

Véron, Nicolas

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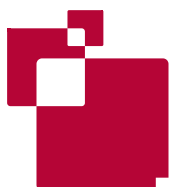
AN ASSESSMENT OF THE G20'S INITIAL ACTION ITEMS

STÉPHANE ROTTIER AND NICOLAS VÉRON

Highlights

- Twenty months after the first G20 summit in Washington, we assess the implementation of the 47 action items included in that summit's final declaration.
- We analyse and provide a score for progress made using three measures: implementation of the leaders' agenda; consistency across jurisdictions; and continuity of purpose measured by follow-up actions.
- A strong correlation is observed between the effectiveness of implementation and the nature of the main public institution(s) in charge: the more the implementation of the action point depends on action by an international body that is independent in terms of administration and resources, the more effective the implementation.

This policy contribution was written to accompany the Bruegel Policy Brief 2010/07, 'Not all financial regulation is global', available at <http://www.bruegel.org>. Stéphane Rottier (stephane.rottier@nbb.be) is an advisor to the National Bank of Belgium. Nicolas Véron (n.veron@bruegel.org) is a Senior Fellow at Bruegel. The views expressed in this Policy Contribution are those of the authors and not of their institutions.



AN ASSESSMENT OF THE G20'S INITIAL ACTION ITEMS

STÉPHANE ROTTIER AND NICOLAS VÉRON, SEPTEMBER

We, the Leaders of the Group of Twenty, held an initial meeting in Washington on November 15, 2008, amid serious challenges to the world economy and financial markets. We are determined to enhance our cooperation and work together to restore global growth and achieve needed reforms in the world's financial systems. [...]

We commit to implementing policies consistent with the following common principles for reform. Strengthening Transparency and Accountability [...]. Enhancing Sound Regulation [...]. Promoting Integrity in Financial Markets [...]. Reinforcing International Cooperation [...]. Reforming International Financial Institutions [...].

We are committed to taking rapid action to implement these principles. We instruct our Finance Ministers [...] to initiate processes and a timeline to do so. An initial list of specific measures is set forth in the attached Action Plan, including high priority actions to be completed prior to March 31, 2009.

*Final declaration of the G20 Summit on Financial Markets and the World Economy,
Washington DC, 15 November 2008*

JUST A FEW WEEKS after the stunning collapse of Lehman Brothers in September 2008, world leaders established the G20 as the most prominent venue to coordinate international economic policy. The summit's final declaration contained an action plan with a list of 47 action items, 39 of them relating to financial regulation and the others on broadly related issues such as tax, controls on capital flows, actions to fight terrorism financing and money laundering, and general reform of the Bretton Woods Institutions.

In this policy contribution, we score the 47 action points and grade their implementation and follow-up. The motivation came from the preparation of the Bruegel Policy Brief 'Not all financial regulation is global', published by Bruegel in late August 2010. However, the authors hope that this scoreboard will also be of use to other researchers and observers interested in the effectiveness of G20 decision-making.

Section 1 briefly describes our assessment methodology, and section 2 presents the score-

board and summary of findings. In the annex, we provide a short narrative presentation of the assessment underlying our scoring of each of the 47 action items.

1. ASSESSMENT METHODOLOGY

We grade the implementation of all 47 action points in the 2008 G20 Washington Summit Declaration according to three criteria.

- The most important criterion is the effectiveness of implementation, grading it from 0 (nothing done) to 5 (fully implemented action item).
- Secondly, we look at the cross-border consistency of implementation measures ranking from 0 (no coordination) to 3 (fully consistent or even harmonised).
- Lastly, we consider the follow-up initiatives until now to the action point (scoring from 0 to 2).

By adding up the three scores, we get a general

weighted score (between 0 and 10) that provides us with a general indicator of implementation of each action point.

The assessment is based on the progress reports circulated by the G20 and the FSB¹, as well as complementary information published by public bodies and the media. Some action items have been fully implemented; for some others, there are vague commitments but no compelling action; a few have practically disappeared from the agenda. In carrying out the assessment, we had to use our judgment as the importance, relevance and effectiveness of measures taken on some items is not always a matter of consensus.

Separately, for each action item we identify which institution(s) was assigned the leading role in implementing it. These are either national authorities or global bodies such as the Basel Committee on Banking Supervision (BCBS), Financial Action Task Force on Money Laundering (FATF), Financial Stability Board (FSB), International Association of Insurance Supervisors (IAIS), International Accounting Standards Board (IASB), International Monetary Fund (IMF), International Organisation of Securities Commissions (IOSCO), or Organisation for Economic Cooperation and Development (OECD). In accounting matters, the US Financial Accounting Standards Board (FASB) was also identified as co-leader for several action items.

Based on this identification of lead institution(s), we assigned each action item to one of four groups ranked by increasing order of autonomy at global level:

- First group: implementation led by national (or EU) authorities and not by global institution(s);
- Second group: implementation led by global institution(s) with limited autonomy of resources, administration, and policy initiative, typically forums in which initial policy proposals are drafted by committees of national (or EU) authorities, notably the FSB;
- Third group: implementation led by global institution(s) with significant autonomy of resources, administration, and policy initiative, typically bodies in which initial policy proposals are drafted by a permanent staff at global level, including the BCBS, FATF, IAIS, IASB (on some items in co-lead with FASB), and IOSCO;
- Fourth group: implementation led by global institution(s) with high autonomy of resources, administration, and policy initiative, typically based on a formal international treaty, including the IMF, OECD, and World Bank.

2. ASSESSMENT RESULTS

The results of the assessment for each action item are shown in Table 1, on the next page. The average scores for each of the groups based on the type of leading institution(s) are shown in Table 2, on page 6.

A strong correlation is observed between the total score and the nature of the main public institution(s) in charge (Table 2). The more the implementation of the action item depends on action by an international body with significant autonomy, the stronger the implementation score. The more its implementation depends on action by national authorities and the softer the coordination mechanism, the less effective and consistent the implementation.

1. The latest progress reports can be found at http://www.g20.org/Documents2010/07/July_2010_G20_Progress_Grid.pdf and on http://www.financialstabilityboard.org/publications/r_100627c.pdf

Table 1: Assessment of G20 Declaration action points

Action point [summarised]	Effectiveness	Cross-border consistency	Follow-up	Total score	Lead institution in implementation	Group
1 Accounting for complex instruments	4	2	0	6	IASB-FASB	3
2 Accounting for off-balance sheet vehicles	2	2	2	6	IASB-FASB	3
3 Disclosure for complex instruments	4	2	2	8	IASB-FASB	3
4 Governance accounting standard setting bodies	1	1	1	3	IASB	3
5 Best practices hedge funds	3	1	2	6	National authorities	1
6 Single accounting standards	2	1	1	4	IASB-FASB	3
7 Consistent application accounting standards	1	0	0	1	National authorities	1
8 Enhanced risk disclosure on ongoing basis	2	1	1	4	FSB	2
9 Mitigate pro-cyclicality	4	3	2	9	BCBS	3
10 FSAP every 5 years	4	3	1	8	IMF	4
11 Regulate all systemically important institutions	4	1	2	7	BCBS-IAIS-IOSCO	3
12 Orderly cross-border resolution	4	2	1	7	IMF	4
13 Harmonised capital definition	4	3	2	9	BCBS	3
14 Regulation incentives credit rating agencies	3	1	1	5	BCBS-IOSCO	3
15 Adoption by credit rating agencies of IOSCO standards	4	1	0	5	IOSCO	3
16 Strengthened capital requirements	4	2	2	8	BCBS	3
17 CDS and OTC market transparency	2	1	1	4	FSB	2
18 Registration credit-rating agencies (CRAs)	4	0	0	4	National authorities	1
19 Robust liquidity supervision of cross-border banks	4	3	1	8	BCBS	3
20 Regulation risk management practices	2	1	1	4	National authorities	1
21 Regulation liquidity risk management	4	2	2	8	BCBS	3
22 Measurement risk concentration	3	1	1	5	BCBS	3
23 Reassess risk management models	1	0	1	2	National authorities	1
24 Develop stress-test models	3	1	1	5	BCBS	3
25 No excessive risk incentives-compensation	3	1	1	5	FSB	2

Table 1 continued

Action point (summarised)	Effectiveness	Cross-border consistency	Follow-up	Total score	Lead institution in implementation	Group
26 Diligence over structured products	2	1	0	3	BCBS-IOSCO	3
27 Regulate innovative products	1	0	0	1	FSB	2
28 Monitor asset prices	1	1	0	2	National authorities	1
29 Regulatory cooperation between jurisdictions	1	1	1	3	National authorities	1
30 Cross-border information sharing	4	1	2	7	FSB	2
31 Combating market manipulation and fraud	1	1	0	2	National authorities	1
32 Protect from uncooperative jurisdictions	3	1	1	5	National authorities	1
33 Anti money-laundering	3	2	1	6	FATF	3
34 Tax information exchange	4	2	1	7	OECD	4
35 Cross-border supervisory colleges	4	2	2	8	BCBS	3
36 Strengthen cross-border crisis management	3	1	1	5	FSB	2
37 Assess needs for regulatory convergence	1	1	1	3	FSB	2
38 Coordinate exit crisis response	3	0	0	3	National authorities	1
39 Expansion FSF to FSB	5	2	1	8	FSB	2
40 Early warning exercises	3	2	2	7	IMF	4
41 Draw lessons crisis	4	3	1	8	IMF	4
42 Adequate resources for IFIs	5	3	2	10	IMF-World Bank	4
43 Restore private capital flows to emerging markets	4	3	1	8	World Bank	4
44 Multilateral development bank (MDB) financing	4	2	2	8	World Bank	4
45 Reform governance Bretton Woods institutions	3	2	2	7	IMF-World Bank	4
46 Financial sector surveillance	4	3	2	9	IMF	4
47 Capacity building on financial regulation	3	2	1	6	IMF	4

Table 2: G20 Declaration assessment, average score for each group of institutions

	Effectiveness score	Consistency score	Follow-up score	Total score
Group 1 (national authorities)	2	0.6	0.6	3.2
Group 2 (FSB)	2.63	1	1	4.63
Group 3 (BCBS, IASB, IOSCO, IAIS, FATF)	3.28	1.72	1.28	6.28
Group 4 (IMF, OECD, World Bank)	3.82	2.45	1.45	7.73

ANNEX: DETAILED ASSESSMENT

Strengthening transparency and accountability	
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.	Guidance issued by both FASB and IASB, but still no consensus on scope of fair-value accounting.
2 Accounting standard setters should significantly advance their work to address weaknesses in accounting and disclosure standards for off-balance sheet vehicles.	Joint FASB/IASB work on consolidation and derecognition. Final standards yet to be adopted and may differ between IFRS and US GAAP.
3 Regulators and accounting standard setters should enhance the required disclosure of complex financial instruments by firms to market participants.	IFRS 9 modifies classification of financial instrument categories; effect on complexity still controversial.
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.	A Monitoring Board of public authorities was created early 2009 along the lines announced before the Washington Summit. However, the governance framework remains incomplete and potentially unstable. There is no international consensus at this point. The new chair of the IFRS Foundation Trustees has announced a forthcoming strategic review.
5 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.	Various initiatives in Canada, the EU, US but not much coordination. Cooperation between US Securities and Exchange Commission and UK Financial Services Authority. IOSCO template for the global collection of hedge-fund information.
6 The key global accounting standards bodies should work intensively toward the objective of creating a single high-quality global standard.	Intensive work on convergence but essential differences unlikely to be resolved, especially on fair value. The convergence timetable has already slipped from the mid-2011 deadline announced in Pittsburgh. Replacement of David Tweedie as IASB Chair likely to impact the convergence discussion.
7 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.	No meaningful progress, nor clear expression of political will. Even at EU level, consistency of IFRS implementation not properly enforced. One crucial dimension is cross-border audit consistency, where very little currently exists – no long-term consensus on Sarbanes-Oxley extraterritorial provisions, and no willingness to give teeth to the International Forum of Independent Audit Regulators (IFIAR).
8 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's 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.	FSB will organise peer review on disclosure by major financial institutions in mid 2010. Various initiatives at national level.

Regulatory regimes	
9 The IMF, expanded FSF, and other regulators and bodies should develop recommendations to mitigate pro-cyclical, including the review of how valuation and leverage, bank capital, executive compensation, and provisioning practices may exacerbate cyclical trends.	Three reports published in April 09 on bank capital, loan loss provisioning and interaction of valuation and leverage practices; BCBS consultation on counter-cyclical buffers closes on 10 September; Final agreement expected by the end of the year.
10 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 globalised financial system. To this end, all G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessments of countries' national regulatory systems.	Commitment to FSAP every 5 years is partly respected. First FSAP of the US finalised in 2010. FSAP underway for China and Indonesia. No Argentina FSAP. FSB peer reviews for Italy, Mexico, Spain in 2010.
11 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.	Reviews by the Joint Forum (BCBS, IAIS and IOSCO) with recommendations in January 2010. IAIS issued in April 2010 guidance paper on treatment of non-regulated entities in group-wide supervision. FSB will look at implementation. Follow-up varies across countries: Dodd-Frank bill in US, AIFM directive (still in discussion) in EU, etc.
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.	Reviews done by BCBS, IMF, World Bank. IMF proposal on international framework for legal issues of insolvency of cross-border financial groups in June 2010. BCBS report with recommendations in March 2010 but slow implementation. Slow process within EU (2011). FSB report expected in autumn 2010.
13 Definitions of capital should be harmonised in order to achieve consistent measures of capital and capital adequacy.	Finalisation by BCBS expected in autumn 2010.
Prudential oversight	
14 Regulators should take steps to ensure that credit-rating agencies meet the highest standards of the international organisation 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.	Progress in adoption of IOSCO code of conduct by credit-rating agencies. IOSCO launched consultation examining arbitrage opportunities between supervisory jurisdictions in May 2010. IOSCO issued principles regarding cross-border supervisory cooperation in May 2010. BCBS is reviewing inappropriate incentives in using external ratings in the regulatory capital framework. New legislation or rules in EU, Japan, Australia, India; under consideration in Canada, Hong Kong, Israel, Mexico and others.
15 The international organisation of securities regulators should review credit-rating agencies' adoption of the standards and mechanisms for monitoring compliance.	IOSCO reviewed the extent to which the agencies' own codes satisfy its guidelines. OK for large global CRAs. IOSCO finalised a common monitoring module for CRAs in 2009. No further follow-up.
16 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.	New BCBS proposals on regulatory capital treatment of securitisation to be finalised in 2010. US and EU stress tests in 2009, 2010 respectively. Government recapitalisation interventions.

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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.	Limited progress so far in introducing central counterparties and standardisation and transparency in OTC derivatives market. G20 call for central counterparties clearing by 2012: limited efforts by the industry. Divergences across countries / regulatory arbitrage. Basel Committee on Payment and Settlement Systems (CPSS) and IOSCO finalising guidance. FSB working group on standardisation to suggest options in October 2010.
18 Credit-rating agencies that provide public ratings should be registered.	New legislation or rules in EU, Japan, Australia, India. Under consideration in Canada, Hong Kong, Israel, Mexico and others. No global registration discussed.
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.	Basel III framework expected to be finalised in 2010.
Risk management	
20 Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practice, and should encourage financial firms to re-examine their internal controls and implement strengthened risk management policies.	BCBS supplemental guidance under the Pillar 2 supervisory review process of Basel II issued in July 2009. Self-assessment by 20 large financial institutions in 2009. Limited progress in various countries.
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.	BCBS measures to be finalised by end-2010 (liquidity coverage ratio plus in longer term net stable funding ratio).
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.	The BCBS reviewed the treatment of counterparty credit risk under all three pillars of Basel II and is modifying the treatment of counterparty credit risk, strengthening the risk coverage of the capital framework.
23 Firms should reassess their risk management models to guard against stress and report to supervisors on their efforts.	In October 2009, twenty large financial institutions undertook a self-assessment exercise. It was considered too positive by the Senior Supervisors Group.
24 The Basel Committee should study the need for, and help develop, firms' new stress testing models.	BCBS principles in May 2009. Limited follow-up.
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.	The FSF (in London endorsed by FSB) published Principles for Sound Compensation Practices for financial institutions to prevent incentives for excessive risk-taking that may arise from compensation schemes : for voluntary effort. Various countries have taken unilateral measures (eg bonus taxation). Wyman study for FSB shows lack of regulatory consistency and ongoing first-mover problems. Thematic review by FSB shows much better implementation by industrial countries than developing countries [assessing team members were Australia, Canada, the Netherlands, Singapore, South Africa, Switzerland, the BCBS and OECD]

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26 Banks should exercise effective risk- management and due diligence over structured products and securitisation	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. IOSCO published a report on regulatory issues related to securitised products and CDS in September 2009. IOSCO June 2009 report on Good Practices in Relation to Investment Managers' Due Diligence when Investing in Structured Finance Instruments. National initiatives to introduce quantitative retention requirements.
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.	No significant initiative apart from ongoing FSB monitoring.
28 Authorities should monitor substantial changes in asset prices and their implications for the macroeconomy and the financial system.	Nothing specific. Monitoring by IMF and BIS and national authorities.
Promoting integrity in financial markets	
29 Our national and regional authorities should work together to enhance regulatory cooperation between jurisdictions on a regional and international level.	No real coordination. Informal exchanges at FSB. FSB crisis management contact list of major jurisdictions. IAIS and IOSCO multilateral memorandums of understanding (MoUs) concerning Consultation and Cooperation and the Exchange of Information. No initiatives on regulation, only on supervision (except intra-EU with Larosière report and follow-up).
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.	FSB principles for cross border crisis management. Information sharing via colleges of supervisors. EU: implementation of Larosière report.
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.	IOSCO principles for effective regulation of short selling. Various domestic initiatives.
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.	Peer pressure: countermeasures by individual countries. FSAPs by IMF.

<p>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.</p>	<p>In June 2009 new procedures were agreed by the FATF's International Cooperation Review Group (ICRG) to identify high risk and uncooperative jurisdictions. <i>Prima facie</i> review of jurisdictions discussed in October 2009 plenary meeting. Targeted review of around 25 jurisdictions ongoing.</p>
<p>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.</p>	<p>Naming and shaming. OECD grey list becomes shorter. Bilateral pressure. 300 bilateral agreements signed in 2009. Peer-review group chaired by France.</p>
<p>Reinforcing international cooperation</p>	
<p>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.</p>	<p>Colleges installed for more than thirty large complex financial institutions. Need to improve efficiency: FSB is reviewing the role of supervisory colleges. IAIS supervisory guidance 2009 for group-wide supervision. IOSCO released a set of <i>Principles Regarding Cross-Border Supervisory Cooperation</i> in May 2010. BCBS good practice consultative document in March 2010.</p>
<p>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.</p>	<p>FSB <i>Principles for Cross-border Cooperation on Crisis Management</i>. FSB is to propose in October concrete policy recommendations to address the 'too-big-to-fail' problems associated with systemically important financial institutions. Improving resolution tools in many countries. Effectiveness of MoUs still weak in crisis times, even within Europe</p>
<p>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.</p>	<p>FSB general discussions. Selected studies by IMF.</p>
<p>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.</p>	<p>Little coordination by authorities. Work on exit by IMF and BIS but only principles at this stage.</p>
<p>Reforming international financial institutions (IFIs)</p>	
<p>39 The FSF should expand to a broader membership of emerging economies.</p>	<p>Expanded in London summit. Countries unequally represented (three tiers). Committee chairs dominated by 'old' FSF members (developed economies).</p>
<p>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.</p>	<p>Early-warning exercise is mainly fed by input from the IMF staff. Output and methodology improving. Collaboration IMF-FSB relatively limited: conservative MoU IMF-FSB (see http://www.financialstabilityboard.org/publications/r_081113.pdf)</p>
<p>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.</p>	<p>IMF paper but remains rather general. BCBS and FSB also have papers on specific lessons from the crisis.</p>

<p>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.</p>	<p>Decisive action for IMF: expanded New Arrangements to Borrow, including IMF notes. Quota increase discussions ongoing. Up to \$10 billion in new concessional lending to low-income countries for 2009-2011, and up to \$17 billion through to 2014. Capital increase of multilateral development banks (MDBs). IMF new Flexible Credit Line and reformed lending and conditionality framework. General allocation of Special Drawing Rights (SDRs) \$250 billion. Financial Safety Nets Experts Group has been established to explore policy options to help countries cope with financial volatility and to reduce economic disruption from sudden swings in capital flows.</p>
<p>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.</p>	<p>Capital flows resumed from low point in crisis. Easier access to IMF concessional financing. MDBs have stepped up their efforts to leverage private capital to maximise their impact, through development of new initiatives or reinforcement of existing ones.</p>
<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>	<p>New lending instruments and resources for MDBs. Increased lending limits. 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 (IBRD=International Bank for Reconstruction and Development, IDA=International Development Association, both parts of the World Bank Group). More flexible debt-sustainability framework.</p>
<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>	<p>More diverse recruitment. The International Monetary and Financial Committee called in 2009 and 2010 for a shift to dynamic emerging markets and developing countries of at least 5 percent from overrepresented to under-represented countries before January 2011 and for an acceleration of the substantial work still needed on management selection, ministerial engagement, board composition and size, voting majorities, and staff diversity. IBRD shareholders are in the process of approving increase basic votes; a third Director from sub-Saharan Africa is expected to be elected in the October 2010 board elections.</p>
<p>46 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>	<p>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 Program (FSAP), and complementary efforts to integrate financial sector work into surveillance. More diverse recruitment.</p>
<p>47 Advanced economies, the IMF, and other international organisations should provide capacity-building programmes for emerging market economies and developing countries on the formulation and the implementation of new major regulations, consistent with international standards.</p>	<p>Ongoing efforts by International Financial Institutions, but prioritisation of resources.</p>