necessary information technology, will be required to close gaps between actual and recommended practices. National authorities are also taking steps to encourage firms to improve and develop risk management and stress-testing.
59	The Basel Committee should study the need for and help develop firms' stress testing models, as appropriate.	The BCBS has strengthened guidance for use in the Pillar 2 supervisory review process of the Basel II framework to address key lessons of the crisis, covering governance, the management of risk concentrations, stress testing, valuation practices and exposures to off-balance sheet activities. The BCBS issued in May 2009 Principles for Sound Stress Testing Practices and Supervision.
60	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.	National authorities have taken, and are continuing to take, steps to encourage firms to provide disclosures consistent with international best practice developed by the Senior Supervisors Group and the FSB, as appropriate. Firms have continued to enhance their risk disclosures in their published annual reports.
61	The appropriate bodies should review the differentiated nature of regulation in the banking, securities and insurance sectors and provide a report outlining the issue and making recommendations on needed improvements.	The Joint Forum is analysing regulatory gaps in order to help to ensure that the scope and the nature of financial regulation are appropriate. It has five key areas of focus: differences in the nature of financial regulation; consolidation and group-wide supervision; hedge funds; consistent underwriting standards for mortgage products; and risk transfer products. The draft report, which presents views on possible ways to address the identified issues and gaps in each of these focus areas, will be discussed at the Joint Forum meeting on 9-10 November 2009 and, by end 2009, the final version submitted to the FSB and subsequently published. For the insurance sector, the International Association of Insurance Supervisors (IAIS) is currently developing a guidance paper on the treatment of non-regulated entities. The IAIS is also researching the design and practicality of a common assessment framework for insurance group supervision. Finally, the IAIS is currently preparing a new *Roadmap for standard setting within the framework for insurance supervision* setting the policy framework and priorities for 2010-11. A number of initiatives are also underway at the national level to review the adequacy of domestic regulation and fill identified regulatory gaps, including as part of broader financial sector reform proposals.

62	Authorities should monitor substantial changes in asset prices and their implications for the macroeconomy and the financial system.	National authorities in G20 countries, in particular central banks, typically carry out ongoing monitoring of asset prices and consider in particular their implications for financial stability. In addition, the FSB and its members are continuing developing quantitative tools and indicators to monitor and assess the build-up of macroprudential risks in the financial system. See also action 64.
63	National and regional authorities should also review business conduct rules to protect markets and investors.	A number of initiatives are underway in G20 countries to review and strengthen business conduct rules.
SCOPE OF REGULATION		
64	We will 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. We will 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. We call on the FSB to work with the BIS (Bank for International Settlements) and international standard setters to develop macro-prudential tools and provide a report by autumn 2009.	Efforts to establish system-wide oversight and macro-prudential policy arrangements are ongoing at the national level, for example through changes to institutional arrangements and reviewing the powers of relevant authorities. Aside from the work to address procyclicality noted elsewhere, the FSB and its members are continuing developing quantitative tools and indicators to monitor and assess the build-up of macroprudential risks in the financial system. These tools aim to improve the identification and assessment of systemically important components of the financial sector and the assessment of how risks evolve over time. The use of macroprudential tools will require that authorities expand data collection on the financial system and the IMF staff and FSB secretariat have collaborated to produce a report on “The Financial Crisis and Information Gaps,” in response to a recommendation from the G20’s Working Group on Reinforcing International Cooperation and Promoting Integrity in Financial Markets. The IMF and FSB will report back to the G20 Finance Ministers and Governors by June. 2010 on progress, with a concrete plan of action, including a timetable, to address each of the outstanding recommendations. See Also actions 44 and 65

65	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should consider possible measures including more intensive supervision and specific additional capital, liquidity and other prudential requirements. The IMF and FSB will produce guidelines for national authorities to assess whether a financial institution, market or an instrument is systematically important by the next meeting of Finance Ministers and Central Bank Governors.	The FSB has developed a work programme to propose by the end of October 2010 possible measures to address the "too big to fail" problems associated with systemically important financial institutions (see Action 44). The FSB will be engaged in three approaches, one of which will focus on reducing probability and impact of failure. This approach will examine the various supervisory and regulatory approaches to dealing with systemically important financial institutions, including requirements relating to specific funding and capital arrangements, legal and operational structures. The FSB will draw on and monitor work which is already underway, including by the BCBS working group on macroprudential supervision, which is considering, inter alia, supervisory tools to address the externalities of systemically important banks, and identify any gaps and further work needed. It will plan and carry out work to close those gaps. The IMF, BIS and FSB submitted to the November meeting of the G20 Finance Ministers and Governors a paper discussing the formulation of guidelines on how national authorities can assess the systemic importance of financial institutions, markets, or instruments ("Guidance to Assess the Systemic Importance of Financial Institutions, Markets, and Instruments: Initial Considerations"). Further work by international bodies is underway that covers the analysis and measurement of systemic liquidity risk, margins and haircuts, and other system-wide indicators, including leverage. At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We welcome the new IMF/BIS/FSB report on assessing the systemic importance of financial institutions, markets and instruments, and the FSB's work to reduce the moral hazard posed by systemically important institutions.

66	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 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. We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. We call on the FSB to report to the next meeting of Finance Ministers and Central Bank Governors.	Legislation to establish registration, reporting and oversight arrangements for hedge funds is advancing in major jurisdictions. Dialogue among key jurisdictions is continuing, bilaterally and through the FSB and IOSCO, to achieve an appropriate level of consistency across national and regional initiatives and avoid regulatory arbitrage. IOSCO's publication in June 2009 of a set of six high-level principles for the regulation of hedge funds marked an important step towards achieving a comprehensive and coherent international response to the potential risks posed by hedge funds. To further facilitate global coordination on hedge fund regulation, IOSCO plans to monitor the progress in domestic regulation of the hedge fund sector and review how they align with the IOSCO principles. IOSCO's Task Force on Unregulated Entities has drafted an initial report on whether national regulatory regimes for hedge funds comply with those principles, and will produce a further report next year to take into account current changes in hedge funds regulation at the national and regional levels. In addition, the Task Force has undertaken an initial examination of the adequacy of best practice standards developed by the industry, and is examining the types of information that might be required to assess systemic risks and financial stability concerns associated with hedge funds. It will provide a final report on both issues in the first quarter of 2010.
67	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.	The BCBS is reviewing the treatment of counterparty credit risk under all three pillars of Basel II. Concrete proposals will be presented at the December 2009 BCBS meeting.

68	We will promote the standardisation and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. To this end, all standardised 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 ask the FSB and its relevant members to assess regularly implementation and whether it is sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse.	Progress continues to be made globally in introducing central counterparties and promoting standardisation and transparency in the over-the-counter (OTC) derivatives market. Major derivatives dealers committed in September 2009 to supervisors to achieve specific target levels for central clearing of OTC credit derivatives by end-October 2009 and OTC interest rate derivatives by end-December 2009. Supervisors intend to seek further commitments from dealers in early 2010 to rapidly expand the types of trades that are eligible for clearing and to set higher target clearing levels. The major derivative dealers and other relevant market participants are continuing to work toward meeting the mid-December deadline to clear customer credit default swaps (CDS) trades. As for CDS standardisation, the International Swaps and Derivatives Association published supplements to its 2003 Credit Derivatives Definitions (the “Big Bang” and “Small Bang” protocols), which adopt the auction mechanism globally to settle most types of CDS contracts in the event of a default or bankruptcy. The OTC Derivatives Regulators’ Forum was established in September 2009. Its members are close to finalising an international cooperative oversight framework for the global CDS trade repository. Progress is also being made toward the market commitments to introduce global trade repositories for interest rate derivatives and equity derivatives by end-2009 and mid-2010 respectively. The Committee on Payment and Settlement Systems (CPSS)-IOSCO review of existing standards for central counterparties, to better address risks associated with clearing OTC derivatives, is on track for completion by mid-2010. The BCBS has advanced work to improve the capture of counterparty risk, especially with regard to OTC derivatives exposures, with new standards to be issues by mid-2010. This will complement the improved capture of trading book risks and securitisation exposures, where final requirements were issued in July 2009.
69	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	A number of initiatives are underway at the national level to review the adequacy of domestic regulation and fill identified regulatory gaps, including as part of broader financial sector reform proposals.

70	We have agreed to improve the regulation, functioning and transparency of financial and commodity markets to address excessive commodity price volatility.	Relevant regulators have been taking steps to implement the recommendations made by the IOSCO taskforce on commodity futures markets in March 2009. Relevant regulators have continued to monitor oil futures markets and participants closely, to further our understanding of market mechanisms and prevent market manipulation. At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We call on the relevant institutions to finalise their work on ways to avoid excessive commodity price volatility and reaffirm our commitment to publish national data.
TRANSPARENT ASSESSMENT OF REGULATORY REGIMES		
71	All G20 members should commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	All FSB members have undertaken or are about to undertake a review of adherence to international regulatory and supervisory standards through FSAPs and Reports on the Observance of Standards and Codes (ROSC).

<table>
<tr><th colspan="3">COMPENSATION</th></tr>
<tr><td>72</td><td>In London Leaders endorsed the Principles on pay and compensation in significant financial institutions developed by the FSF.

The Pittsburgh Summit endorsed the Implementation Standards for the FSB's Principles and called upon firms to implement these sound compensation practices immediately. Leaders tasked the FSB to monitor the implementation of the FSB standards and propose additional measures as required by March 2010.</td><td>A number of countries have taken or announced action to implement the Implementation Standards for the FSB Principles for Sound Compensation Practices issued and endorsed at Pittsburgh.

To support full and consistent implementation across jurisdictions of the FSB Principles and Implementation Standards, the BCBS launched in October 2009 two initiatives:
• A network of senior supervisors has been set up to discuss issues and share experience in the implementation of the FSB Principles and Standards.
• An assessment methodology for the FSB Principles and Standards has been developed to guide supervisors in reviewing individual firms' compensation practices and assessing firms' compliance. The methodology was presented to the G20 Finance Ministers and Governors at their November meeting and will serve as a tool to support the thematic FSB peer review of compensation, which will be completed by early 2010. The review will assess actions taken by firms and authorities and propose additional measures as required.

A survey on the implementation of the FSB principles was conducted in July-August 2009 by the BCBS in coordination with the FSB, as a basis for more detailed work on actual bank and supervisory practices.

As part of its ongoing work on enhancing its Principles for Periodic Disclosure by Listed Entities IOSCO is looking at how disclosure around the compensation decision making process and important design characteristics of the compensation system can be reflected in the Principles. This work is expected to be completed in early 2010.

The IAIS is developing supervisory standards on remuneration based on the FSB Principles and taking into account the specific character of the insurance industry.</td></tr>
<tr><td>73</td><td>BCBS should integrate FSB principles on pay and compensation into their risk management guidance by autumn 2009.</td><td>The BCBS incorporated the Principles in Pillar 2 of Basel II in July 2009, with an expectation that banks and supervisors begin implementing the new Pillar 2 guidance immediately.

The Group of Central Bank Governors and Heads of Supervision, the oversight body of the BCBS, endorsed in September 2009 the following principle to guide supervisors: compensation should be aligned with prudent risk-taking and long-term, sustainable performance, building on the FSB sound compensation principles.</td></tr>
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74	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.	A number of countries have taken or announced action to implement the *Implementation Standards for the FSB Principles for Sound Compensation Practices* issued and endorsed at Pittsburgh. A number of supervisory actions have also been taken to assess compliance by the industry with the FSB Principles, through requests for self-assessment, assessments by the supervisors themselves, or both. See also Actions 72 and 73.

TAX HAVENS AND NON-COOPERATIVE JURISDICTIONS

75	We call on all jurisdictions to adhere to the international standards in prudential, tax and anti-money laundering/countering the financing of terrorism (AML/CFT) areas and appropriate bodies to conduct and strengthen objective peer reviews, based on existing processes, including through the FSAP process.	All FSB members have undertaken or are undertaking a review of adherence to international regulatory and supervisory standards through FSAPs and ROSCs (or relevant updates to these assessments). The FSB has compiled information about the compliance of its members with these standards, drawing from published ROSC assessments, and has provided to the G20 the relevant information. The information is intended to be published and will be maintained on an ongoing basis. See also Action 79. The Global Forum agreed on the need for swift and effective implementation of the tax standards on a global level through effective monitoring and a robust peer review mechanism. Reviews will apply to all Global Forum members. They will be impartial, transparent, comprehensive and multilateral, and will be managed by a Peer Review Group. Jurisdictions which are not members of the Global Forum will, where appropriate, be subject to the same review and will be invited to engage with the Forum in the context of any review. The whole monitoring and peer review process will be an ongoing exercise and outcomes from the reviews will be published on a continuous basis. The peer review process is structured in two concurrent phases, with phase 1 reviews focused on legal and regulatory issues, and phase 2 reviews focused on implementation of standards; both phases will be launched by early 2010. The Global Forum will meet by June 2010 and make preliminary assessments of the progress of the peer review program at that time. <u>At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following</u>: To continue tackling non-cooperative jurisdictions (NCJs), we welcome progress made and call on the Global Forum, FSB and FATF to complete their peer review processes, and to assess adherence to international standards. We call on the relevant international institutions to further develop incentives and countermeasures as appropriate, in line with the timescales agreed in Pittsburgh, including through publishing lists of NCJs, and review capacity-building mechanisms to support the efforts of developing countries.
76	We call on countries to adopt the international standard for information exchange endorsed by the G20 in 2004 and reflected in the UN Model Tax Convention.	Unprecedented progress has been made since the November 2008 G20 Summit. All of the 87 jurisdictions covered by the Global Forum have now committed to the Global Forum's standards of tax information exchange and transparency, with more than half having substantially implemented them; major financial centres both within and outside of the OECD area which had strict bank secrecy rules or other impediments to achieving an effective exchange of information are in the process of removing these impediments; and since April more than 100 Tax Information Exchange Agreements have been signed and over 60 tax treaties negotiated or renegotiated to incorporate the standards – a larger number than the total for the previous 10 years.

77	We welcome the expansion of the Global Forum on Transparency and the Exchange of Information, including the participation of developing countries, and welcome the agreement to deliver an effective program of peer review. The main focus of the Forum's work will be to improve tax transparency and exchange of information so that countries can fully enforce their tax laws to protect their tax base. We stand ready to use countermeasures against tax havens from March 2010.	Individual countries have been considering options for countermeasures. The G20 Chair received on 30 October a report from the OECD on progress in taking forward the G20 agenda on tax transparency and effective exchange of information, including countermeasures taken by countries to protect their tax bases. At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We welcome progress by the Global Forum on tax transparency and exchange of information, and the possible use of a multilateral instrument.
78	We are committed to developing proposals, by the end of 2009, to make it easier for developing countries to secure the benefits of a new cooperative tax environment.	G20 Finance Ministers and Central Bank Governors agreed on 4-5 September 2009 to ensure that developing countries benefit from the new tax transparency, possibly including through a multilateral instrument. The Global Forum agreed to monitor progress on how developing countries are benefiting from the more transparent environment. It will receive a report early next year from the Global Forum Secretariat on how such countries can be integrated in and benefit from the Global Forum's work including concrete suggestions on the more effective use of information exchange. The Secretariat will accelerate its work on multilateral instruments and will prepare a report on how developing countries can benefit from this process. The Global Forum committed in September to submit in advance of the G20 Finance Ministers meeting in November a report to inform Ministers on how multilateral tax information exchange agreements (TIEAs) work and what steps are necessary to accelerate full implementation of the standards. The G20 have received on 30 October a report from the OECD on Global Forum progress in taking forward the G20 agenda on tax transparency and effective exchange of information, including how to implement the multilateral model agreement on tax matters.
79	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. The IMF and the FSB in cooperation with international standard-setters will provide an assessment of implementation by relevant jurisdictions, building on existing FSAPs.	The FSB, working through an Experts Group established under the Standing Committee for Standards Implementation is making progress in developing procedures to identify non-cooperative jurisdictions (NCJs) and encourage their adherence to international financial standards, specifically in information sharing and regulatory and supervisory cooperation. As a starting point, the FSB has developed a global snapshot of the information available in this area, focusing on participation in international assessment processes and, where available, adherence to international cooperation and information sharing standards. The Group has also developed criteria for identifying jurisdictions for further evaluation, on the basis of their systemic importance and degree of compliance with relevant standards building on existing FSAP and ROSC assessment processes and results. These criteria will be used by the FSB to identify by February 2010 a pool of jurisdictions to be prioritised for dialogue to further evaluate their adherence to relevant standards.

80	We call on the FSB to develop a toolbox of measures to promote adherence to prudential standards and cooperation with jurisdictions. We call on the FSB to report progress to address NCJs with regards to international cooperation and information exchange in November 2009 and to initiate a peer review process by February 2010.	The FSB is progressing work to finalise, by February 2010 at the latest, a review process for jurisdictions identified as priorities for further evaluation under the processes described in Action 79`. It is also further considering the toolbox of potential measures, to be finalised by February 2010 and made available to jurisdictions at the time the review process is initiated, to promote adherence to international standards. To inform the toolbox, and to support the efforts of low-capacity jurisdictions to meet international standards, the FSB will, in conjunction with FIRST Initiative and international standard setters, review the adequacy of existing capacity-building mechanisms for strengthening compliance with global financial regulatory and supervisory standards, and report back to G20 Deputies by February 2010.
81	We agreed that the FATF should revise and reinvigorate the review process for assessing compliance by jurisdictions with AML/CFT standards, using agreed evaluation reports where available. We welcome the progress made by the Financial Action Task Force (FATF) in the fight against money laundering and terrorist financing and call upon the FATF to issue a public list of high risk jurisdictions by February 2010.	At the FATF's June plenary meeting, new procedures were agreed by the FATF's "International Cooperation Review Group" (ICRG) which are designed to identify high risk and uncooperative jurisdictions. The FATF has undertaken an initial "prima facia" review of jurisdictions and discussed the results of this review at the October 2009 plenary meeting. At the FATF October plenary, the ICRG agreed to conduct a 'targeted review' of around 25 jurisdictions, and will report back to the FATF plenary with recommendations in February 2010, when the FATF will decide whether jurisdictions ought to be publicly identified. The FATF will consider the progress of every jurisdiction on an ongoing basis and will stand ready to use countermeasures where necessary. The FATF has begun to consider some parts of the Recommendations in preparation of its fourth round of mutual evaluations. Among the topics in the work-plan are Customer Due Diligence, law enforcement, beneficial ownership of assets, international cooperation, and whether tax crimes should be considered as a predicate offence for money laundering.
82	We call on the FSB and FATF to report to next Finance Ministers and Central Bank Governors meeting on adoption and implementation by countries.	The FSB and FATF have provided interim progress reports describing the measures that have been taken and other progress made since the London Summit to implement the London Summit and relevant FSF and FSB recommendations.

ACCOUNTING STANDARDS		
83	We have agreed that the accounting standard setters should improve standards for the valuation of financial instruments based on their liquidity and investor's holding horizons, while reaffirming the framework of fair value accounting.	To date, the International Accounting Standards Board (IASB) published in May an exposure draft (proposed accounting standard) on fair value measurement that directly incorporates the staff guidance issued in April by the US Financial Accounting Standards Board (FASB) to better identify inactive markets and determine whether transactions are orderly. Comments were due by end-September, with the final standard expected in 2010. Also, in June the IASB published a discussion document on the effects of fair value gains arising from deterioration in a company's own credit risk, with comments due by the beginning of September. Based on its review of comments the IASB will decide how to address this issue in its standard or guidance on fair value measurement. See also Action 85.
84	Accounting standard setters should take action to reduce the complexity of accounting standards for financial instruments by the end of 2009.	The IASB plans to address the G20 Leaders' call for reduced complexity of accounting standards for financial instruments through the development of three new standards, based on exposure drafts issued in 2009. An exposure draft (ED) was issued in July 2009, which proposes to reduce the number of categories of financial assets and liabilities to two (fair value and amortised cost). A number of changes have been made by the IASB in recent Board meetings to the approach set forth in its July 2009 ED on classification and measurement of financial instruments. This final standard should be published by the IASB in November and will be available for use for 2009 annual reports. Proposals on the remaining portions of IAS 39 – covering an expected loss approach to provisioning (see action 85) and hedge accounting – are to be issued by the end of 2009. The FASB continues to move toward its goal of issuing one ED in the first half of 2010 that incorporates a single, comprehensive model for accounting for financial instruments. The FASB published its tentative approach to inform and solicit comments from its constituents. Unlike the IASB, the FASB is preliminarily moving toward an approach that is based on fair value measurement for all financial instruments, which will include balance sheet categories for (i) financial instruments for which changes in fair value are recognised in net income and (ii) financial instruments (including loans) for which fair value changes are recognised in "other comprehensive income". On provisioning, see action 85.

85	Accounting standard setters should take action to strengthen accounting recognition of loan-loss provisions by incorporating a broader range of credit information by the end of 2009. See also action 52.	The IASB plans to issue for public comment an exposure draft on expected loss provisioning in the first half of November 2009. The comment period will last for eight months. The IASB published initial proposals on its website in June to seek input regarding the feasibility of this expected loss approach. At its 21 October 2009 Board meeting the FASB preliminarily decided to focus on a credit impairment approach that would require, at the end of each period, an impairment loss measured as the present value of management's current estimate of cash flows that are not expected to be collected. The FASB plans to issue an exposure draft in the first half of 2010. The IASB plans to continue discussions with the FASB to seek convergence in this area and will establish a new joint IASB-FASB expert advisory panel to assist the Boards in addressing a number of practical issues associated with their respective credit impairment (provisioning) approaches.
86	Accounting standard setters should take action to improve accounting standards for provisioning, off-balance sheet exposures and valuation uncertainty by the end of 2009.	The IASB is working to enhance the accounting and disclosure standards for off-balance sheet entities. The IASB plans to finalise the consolidation standard by the end of 2009 and the derecognition standard in the second half of 2010. In June 2009, the FASB published its final standards, Financial Accounting Statements No. 166, Accounting for Transfers of Financial Assets, and No. 167, Amendments to FASB Interpretation No. 46(R), which change the way entities account for securitisations and special-purpose entities. The new standards will impact financial institution balance sheets beginning in 2010. The IASB is giving further consideration to a possible approach to address significant valuation uncertainty through clarifying its existing guidance on valuation adjustments as part of its plan to finalise its exposure draft on fair value measurement. On provisioning, see Action 87.
87	Accounting standard setters should take action to achieve clarity and consistency in the application of valuation and provisioning standards internationally, working with supervisors by the end of 2009.	The IASB published in May 2009 an exposure draft (proposed accounting standard) on fair value measurement that largely incorporates the staff guidance issued in April by the FASB to better identify inactive markets and determine whether transactions are orderly. In July 2009 the BCBS proposed to the IASB high-level principles for replacement of IAS 39.

88	We call on our international accounting bodies to redouble their efforts to achieve a single set of high quality, global accounting standards within the context of their independent standard setting process; and complete their convergence project by June 2011.	The IASB and FASB held a joint meeting in October at which the Boards tentatively agreed on core principles for converging their approaches to accounting for financial instruments. The IASB and FASB have agreed to meet monthly, starting in January 2010, to achieve the goal of converging IFRSs and US GAAP to the greatest extent possible by June 2011. In addition, nearly all FSB jurisdictions have programmes underway to converge with or adopt the standards of the International Accounting Standards Board by 2012.
89	The IASB's institutional framework should further enhance the involvement of various stakeholders.	The IASB is working together with supervisors in key areas, including provisioning and valuation, and has had a number of meetings with the BCBS on these issues. In addition, supported by the FSB, the IASB held a meeting with senior officials and technical experts of prudential authorities, market regulators and their international organisations to discuss financial institution reporting issues on 27 August 2009. This meeting included senior representatives from a number of emerging market economies that are FSB members. The IASB plans for the next enhanced dialogue meeting to take place in the first quarter of 2010, and the FSB Secretariat will assist the IASB in setting up this meeting.
90	Regulators and accounting standard setters should enhance the required disclosure in relation to complex financial products by firms to market participants. (By end 2009).	National authorities have taken, and are continuing to take, steps to encourage firms to provide disclosures consistent with international best practice by the Senior Supervisors Group and the FSB, as appropriate. Firms have continued to enhance their risk disclosures in their published annual reports.
CREDIT RATING AGENCIES		
91	We have agreed that for all credit rating agencies whose ratings are used for regulatory purposes, should be subject to a regulatory oversight regime, including registration, consistent with the IOSCO Code of Conduct fundamentals, by the end of 2009.	National and regulatory initiatives are ongoing to strengthen oversight of credit rating agencies (CRAs), in line with the London Summit recommendation to establish CRA regulatory oversight regime by end-2009. IOSCO published in March 2009 a report assessing the degree to which credit rating agencies (CRAs) have adopted codes of conduct that reflect the updated provisions of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (CRAs). The report found that a larger proportion of the CRAs reviewed had taken steps to incorporate the provisions of the IOSCO CRA Code into their codes of conduct than when they were previously surveyed for IOSCO's first implementation review in 2007.

92	National authorities will enforce compliance and require changes to a rating agencies 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.	National and regional initiatives are ongoing to strengthen oversight of CRAs. IOSCO has commenced a dialogue with CRAs and is examining whether differences in the implementation of national and regional regulatory frameworks based on the IOSCO Principles and Code of Conduct Fundamentals for CRAs present compliance problems or arbitrage opportunities. It will produce a report in the first quarter of 2010. At the request of the FSB, the EU, US and Japan are also conducting bilateral discussions to resolve any significant inconsistencies or frictions that may arise as a result of differences among their new CRA regulations. Regulators are working together towards appropriate, globally compatible solutions as early as possible in 2010.
93	BCBS to review the role of external ratings in prudential regulation and determine whether there are any adverse incentives that need to be addressed. (By end 2009).	The BCBS will present concrete proposals in December 2009 to address a number of inappropriate incentives arising from the use of external ratings in the regulatory capital framework.