

Progress Report on the Actions of the Washington Action Plan 2 April 2009

Action plan number	Washington Action Plan text	Progress ¹	Next Steps ²
Strengthening Transparency and Accountability			
<i>Immediate Actions by March 31, 2009</i>			
1	The key global accounting standards bodies should work to enhance guidance for valuation of securities, also taking into account the valuation of complex, illiquid products, especially during times of stress.	<ul style="list-style-type: none"> • IASB and FASB have both published guidance on the application of fair value in illiquid market conditions and are in the process of enhancing guidance for fair value measurement and disclosure more generally, with further work expected in the first half on 2009. • BCBS has consulted on enhanced guidance on valuation practices for financial instruments and will issue final guidance in April. • Several accounting standard setters have published guidance to clarify expectations for the valuation of complex securities and other financial instruments during autumn 2008. 	<ul style="list-style-type: none"> • Leaders call on the accounting standard setters to work urgently with supervisors and regulators to improve accounting standards for provisioning, off-balance sheet exposures and valuation uncertainty. • Leaders have agreed that the accounting standard setters should improve standards for the valuation of financial instruments based on their liquidity and investors' holding horizons, while reaffirming the framework of fair value accounting. • Leaders have agreed that accounting standard setters should take action by the end of 2009 to strengthen accounting recognition of loan-loss provisions by incorporating a broader range of credit information.
2	Accounting standard setters should significantly advance their work to address weaknesses in accounting and disclosure standards for off-balance sheet vehicles.	<ul style="list-style-type: none"> • The IASB issued, for public comment, proposed accounting changes for consolidation of off-balance sheet entities. This revised standard is expected to be effective in 2011. • IASB has also accelerated its de-recognition project and expects to publish an exposure draft in the first half of 2009. 	<ul style="list-style-type: none"> • Leaders have agreed that accounting standard setters should take action by the end of 2009 to improve accounting standards for off-balance sheet exposures.

¹ Actions taken prior to the leaders' statements.

² Actions and commitments to be pursued following the London Summit.

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3	Regulators and accounting standard setters should enhance the required disclosure of complex financial instruments by firms to market participants.	<ul style="list-style-type: none"> • National supervisors are enforcing the best practice for risk disclosures set out in the FSF's April 2008 report, including in relation to complex financial instruments. The FSF is monitoring the implementation of these standards. • IASB has released several proposals to improve disclosures of financial instruments, including improving the information about fair value measurement and liquidity risk. • IOSCO is reviewing private sector initiatives to enhance transparency in the securitisation markets and will produce an interim report in April. 	<ul style="list-style-type: none"> • Continued implementation and monitoring.
4	With a view toward promoting financial stability, the governance of the international accounting standard setting body should be further enhanced, including by undertaking a review of its membership, in particular in order to ensure transparency, accountability, and an appropriate relationship between this independent body and the relevant authorities.	<ul style="list-style-type: none"> • The Trustees of the International Accounting Standard Committee Foundation (IASCF) have agreed to establish a formal link to a newly created external Monitoring Board composed of public authorities, including the chairs of the expanded IOSCO Technical Committee and the IOSCO Emerging Markets Committee. The Monitoring Board had its first meeting on 1 April 2009. The success of the monitoring body will be reviewed by summer 2010. • Members also approved to expand the International Accounting Standard Board (IASB) membership to 16 members and provided guidelines regarding geographic diversity. • Brazil, China and India have accepted IOSCO's invitation to join its Technical Committee. • Basel Committee on Banking Supervision has expanded its membership to include Australia, Brazil, China, Korea, India, Mexico and Russia 	<ul style="list-style-type: none"> • Leaders have agreed that accounting standard setters should, within the framework of the independent accounting standard setting process, improve involvement of stakeholders, including prudential regulators and emerging markets, through the IASB's constitutional review.

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5	<p>Private sector bodies that have already developed best practices for private pools of capital and/or hedge funds should bring forward proposals for a set of unified best practices. Finance Ministers should assess the adequacy of these proposals, drawing upon the analysis of regulators, the expanded FSF, and other relevant bodies.</p>	<ul style="list-style-type: none"> • The Alternative Investment Managers' Association, the Managed Funds Association and the members of the Asset Managers Committee established by The President's Working Group on Financial Markets are committed to publish jointly a common set of principles by the end of April. • IOSCO published a consultation document on hedge fund oversight in March. 	<ul style="list-style-type: none"> • Leaders agree to extend regulation and oversight to all systemically important financial institutions, instruments and markets. This will include, for the first time, systemically important hedge funds. • Leaders have agreed that hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks that 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. Leaders ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure that effective oversight is maintained where a fund is located in a different jurisdiction from the manager. Leaders will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. They call on the FSB to report to the next meeting of our Finance Ministers and Central Bank Governors. • Leaders have agreed that supervisors should require that institutions which have hedge funds as their counterparties have effective risk management. This should include mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.
<i>Medium Term Actions</i>			
6	<p>The key global accounting standards bodies should work intensively toward the objective of creating a single high-quality global standard.</p>	<ul style="list-style-type: none"> • IFRS are in use in over 100 countries, and about 40 more are in the process of either adopting or converging with them. 	<ul style="list-style-type: none"> • Leaders have called on the accounting standard setters to work urgently with supervisors and regulators to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards. • Leaders have agreed that accounting standard setters

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			<p>should take action to reduce the complexity of accounting standards for financial instruments.</p>
7	<p>Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.</p>	<ul style="list-style-type: none"> • The IASB has established an external monitoring body composed of representatives of public authorities and of international organisations that have requirements for accountability to public authorities. This monitoring body includes IOSCO, the European Commission, the US SEC, and the Japan FSA. The BCBS will also be participating as an observer. • In addition the IASB and the FASB have established an advisory group comprised of senior leaders with broad international experience in financial markets to advise the Boards in considering accounting issues emerging from the global crisis. 	<ul style="list-style-type: none"> • Leaders have agreed that accounting standard setters should take action by the end of 2009 to achieve clarity and consistency in the application of valuation standards internationally, working with supervisors. .
8	<p>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. Regulators should work to ensure that a financial institution' financial statements include a complete, accurate, and timely picture of the firm's activities (including off-balance sheet activities) and are reported on a consistent and regular basis.</p>	<ul style="list-style-type: none"> • National supervisors are enforcing the best practice for risk disclosures set out in the FSF's April 2008 report, including in relation to complex financial instruments. The FSF is monitoring the application of these standards. 	<ul style="list-style-type: none"> • Continued implementation and monitoring.

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Regulatory Regimes			
<i>Immediate Actions by March 31, 2009</i>			
9	<p>The IMF, expanded FSF, and other regulators and bodies should develop recommendations to mitigate procyclicality, including the review of how valuation and leverage, bank capital, executive compensation, and provisioning practices may exacerbate cyclical trends.</p>	<ul style="list-style-type: none"> The FSF and its members have formed three workstreams to study the forces that contribute to procyclicality in the financial system and examine possible options for mitigating them, drawing on a framework paper prepared by the BIS. These workstreams have focused on (i) bank capital, (ii) loan loss provisioning, and (iii) the interaction of valuation and leverage practices. The FSF has published recommendations on procyclicality. 	<ul style="list-style-type: none"> Leaders have agreed that, in future, regulation must prevent excessive leverage and require buffers of resources to be built up in good times. Leaders have agreed that the FSB, BCBS, and CGFS, working with accounting standard setters, should take forward, with a deadline of end 2009, implementation of the recommendations to mitigate procyclicality, including a requirement for banks to build buffers of resources in good times that they can draw down when conditions deteriorate. Leaders have agreed that 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.
<i>Medium Term Actions</i>			
10	<p>To the extent countries or regions have not already done so, each country or region pledges to review and report on the structure and principles of its regulatory system to ensure it is compatible with a modern and increasingly globalized financial system. To this end, all G-20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessments of countries' national regulatory systems.</p>	<ul style="list-style-type: none"> The IMF and the World Bank are continuing to enhance the analytical framework for financial sector assessments. For instance, they are focusing more on systemic linkages and dynamics, and are taking a more systematic approach to stability and developmental assessments to enhance their comparability across countries. IOSCO and the IAIS have developed self-assessment frameworks that can be used to identify areas for enhancement in preparing for the FSAP. 	<ul style="list-style-type: none"> Members of the FSB agree to undergo periodic peer reviews, using among other evidence IMF / World Bank public Financial Sector Assessment Program reports. The FSB will elaborate and report on these commitments and the evaluation process. WG1 recommends that, to improve the FSAP process, the basis upon which countries are assessed should be expanded to encompass macroprudential oversight, the scope of regulation, and supervisory oversight of the influence of the structure of compensation schemes at financial institutions on risk taking.

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11	<p>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. A review of the scope of financial regulation, with a special emphasis on institutions, instruments, and markets that are currently unregulated, along with ensuring that all systemically-important institutions are appropriately regulated, should also be undertaken.</p>	<ul style="list-style-type: none"> • The Joint Forum, a Working Group of the BCBS, IOSCO, and the IAIS, is undertaking a project that addresses the differentiated nature and scope of financial regulation. • An IOSCO Task Force is exploring whether and how to extend key regulatory principles applying to regulated products and markets, in the areas of transparency, market conduct, and market infrastructure, to securitized products and CDS. An interim report will be published in April. • IOSCO has published a consultation document on hedge fund oversight in March. • The IAIS is elaborating its medium-to long-term strategic focus through examining issues related to the supervision of internationally active insurance groups, macro elements of prudential supervision including contagion effects and the issue of non-regulated entities and regulatory consistency across financial sectors. A report is expected in June 2009. 	<ul style="list-style-type: none"> • Leaders have agreed to extend regulation and oversight to all systemically important financial institutions, instruments and markets. This will include, for the first time, systemically important hedge funds. <p>In particular leaders have agreed:</p> <ul style="list-style-type: none"> • to amend 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. Leaders call on the FSB to work with the BIS and international standard setters to develop macro-prudential tools and provide a report by autumn 2009; • large and complex financial institutions require particularly careful oversight given their systemic importance; • to 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 their failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions; • that in order to prevent regulatory arbitrage, the IMF and the FSB will produce guidelines for national authorities to assess whether a financial institution, market, or an instrument is systemically important by the next meeting of our Finance Ministers and Central Bank Governors. These guidelines should focus on what institutions do rather than their legal form; and • to review and adapt the boundaries of the regulatory framework regularly to keep pace with developments in the financial system and promote good practices and consistent approaches at the international level.

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12	National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions.	<ul style="list-style-type: none"> The BCBS's Cross-border Bank Resolution Group is developing recommendations for resolution regimes. The IMF and World Bank have also issued papers addressing national bank insolvency regimes. 	<ul style="list-style-type: none"> Leaders have agreed to support continued efforts by the IMF, FSB, World Bank and BCBS to develop an international framework for cross-border bank resolution arrangements.
13	Definitions of capital should be harmonized in order to achieve consistent measures of capital and capital adequacy.	<ul style="list-style-type: none"> The BCBS is considering various measures to promote the quality of capital, in particular, ordinary shares and reserves in the Tier 1 capital base and enhancing the global consistency of minimum capital requirements. The definition of capital is being reviewed as part of this work in order to achieve global consistency. 	<ul style="list-style-type: none"> Leaders have agreed to take action, once recovery is assured, to improve the quality, quantity, and international consistency of capital in the banking system. Guidelines for harmonisation of the definition of capital should be produced by end 2009
Prudential Oversight			
<i>Immediate Actions by March 31, 2009</i>			
14	Regulators should take steps to ensure that credit rating agencies meet the highest standards of the international organization of securities regulators and that they avoid conflicts of interest, provide greater disclosure to investors and to issuers, and differentiate ratings for complex products. This will help ensure that credit rating agencies have the right incentives and appropriate oversight to enable them to perform their important role in providing unbiased information and assessments to markets.	<ul style="list-style-type: none"> All major credit rating agencies (CRAs) have adopted codes of conduct based on the revised IOSCO Code of Conduct Fundamentals for Credit Rating Agencies. 	<ul style="list-style-type: none"> Leaders have agreed to extend regulatory oversight and registration to Credit Rating Agencies to ensure they meet the international code of good practice, particularly to prevent unacceptable conflicts of interest.
15	The international organization of securities regulators should review credit rating agencies' adoption of the	<ul style="list-style-type: none"> IOSCO has reviewed the extent to which these agencies' own codes satisfy its guidelines. Its report indicates that the large global CRAs have largely 	<ul style="list-style-type: none"> No further action at this stage.

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	standards and mechanisms for monitoring compliance.	<p>adopted the changes to the Code or, in certain instances, such as in relation to considering a separate rating scale or subscript for structured products, have clearly explained why they have not adopted that part of the Code.</p> <ul style="list-style-type: none"> • IOSCO has finalised a common monitoring module for CRAs 	
16	<p>Authorities should ensure that financial institutions maintain adequate capital in amounts necessary to sustain confidence. International standard setters should set out strengthened capital requirements for banks' structured credit and securitisation activities.</p>	<ul style="list-style-type: none"> • National authorities have taken a number of steps, appropriate to national circumstances to ensure that banks have adequate capital. • Capital buffers above the regulatory minimum are designed to absorb losses and support continued lending to the economy. • The BCBS has issued consultation proposals to strengthen the risk capture of the Basel II framework, including enhancements to the capital treatment of securitisations, off-balance sheet exposures and trading book activities. • BCBS is working on a number of other initiatives to enhance the capital framework. • The IAIS is working to assess issues that have emerged from the financial crisis with respect to the assessment of the solvency of insurance companies and the group-wide solvency requirements for internationally active insurance groups. 	<ul style="list-style-type: none"> • Leaders have agreed to take action, once recovery is assured, to improve the quality, quantity, and international consistency of capital in the banking system. In future, regulation must prevent excessive leverage and require buffers of resources to be built up in good times. <p>Leaders have further agreed that:</p> <ul style="list-style-type: none"> • until recovery is assured the international standard for the minimum level of capital should remain unchanged; • where appropriate, capital buffers above the required minima should be allowed to decline to facilitate lending in deteriorating economic conditions; • once recovery is assured, prudential regulatory standards should be strengthened. Buffers above regulatory minima should be increased and the quality of capital should be enhanced. Guidelines for harmonisation of the definition of capital should be produced by end 2009. The BCBS should review minimum levels of capital and develop recommendations in 2010.

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17	Supervisors and regulators, building on the imminent launch of central counterparty services for credit default swaps (CDS) in some countries, should: speed efforts to reduce the systemic risks of CDS and over-the-counter (OTC) derivatives transactions; insist that market participants support exchange traded or electronic trading platforms for CDS contracts; expand OTC derivatives market transparency; and ensure that the infrastructure for OTC derivatives can support growing volumes.	<ul style="list-style-type: none"> • Substantial steps have been taken to reduce operational risks. Derivative transaction confirmation lags have fallen and tear up exercises have greatly reduced gross derivative contracts outstanding. • Market participants have developed several central clearing facilities for credit derivatives. • ISDA has published a protocol specifying standard guidance on settlement procedures for CDS following credit events and is currently working with industry to incorporate this protocol into standardised documentation. • International regulators of CDS CCPs are working together to advance regulatory cooperation and information sharing and ensure that CCPs meet robust standards. 	<ul style="list-style-type: none"> • Leaders have agreed to promote the standardisation and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. Leaders call on the industry to develop an action plan on standardisation by autumn 2009. • WG1 recommends that financial institutions should continue to work to strengthen the infrastructure supporting OTC derivatives markets. For credit derivatives, this should include standardizing contracts to facilitate central counterparty clearing for eligible contracts. • WG1 recommends that central counterparties should be subject to transparent and effective oversight by prudential supervisors and other relevant authorities, including central banks, and meet high standards in terms of risk management, operational arrangements, default procedures, fair access and transparency. • WG1 recommends that, in order to ensure that the infrastructure for central clearing and settlements for credit derivatives meets high prudential standards, a review of the CPSS-IOSCO Recommendations for Central Counterparties and the accompanying guidance be undertaken and that prudential supervisors apply these standards.
<i>Medium Term Actions</i>			
18	Credit Ratings Agencies that provide public ratings should be registered.	<ul style="list-style-type: none"> • Several G20 countries and regions are taking action to introduce registration requirements based on compliance with the IOSCO Code. 	<ul style="list-style-type: none"> • Leaders have agreed that all Credit Rating Agencies whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals. IOSCO should coordinate full compliance. • Leaders have agreed that national authorities will

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			<p>enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. In particular, Credit Rating Agencies should differentiate ratings for structured products and provide full disclosure of their ratings track record 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.</p> <ul style="list-style-type: none"> • Leaders have agreed that the Basel Committee should take forward its review on the role of external ratings in prudential regulation and determine whether there are any adverse incentives that need to be addressed.
19	Supervisors and central banks should develop robust and internationally consistent approaches for liquidity supervision of, and central bank liquidity operations for, cross-border banks.		<ul style="list-style-type: none"> • Leaders have agreed that the BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.
Risk Management			
<i>Immediate Actions by March 31, 2009</i>			
20	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.	<ul style="list-style-type: none"> • Basel Committee is enhancing guidance for supervisory oversight in a number of important risk management areas. • The Basel Committee has also issued Principles for Sound Liquidity Risk Management and Supervision. 	<ul style="list-style-type: none"> • Ongoing work at national and international levels.

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21	Regulators should develop and implement procedures to ensure that financial firms implement policies to better manage liquidity risk, including by creating strong liquidity cushions.	<ul style="list-style-type: none"> • G20 members are taking steps to implement the Basel Committee's Principles for Sound Liquidity Risk Management and Supervision in national regulatory frameworks. 	<ul style="list-style-type: none"> • Leaders have agreed that the BCBS and national authorities should develop and agree by 2010 a global framework for promoting stronger liquidity buffers at financial institutions, including cross-border institutions.
22	Supervisors should ensure that financial firms develop processes that provide for timely and comprehensive measurement of risk concentrations and large counterparty risk positions across products and geographies.	<ul style="list-style-type: none"> • Supervisors are required to review firms' processes for timely and comprehensive measurement of risk concentrations and large counterparty risk positions across products and geographies under Pillar 2 of the Basel II Accord. National and regional authorities are taking steps to develop robust and comprehensive guidelines in this regard. 	<ul style="list-style-type: none"> • The BCBS will review existing guidelines in 2009.
23	Firms should reassess their risk management models to guard against stress and report to supervisors on their efforts.	<ul style="list-style-type: none"> • The Senior Supervisors Group is undertaking an assessment of major institutions' strengths, weaknesses and gaps in relation to the recommendations for strengthened risk management practices that have been made in recent public and private sector reports. • The BCBS has issued for consultation guidance for supervisory oversight in a number of important risk management areas. 	<ul style="list-style-type: none"> • Ongoing action by firms and supervisors drawing on these recommendations. • Senior Supervisors Group to release a summary of its findings in early 2009.
24	The Basel Committee should study the need for and help develop firms' new stress testing models, as appropriate.	<ul style="list-style-type: none"> • BCBS has issued for consultation supervisory guidance for improving banks' stress testing practices. 	<ul style="list-style-type: none"> • Consultation ongoing.
25	Financial institutions should have clear internal incentives to promote stability, and action needs to be taken, through voluntary effort or regulatory action, to avoid compensation schemes which reward excessive short-term returns or risk taking.	<ul style="list-style-type: none"> • The FSF has published Principles for Sound Compensation Practices for financial institutions to prevent incentives towards excessive risk taking that may arise from compensation schemes. 	<ul style="list-style-type: none"> • Leaders have agreed to endorse and implement the FSF's tough new principles on pay and compensation and to support sustainable compensation schemes and the corporate social responsibility of all firms. • Leaders have agreed that national supervisors should ensure significant progress in the implementation of these principles by the 2009 remuneration round. The BCBS should integrate these principles into their risk

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			<p>management guidance by autumn 2009.</p> <ul style="list-style-type: none"> Supervisors will assess firms' compensation policies as part of their overall assessment of their soundness. Where necessary they will intervene with responses that can include increased capital requirements.
26	Banks should exercise effective risk management and due diligence over structured products and securitisation.	<ul style="list-style-type: none"> With a view to improving the functioning of the securitisation markets, market participants have taken a number of steps to enhance the transparency of securitisation markets and promote improved due diligence. The BCBS issued a consultation document in January 2009, which includes enhanced guidelines. 	<ul style="list-style-type: none"> Leaders have agreed that 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.
Medium Term Actions			
27	International standard setting bodies, working with a broad range of economies and other appropriate bodies, should ensure that regulatory policy makers are aware and able to respond rapidly to evolution and innovation in financial markets and products.		<ul style="list-style-type: none"> The FSB will monitor and advise on market developments and their implications for regulatory policy.
28	Authorities should monitor substantial changes in asset prices and their implications for the macroeconomy and the financial system.	<ul style="list-style-type: none"> WG2 recommends that the IMF and FSF monitor asset prices as part of its work on early warning. WG2 also recommends that the relevant international bodies, in particular the Bank for International Settlements (BIS) together with the Committee on the Global Financial System (CGFS) and the IMF, produce a report on how authorities are currently monitoring and addressing asset prices and to develop recommendations in light of the current crisis. A report should be presented to the next meeting of G20 Finance Ministers and Central Bank Governors. 	<ul style="list-style-type: none"> Ongoing action by authorities.

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Promoting Integrity in Financial Markets			
<i>Immediate Actions by March 31, 2009</i>			
29	Our national and regional authorities should work together to enhance regulatory cooperation between jurisdictions on a regional and international level.	<ul style="list-style-type: none"> • FSF has set up a Crisis Management Contact List including relevant authorities from 35 countries, International Financial Institutions (IFIs) and critical global financial service providers. • The IAIS is taking steps to expedite the operation of its MMoU framework that was put in place in February 2007 in order to facilitate information exchange among insurance supervisors both under normal circumstances and in times of crisis. • IOSCO is also working on the global adoption of its MMoU Concerning Consultation and Cooperation and the Exchange of Information. • The FSF principles for cross-border crisis management and protocols for supervisory colleges support enhanced information sharing arrangements. 	<ul style="list-style-type: none"> • Leaders have agreed that the FSB will promote coordination and information exchange among authorities responsible for financial stability.
30	National and regional authorities should work to promote information sharing about domestic and cross-border threats to market stability and ensure that national (or regional, where applicable) legal provisions are adequate to address these threats.	<ul style="list-style-type: none"> • The FSF has published principles for cross-border crisis management. 	<ul style="list-style-type: none"> • Leaders have agreed to implement the FSF principles for cross-border crisis management immediately, and that home authorities of each major international financial institution should ensure that the group of authorities with a common interest in that financial institution meet at least annually.
31	National and regional authorities should also review business conduct rules to protect markets and investors, especially against market manipulation and fraud and strengthen their cross-border cooperation to protect the international financial system from illicit actors. In case of misconduct, there should be an appropriate sanctions regime.	<ul style="list-style-type: none"> • The IOSCO Task Force on Short Selling proposed four high level principles for the effective regulation of short selling in March. This forms the basis of ongoing consultation. 	<ul style="list-style-type: none"> • Next steps to follow consultation.

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<i>Medium term actions</i>		
32	National and regional authorities should implement national and international measures that protect the global financial system from uncooperative and non-transparent jurisdictions that pose risks of illicit financial activity.	<ul style="list-style-type: none"> • Leaders have called on all jurisdictions to adhere to the international standards in the prudential, tax, and AML/CFT areas. To this end, they have called on the appropriate bodies to conduct and strengthen objective peer reviews, based on existing processes, including through the FSAP process. • Leaders have called on countries to adopt the international standard for information exchange endorsed by the G20 in 2004 and reflected in the UN Model Tax Convention. Leaders welcomed the new commitments made by a number of jurisdictions and encourage them to proceed swiftly with implementation. • Leaders stand ready to take agreed action against those jurisdictions which do not meet international standards in relation to tax transparency. To this end, they have agreed to develop a toolbox of effective counter measures for countries to consider. • Leaders have 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 where they exist. Leaders have called on the FSB to develop a toolbox of measures to promote adherence to prudential standards and cooperation with jurisdictions.
33	The Financial Action Task Force should continue its important work against money laundering and terrorist financing, and we support the efforts of the World Bank - UN Stolen Asset Recovery (StAR) Initiative.	<ul style="list-style-type: none"> • Leaders have 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. • Leaders call upon the FSB and the FATF to report to the next G20 Finance Ministers' and Central Bank Governors' meeting on adoption and implementation by countries.

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34	Tax authorities, drawing upon the work of relevant bodies such as the Organization for Economic Cooperation and Development (OECD), should continue efforts to promote tax information exchange. Lack of transparency and a failure to exchange tax information should be vigorously addressed.		<ul style="list-style-type: none"> • Leaders agreed to take action against non-cooperative jurisdictions, including tax havens. Leaders stand ready to deploy sanctions to protect our public finances and financial systems. • Leaders 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. • Leaders stand ready to take agreed action against those jurisdictions which do not meet international standards in relation to tax transparency. To this end they have agreed to develop a toolbox of effective counter measures for countries to consider.
Reinforcing International Cooperation			
<i>Immediate Actions by March 31, 2009</i>			
35	Supervisors should collaborate to establish supervisory colleges for all major cross-border financial institutions, as part of efforts to strengthen the surveillance of cross-border firms. Major global banks should meet regularly with their supervisory college for comprehensive discussions of the firm's activities and assessment of the risks it faces.	<ul style="list-style-type: none"> • Supervisory colleges have been established for the majority of the most systemically important firms identified by the FSF. • The FSF has developed protocols for the establishment and operation of supervisory colleges. 	<ul style="list-style-type: none"> • Leaders have agreed to establish the remaining supervisory colleges for significant cross-border firms by June 2009, building on the 28 already in place.
36	Regulators should take all steps necessary to strengthen cross-border crisis management arrangements, including on cooperation and communication with each other and with appropriate authorities, and develop comprehensive contact lists and conduct simulation exercises, as appropriate.	<ul style="list-style-type: none"> • FSF has published principles for cross-border cooperation on crisis management. 	<ul style="list-style-type: none"> • Leaders have agreed to implement the FSF principles for cross-border crisis management immediately, and that home authorities of each major international financial institution should ensure that the group of authorities with a common interest in that financial institution meet at least annually.
<i>Medium term actions</i>			

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37	Authorities, drawing especially on the work of regulators, should collect information on areas where convergence in regulatory practices such as accounting standards, auditing, and deposit insurance is making progress, is in need of accelerated progress, or where there may be potential for progress.	<ul style="list-style-type: none"> The FSF has discussed the work of standard setting bodies with respect to convergence of international accounting standards, audit practices and deposit insurance arrangements. 	<ul style="list-style-type: none"> The IMF will assess the progress with international convergence in the provision of deposit insurances, drawing on the International Association of Deposit Insurers' (IADI's) Core Principles for Effective Deposit Insurance Arrangements. Such efforts will identify gaps and highlight best practices in terms of regulatory cooperation.
38	Authorities should ensure that temporary measures to restore stability and confidence have minimal distortions and are unwound in a timely, well-sequenced and coordinated manner.	<ul style="list-style-type: none"> The BIS, in cooperation with the CGFS, is developing a database on emergency measures to identify areas where differences may be creating distortions. The FSF will analyse how the measures interact, and how eventually exit strategies need to be coordinated to minimise market uncertainty, competitive inequality and arbitrage opportunities. The OECD will also consider how to safeguard competition principles in the emergency measures for financial sector rescues and restructurings. Further work on the subject of exit strategies is also expected from the IMF. 	<ul style="list-style-type: none"> Leaders have agreed the importance of further work and international cooperation on the subject of exit strategies.

Reforming International Financial Institutions

<i>Immediate Actions by March 31, 2009</i>			
39	The FSF should expand to a broader membership of emerging economies.	<ul style="list-style-type: none"> The FSF has agreed to expand and invited as new members the G20 countries that are not currently in the FSF. These are Argentina, Brazil, China, India, Indonesia, Korea, Mexico, Russia, Saudi Arabia, South Africa, and Turkey. In addition, Spain and the European Commission will also become FSB members. 	<ul style="list-style-type: none"> Leaders have agreed to establish a new Financial Stability Board (FSB) with a strengthened mandate, as the successor to Financial Stability Forum (FSF), and including all G20 countries, FSF members, Spain, and the European Commission. Members of the FSB commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, and implement international financial standards (including the 12 key International Standard and Codes), and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank public Financial Sector Assessment Program reports. The FSB will elaborate and report on these

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			commitments and the evaluation process.
40	The IMF, with its focus on surveillance, and the expanded FSF, with its focus on standard setting, should strengthen their collaboration, enhancing efforts to better integrate regulatory and supervisory responses into the macro-prudential policy framework and conduct early warning exercises.	<ul style="list-style-type: none"> • Both the IMF and the FSB are enhancing their processes and capabilities for early warning. • An IMF/FSB Early Warning Exercise will be launched and will be conducted regularly. 	<ul style="list-style-type: none"> • Leaders have agreed that the FSB should collaborate with the IMF to provide early warning on macroeconomic and financial risks and the actions needed to address them.
41	The IMF, given its universal membership and core macro-financial expertise, should, in close coordination with the FSF and others, take a leading role in drawing lessons from the current crisis, consistent with its mandate.	<ul style="list-style-type: none"> • The IMF and FSF have undertaken work to analyse the causes of the crisis and on drawing lessons. 	<ul style="list-style-type: none"> • Leaders welcome the FSB's and IMF's commitment to intensify their collaboration, each complementing the other's role and mandate.
42	We should review the adequacy of the resources of the IMF, the World Bank Group and other multilateral development banks and stand ready to increase them where necessary. The IFIs should also continue to review and adapt their lending instruments to adequately meet their members' needs and revise their lending role in the light of the ongoing financial crisis.	<ul style="list-style-type: none"> • G20 Finance Ministers and Central Bank Governors agreed on the urgent need to increase IMF resources very substantially. This could include further bilateral support, a significantly expanded and increased New Arrangements to Borrow. • G20 Finance Ministers and Central Bank Governors agreed on the urgent need to ensure that all Multilateral Development Banks have the capital they need, beginning with a substantial capital increase for the Asian Development Bank, and put it to best use to help the world's poorest. • G20 Finance Ministers and Central Bank Governors welcomed the progress by the IMF and World Bank in introducing new and enhanced instruments, including the development of a new high-access, quick-disbursing precautionary facility. 	<ul style="list-style-type: none"> • Leaders agreed to make available an additional \$850 billion of resources through the global financial institutions to support growth in emerging market and developing countries by helping to finance counter-cyclical spending, bank recapitalisation, infrastructure, trade finance, balance of payments support, debt rollover, and social support. <p>To this end:</p> <ul style="list-style-type: none"> • Leaders agreed to increase the resources available to the IMF through immediate financing from members of \$250 billion, subsequently incorporated into an expanded and more flexible New Arrangements to Borrow, increased by up to \$500 billion, and to consider market borrowing if necessary. • Leaders supported a substantial increase in lending of at least \$100 billion by the Multilateral

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			<p>Development Banks (MDBs), including to low income countries, and ensure that all MDBs, including have the appropriate capital.</p> <ul style="list-style-type: none">• Leaders supported a 200 per cent general capital increase at the Asian Development Bank and reviews of the need for capital increases at the Inter-American Development Bank, the African Development Bank and the European Bank for Reconstruction and Development.• Leaders will ensure availability of at least \$250 billion over the next two years to support trade finance through our export credit and investment agencies and through the MDBs. Leaders committed to asking regulators to make use of available flexibility in capital requirements for trade finance.• Leaders welcomed the progress made by the IMF with its new Flexible Credit Line (FCL) and its reformed lending and conditionality framework which will enable the IMF to ensure that its 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.• Leaders agreed to support a general SDR allocation which will inject \$250 billion into the world economy and increase global liquidity, and urgent ratification of the Fourth Amendment.
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43	We should explore ways to restore emerging and developing countries' access to credit and resume private capital flows which are critical for sustainable growth and development, including ongoing infrastructure investment.		<ul style="list-style-type: none"> • Leaders reaffirmed their historic commitment to meeting the Millennium Development Goals and to achieving respective ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa. • Actions and decisions agreed by Leaders will provide \$50 billion to support social protection, boost trade and safeguard development in low income countries, as part of the significant increase in crisis support for these and other developing countries and emerging markets. • Leaders made available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund. • Leaders agreed a doubling of the IMF's concessional lending capacity for low income countries and a doubling of access limits, within the Debt Sustainability Framework. 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 \$6 billion additional concessional and flexible finance for the poorest countries over the next 2 to 3 years. Leaders called on the IMF to come forward with concrete proposals at the Spring Meetings.
			<ul style="list-style-type: none"> • Leaders agreed to review the flexibility of the Debt Sustainability Framework and call on the IMF and World Bank to report to the IMFC and Development Committee at the Annual Meetings. • Leaders called 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.

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<p>44 In cases where severe market disruptions have limited access to the necessary financing for counter-cyclical fiscal policies, multilateral development banks must ensure arrangements are in place to support, as needed, those countries with a good track record and sound policies.</p>	<ul style="list-style-type: none"> • The World Bank and Regional Development Banks have begun enhancing their lending instruments to provide more and better counter-cyclical support. 	<ul style="list-style-type: none"> • Leaders agreed that 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 • Leaders agreed that 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, and IDA resources should be frontloaded, using the existing flexibility in the Debt Sustainability Framework.
<i>Medium term actions</i>		
<p>45 We underscored that the Bretton Woods Institutions must be comprehensively reformed so that they can more adequately reflect changing economic weights in the world economy and be more responsive to future challenges. Emerging and developing economies should have greater voice and representation in these institutions.</p>	<ul style="list-style-type: none"> • The first phase of World Bank voice reform was agreed last autumn to give more decision making power to the poorest countries through additional votes and a third African seat on the Executive Board. The World Bank is currently implementing and ratifying this package of reforms. • G20 Finance Ministers and Central Bank Governors agreed the need to strengthen the effectiveness and legitimacy of the IFIs through enhancing their governance and ensuring they fully reflect changes in the world economy. G20 Finance Ministers and Central Bank Governors agreed the package of quota and voice measures decided in April 2008 should be swiftly implemented. 	<ul style="list-style-type: none"> • Leaders agreed to reform the IFI's 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. This must be accompanied by action to increase the credibility and accountability of the institutions through better strategic oversight and decision making. <p>To this end:</p> <ul style="list-style-type: none"> • Leaders committed to implementing the package of IMF quota and voice reforms agreed in April 2008 and called on the IMF to complete the next review of quotas by January 2011; • Leaders agreed that, alongside this, consideration should be given to greater involvement of the Fund's Governors in providing strategic direction to the IMF and increasing its accountability; • Leaders committed to implementing the World Bank reforms agreed in October 2008. Leaders looked forward to further recommendations, at the next meetings, on voice and representation reforms on an accelerated timescale, to be agreed by the 2010 Spring Meetings; • Leaders agreed that the heads and senior leadership of the international financial institutions

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			<p>should be appointed through an open, transparent, and merit-based selection process;</p> <ul style="list-style-type: none"> • Leaders asked the Chairman, working with the G20 Finance Ministers, and building on the current reviews of the IMF and World Bank, to 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 the IFIs.
46	<p>The IMF should conduct vigorous and even-handed surveillance reviews of all countries, as well as giving greater attention to their financial sectors and better integrating the reviews with the joint IMF/World Bank financial sector assessment programs. On this basis, the role of the IMF in providing macro-financial policy advice would be strengthened.</p>		<ul style="list-style-type: none"> • Leaders committed to candid, even-handed, and independent IMF surveillance of our economies and financial sectors, of the impact of our policies on others, and of risks facing the global economy.
47	<p>Advanced economies, the IMF, and other international organizations 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.</p>	<ul style="list-style-type: none"> • WG3 recommends that the IMF enhances its capacity building activities for emerging markets and developing economies in assisting with the broad adoption of a strengthened financial regulatory framework. • WG3 recommends that the Fund continues to strengthen partnerships with donors in delivering technical assistance. 	