



RECOMMENDATIONS TO THE GROUP OF 20

February 2010

**THIS SET OF RECOMMENDATIONS CORRESPONDS TO SELECT POINTS
RELEVANT TO TRANSPARENCY AND ACCOUNTABILITY AS PUBLISHED IN THE
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.	G20 SUMMIT COMMITMENT AS DETAILED BY THE G20 PROGRESS REPORT	PROGRESS AND NEXT STEPS AS DETAILED BY THE G20 PROGRESS REPORT	TRANSPARENCY INTERNATIONAL (TI) RECOMMENDATIONS
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.	G20 countries should report publicly and regularly on how public funds to stimulate economic growth, including infrastructure project financing and social transfers, have been disbursed, and how beneficiaries have spent the funds.
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.	<p>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.</p> <p>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.</p>	Given the central importance of monetary policy, the G20 central banks should publicly and regularly report on their approaches and be subject to regular, public parliamentary oversight.

The first two columns of this document come verbatim from the G20 Progress Report.

3	<p>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.</p>	<p>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.</p> <p>At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: 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.</p>	<p>The G20 is delegating substantial responsibility to the Financial Stability Board (FSB) and the International Monetary Fund (IMF) in the development of exit strategies. Distribution of tasks between those two institutions should be made publicly clear and rationale for exit strategies publicly communicated, in terms of what sectors or corporations are still being helped and why. Detailed and regular public reporting is vital to secure public confidence in these institutions.</p>
7	<p>Make best possible use of investment funded by fiscal stimulus programmes towards the goal of building a resilient, sustainable and green recovery.</p>	<p>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.</p>	<p>Fiscal stimulus packages should fund investments by corporations or public entities which have anti-corruption programmes¹ in place and report on them, for example according to the UN Global Compact – TI Reporting Guidance for companies committed to fighting corruption.</p> <p>If "green" investments are to receive specific financial support, assessment of the "green" component that would qualify them for such financial advantage, has to be made in a transparent manner, with full disclosure of processes for selecting technologies and determining funding recipients, purposes as well as MRV (monitoring, reporting and verification) requirements.</p>

8	<p>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.</p> <p>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.</p>	<p>In London and Pittsburgh, Leaders reaffirmed their commitment to meet the Millennium Development Goals and their respective Official Development Assistance pledges.</p> <p>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.</p> <p>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.</p>	<p>The leading industrial nations, as members of the G20, should take concrete steps to enhance the prospects of success of the World Bank's Stolen Assets Recovery Initiative and other international programmes in this area, in accordance to the UN Convention against Corruption (UNCAC). G20 governments should fully support all legal actions aimed at recovering stolen assets, including assets transferred to trusts and assets owned or used by political leaders who are still in office.</p> <p>Banks and other institutions in major financial centres should undertake enhanced due diligence (in accordance with FATF Recommendations) on customers who are Politically Exposed Persons (PEPs); and financial institutions should publicly report on their assets in or transactions with "offshore" financial centres.</p>
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RESTORING LENDING

10	<p>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.</p>	<p>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.</p> <p>Economic conditions, the stability of financial systems, and market-based mechanisms will determine when and how financial sector policy support will be removed.</p>	<p>Government support to the financial sector should be fully disclosed in its principles as well as in its detailed implementation. All beneficiaries should report on the use of the funds received, with an itemised report of their spending, especially when they are not required to comply with stock exchange disclosure requirements. All of them should have anti-corruption programmes¹ in place and report on them, for example according to the UN Global Compact – TI Reporting Guidance for companies committed to fighting corruption.</p>
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¹Principles and processes to design, implement and monitor sound anti-corruption programmes are described in TI 's Private Sector suite of tools at http://www.transparency.org/global_priorities/private_sector

TRADE FINANCE

11	<p>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).</p>	<p>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).</p>	<p>As a pre-requisite for trade finance loans, the Multilateral Development Banks (MDBs) should require beneficiaries to put in place anti-corruption programmes³ and report on them, for example according to the UNGC – TI reporting guidance.</p>
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IFI REFORM / IMF RESOURCES

14	<p>Doubling of IMF's concessional lending capacity for low-income countries (LICs) agreed in London.</p>	<p>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.</p>	<p>Increased IMF lending should include pre-requisites in terms of signature, ratification, implementation and active participation in the review mechanism of the UNCAC. The beneficiary government should publicly report on the use of the loan. Technical assistance should be provided to the beneficiary governments by the international donor community to assist these countries, as required, to implement the provisions of the UNCAC.</p>
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16	<p>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).</p>	<p>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.</p>	<p>Refer to comment on point 14.</p>
<p>IFI REFORM / WORLD BANK RESOURCES</p>			
20	<p>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.</p>	<p>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.</p> <p>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.</p>	<p>Increased lending by the Multilateral Development Banks (MDBs) should require beneficiaries to put in place anti-corruption programmes⁴ and report on them as, for example according to the UNGC – TI reporting guidance, and should include pre-requisites in terms of signature, ratification, implementation and active participation in the review mechanism of the UNCAC. All disbursements should be made public, enabling civil society review. When necessary, technical assistance should be provided to the beneficiaries by the international community, and more specifically by the G20 countries.</p>

21	<p>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.</p>	<p>The MDBs have taken concrete steps to enhance their financial capacity through exceptional use of their balance sheets. For example:</p> <ul style="list-style-type: none"> • 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. <p>The MDBs are considering other options and developing further proposals.</p>	<p>Counter-cyclical funding support provided by the Multilateral Development Banks and other banks to member countries, should include pre-requisites in terms of signature, ratification, implementation and active participation in the review mechanism of the UNCAC. The beneficiary government should publicly report on the use of the funds. When necessary, technical assistance should be provided to the beneficiary government by the international community, and more specifically by G20 countries.</p>
24	<p>IDA resources should be frontloaded, using the existing flexibility in the Debt Sustainability Framework (DSF).</p>	<p>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 frontloading in 2009 for all ADF countries.</p>	<p>Relaxing front-loading rules makes it crucial to ensure adequate independent, civil society monitoring of the use of funds, by ensuring full transparency of these funds and full and detailed public reporting on anti-corruption programmes⁵ by every beneficiary entity, as for example according to the UNGC – TI reporting guidance. Recipients of IDA resources should be required to ratify and actively implement the UNCAC.</p>

25	<p>We support actions to leverage private capital more effectively for the MDBs, including through use of guarantees, bond insurance and bridging finance.</p>	<p>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:</p> <ul style="list-style-type: none"> • 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 laDB continues to increase its non-sovereign guaranteed portfolio. 	<p>Guarantees, insurances and bridge financing provided by MDBs to the private sector should include pre-requisites on anti-corruption programmes, for example in line with the UNGC – TI reporting guidance.</p>
26	<p>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.</p>	<p>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.</p>	<p>International Development Association (IDA) countries eligible for International Bank for Reconstruction and Development (IBRD) enclave loans have to have anti-corruption legislation as provided for by the UNCAC – with effective monitoring of implementation. When necessary, technical assistance should be provided to the beneficiary government by the international community, and more specifically by the G20 countries. Also, any private entities being financed for foreign-exchange earning projects need to put in place and report on their anti-corruption programmes⁶, for example according to the UNGC – TI reporting guidance</p>

28	<p>We will support, through voluntary bilateral contributions, the World Bank Vulnerability Framework, including the Infrastructure Crisis Facility and the Rapid Social Response Fund.</p>	<p>Vulnerability Framework initiatives are being implemented, including:</p> <ul style="list-style-type: none"> • 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. 	<p>Food and Social Programmes funded by Global Food Crisis Response Program or Rapid Social Responses should publicly disclose their use of funds. Corporate beneficiaries of International Finance Corporation (IFC) equity or debt interventions should report on their anti-corruption programmes, for example according to the UNGC – TI reporting guidance</p>
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ENERGY AND CLIMATE CHANGE

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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.

All programmes for mitigation and adaptation to climate change funded publicly or privately should include safeguards that address corruption risks. Government-financed assistance programmes in this newly identified priority area should include a transparent selection process for the technologies selected, including full disclosure of the rationale for the choice. The measurement of project impacts should be published. Carbon markets need effective, transparent regulatory bodies and adequate measuring of individual projects should be carried out. Such bodies must be subject to public oversight and inspection and be fully transparent in their operations.

FINANCIAL REGULATION

41	<p>We agreed to the establishment of a new Financial Stability Board (FSB) as a successor to the Financial Stability Forum (FSF).</p>	<p>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.</p>	<p>Various institutions have been tasked by the G20 to correct the lack of integrity, accountability and transparency identified by the group as a root cause of the crisis, yet the work of these institutions requires transparency. The distribution of tasks between the Financial Stability Board (FSB), the IMF, the World Bank, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO) should be clearly communicated to the public. At a cross-border level, this should apply to risk management of the overall financial system for the setting of international standards or the Early Warning Exercises. At country level, this should apply to Financial Sector Assessments and Reports on the Observance of Standards, and at a corporate level there is also a need for transparency on the formation and oversight of the supervisory colleges of large and complex financial institutions. All policy or improvement recommendations should be made public at those three levels in order to enable civil society review.</p>
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42	<p>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.</p>	<p>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.</p> <p>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.</p>	<p>There is currently some confusion on technical financial regulatory reforms between the roles of the FSB and the Basel Committee on Banking Supervision which issued a detailed set of reform proposals on December 17, 2009. Clarity about the roles and responsibilities of these two authorities is essential for public confidence and good governance.</p> <p>A precise schedule should be released for single-country reviews on adherence to international regulatory and prudential standards and other regulatory initiatives. Review reports should be systematically published and include recommendations for concrete action plans in order to ensure country compliance.</p>
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INTERNATIONAL COOPERATION

43	<p>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.</p>	<p>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.</p>	<p>Findings of Early Warning Exercises should lead to public policy recommendations, so that pressure for swift and appropriate reform can be exercised.</p>
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<p>44</p>	<p>Implement immediately the FSF principles for crossborder 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.</p>	<p>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:</p> <ul style="list-style-type: none"> • 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 derisking - 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. At St Andrews G20 Finance Ministers and Central Bank Governors agreed the following: We call for the rapid development of internationally consistent, firm-specific recovery and resolution plans and tools by end-2010. 	<p>The plans and tools to be developed by end-2010 to address “too big to fail” problems should include a concrete and detailed timeline, which should also be published, to ensure reasonably fast implementation.</p>
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<p>45</p>	<p>Establishment of the remaining supervisory colleges for significant cross-border firms by June 2009.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Supervisory colleges established for the large complex financial institutions should publicly and regularly report on their risk assessment and improvement recommendations. Their composition should be fully disclosed and their members vetted for any conflict of interest.</p>
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46	<p>Support continued efforts by the IMF, FSB, World Bank, and BCBS to develop an international framework for cross-border bank resolution arrangements.</p>	<p>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.</p> <p>The IMF is producing papers on a Framework for the Cross-Border Resolution of Insolvent Financial Institutions.</p> <p>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.</p> <p>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.</p>	<p>Strengthened international judicial cooperation, as provided for by the UNCAC art. 38 should be part of the framework for addressing large international insolvencies, given the potential for malpractice and financial crime associated with extreme situations.</p>
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PRUDENTIAL REGULATION

48	<p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	<p>Strengthened regulatory capital ratio standards should be implemented swiftly, with clear timelines and milestones over the next two years, since excessive leverage has been widely recognised as one of the driving elements of the financial meltdown.</p> <p>In addition, banks should report, at a minimum on an annual basis, to their shareholders (and to the public) on the continuing measures they are adopting to strengthen both risk management at the executive level and board governance of all aspects of risk management.</p>
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60	<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.</p>	<p>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.</p>	<p>The global financial crisis was in part the product of the failure of regulators and international accounting standard setters to provide fiscal clarity. Lack of transparency, inadequate accounting rules and auditing confusion allowed firms to hide losses and misprice assets. TI calls on these standards setters to put in place a single, understandable, set of international standards for asset valuation in financial services firms (including insurance, hedge fund, private equity and banking firms). TI also calls on national regulators to take all essential actions both with regard to the oversight of auditing firms and financial services firms to ensure the public reporting of accurate and fully comprehensive data. By comprehensive data TI means formerly "off-balance" sheet items should also be fully reported.</p>
61	<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.</p>	<p>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.</p> <p>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.</p>	<p>The FSB should publish an annual, comprehensive report on improvements needed for enhanced transparency and disclosure in banking, securities and insurance regulations for the G20 countries.</p>

SCOPE OF REGULATION

66	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>There is a potential for hedge funds and non-banking institutions not subject to banking supervision, to operate in ways that could pose systemic risks to the international financial system. National government authorities responsible for the supervision of securities markets should strengthen monitoring of the operations of institutional participants in those markets that either by virtue of their sheer portfolio size, or through their ability to use very high levels of leverage, could pose a system threat. More clarity is needed in the distribution of tasks between the FSB and the International Organization of Securities Commissions (IOSCO). Either one should annually report on the G20 countries' progress in implementing sound risk-preventing regulation of hedge funds and enhancing transparency in critical areas of securities transactions.</p> <p>Hedge funds registered in offshore centres that raise capital or trade in G20 countries should also be required to publicly disclose the rationale for registering offshore.</p>
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TRANSPARENT ASSESSMENT OF REGULATORY REGIMES

71	<p>All G20 members should commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.</p>	<p>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).</p>	<p>Financial Sector Assessment Program and Reports on the Observance of Standards and Codes (a joint programme of the IMF and World Bank) should be published by all G20 governments for their own countries, in 2010.</p>
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COMPENSATION

72	<p>In London Leaders endorsed the Principles on pay and compensation in significant financial institutions developed by the FSF.</p> <p>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.</p>	<p>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.</p> <p>To support full and consistent implementation across jurisdictions of the FSB Principles and Implementation Standards, the BCBS launched in October 2009 two initiatives:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <p>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.</p>	<p>All financial services firms listed on stock exchanges in G20 countries should, at a minimum, ensure full implementation of FSB compensation standards and publicly report on it. The G20 should consider establishing a special working group to review actual levels of compensation in this sector – an area not covered by the FSB. Actual levels can become so enormous that they become a source of corruption linked to greed. Vast payments, even in deferred stock option form, are inevitably an incentive to risk-taking that may not be consistent with the establishment of a safe and sound financial system. TI underscores that levels of banking pay should not be ignored by the G20 and that ethical standards and a culture of integrity should be respected in all sectors of society, including the financial sector.</p>
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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 selfassessment, assessments by the supervisors themselves, or both. See also Actions 72 and 73.	Refer to comment on point 72.
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TAX HAVENS AND NON COOPERATIVE JURISDICTIONS

75	We call on all jurisdictions to adhere to the international standards in prudential, tax and antimony 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.	<p>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.</p> <p>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.</p>	The OECD Global Forum , the Financial Action Task Force (FATF) and the FSB should coordinate their evaluations in order to define an exhaustive, consistent list of non-cooperative tax, judicial and regulatory havens. G20 governments should, in a coordinated way, implement sanctions against non-cooperative tax havens. The signing of tax treaties is not sufficient; countries should exchange concrete information. G20 governments should work towards worldwide implementation of mandatory national registers of trusts, foundations, and Anstalt (a financial entity specific to Liechtenstein), along with their operators, trustees and beneficial owners. Such a register should be shared with the tax, customs, and judicial authorities of other countries, for the purpose of investigations. The G20 governments should require filing of bank accounts in their own jurisdictions for all such entities, with such files being then shared for domestic and cross-border judicial, customs and tax investigations. G20 governments should start up a multilateral tax-cooperation initiative, as the poorest countries do not have the administrative capacities to negotiate bilateral treaties with all the tax havens. Tax havens would have to adhere to this multilateral framework or else be considered non-cooperative. Lastly, all G20 governments should declare tax evasion a criminal offense.
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76	<p>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.</p>	<p>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.</p>	<p>Exchange of information should also cover corruption or stolen asset recovery cases.</p>
77	<p>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.</p>	<p>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.</p> <p>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.</p>	<p>Refer to comment on point 75.</p>