

1. World Economy: Financial and Regulatory Reform [21]

Commitment:

“We commit to vigorously pursue the work necessary to ensure global financial stability and an international level playing field, including on compensation structures, definition of capital and the appropriate incentives for risk management of securitisation, accounting and prudential standards, regulation and oversight of systemically important hedge funds, standardisation and resilience of OTC derivative markets, establishment of central clearing counterparties for these products, and regulation and transparency of credit rating agencies.”

G8 Leaders Declaration on Responsible Leadership for a Sustainable Future

Assessment

Country	Lack of Compliance	Work in Progress	Full Compliance
Canada		0	
France			+1
Germany			+1
Italy	-1		
Japan		0	
Russia	-1		
United Kingdom		0	
United States		0	
European Union			+1
Average Score			0.11

Background

During the 2009 Lecce Meeting in Italy, the G8 Finance Ministers released a statement outlining their commitment to regulatory reform in their respective countries and on the international level. The Ministers stated that they were committed to implementing the decision, which were taken at the London G20 Summit, among these decisions is the need to encourage other countries to join the efforts of the G8 to ensure global financial stability and an international level playing field.¹ The meeting also produced a commitment to encourage the appropriate international institutions to meticulously monitor the implementation of these decisions. The Finance Ministers also called on the Financial Stability Board (FSB) to “develop a toolbox of measures” in order to ensure adherence to prudential standards and enhanced cooperation with jurisdictions.²

At the 2009 Pittsburgh G20 Summit, host U.S. President Barack Obama emphasized the need to reform financial regulation. In response, the G20 agreed to mitigate more IMF voting power from the developed to the developing countries. U.S Treasury Secretary Tim Geithner said that a regulatory overhaul would be a top priority for the G20 and stated that the challenges facing the global economy "don't respect national borders, and

¹ Statement of G8 Finance Ministers. Department of Finance Canada. 13 June 2009. Date of Access: 31 October 2009. www.fin.gc.ca/n08/09-061-eng.asp.

² Statement of G8 Finance Ministers. Department of Finance Canada. 13 June 2009. Date of Access: 31 October 2009. www.fin.gc.ca/n08/09-061-eng.asp.

nor can the solutions come from individual countries acting on their own.”³ He added that the consequences of failing to reform the regulatory system would be felt globally.

Commitment Summary:

G8 leaders have made a very specific commitment to cooperate on a broad international infrastructure to deal with “...compensation structures, definition of capital and the appropriate incentives for risk management of securitisation, accounting and prudential standards, regulation and oversight of systemically important hedge funds, standardisation and resilience of OTC derivative markets, establishment of central clearing counterparties for these products, and regulation and transparency of credit rating agencies.”⁴ Thus, full compliance would require working with other members to create a global framework on all the aforementioned issues.

Scoring:

-1	Member takes action on at least three of the following by working with other members on creating a global framework on: compensation structures, definition of capital and the appropriate incentives for risk management of securitisation, accounting and prudential standards, regulation and oversight of systemically important hedge funds, standardisation and resilience of OTC derivative markets, establishment of central clearing counterparties for these products, and regulation and transparency of credit rating agencies.
0	Member actively takes steps to ensure global financial stability and an international level playing field by working to at least four of the following commitments: compensation structures, definition of capital and the appropriate incentives for risk management of securitisation, accounting and prudential standards, regulation and oversight of systemically important hedge funds, standardisation and resilience of OTC derivative markets, establishment of central clearing counterparties for these products, and regulation and transparency of credit rating agencies.”
+1	Member proposes strong reforms to ensure global financial stability and an international level playing field by working with other members to create a global framework on five of the following issues: compensation structures, definition of capital and the appropriate incentives for risk management of securitisation, accounting and prudential standards, regulation and oversight of systemically important hedge funds, standardisation and resilience of OTC derivative markets, establishment of central clearing counterparties for these products, and regulation and transparency of credit rating agencies

Lead Analyst: Ivana Jankovic

³ Inclusive G20 to replace elite G8 permanently. France24. 25 September 2009. Date of Access: 30 October 2009. www.france24.com/en/20090925-inclusive-g20-permanently-replace-elite-g7-obama-emerging-economies-india-brazil-china.

⁴ G8 Leaders Declaration on Responsible Leadership for a Sustainable Future, G8 Information Centre (Toronto) 8 July 2009. Date of Access: 1 November 2009. www.g8.utoronto.ca/summit/2009/aquila/2009-declaration.html.

Canada: 0

Canada has partially complied with its commitment on world economy's financial and regulatory reform since the L'Aquila Summit. Canada addressed standardisation and resilience of OTC derivative markets, regulation and transparency of credit rating agencies, compensation structures, and regulation and oversight of systemically important hedge funds.

On 24 September 2009, the Bank of Canada participated in the establishment of the international Over-the-Counter (OTC) Derivatives Regulators' forum.⁵ The Forum is comprised of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related to OTC derivatives, Clearing Counter Parties (CCPs) and trade repositories.⁶

On 25 October 2009, during the G20 Pittsburgh Summit, Canada along with the G20 leaders announced that they succeeded in enhancing and expanding the "scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds."⁷

On 29 August 2009 it was announced that the Government of Canada has entered into a Tax Information Exchange Agreement (TIEA), the first Canada has signed, with the Kingdom of the Netherlands. The agreement is targeted to inhibit using tax havens or tax evasion. The agreement outlines how Canada and the Netherlands will exchange information to reinforce both countries' tax laws. The agreement coheres to the standards on exchanging tax information established by the Organization for Economic Cooperation and Development.⁸

On 7 November 2009, during the Meeting of Finance Ministers and Central Bank Governors, under the auspices of the G20, Canada vowed to incorporate FSB standards and ensure that compensation policies and practices support financial stability and align with long-term value creation and called on firms to implement these compensation practices.⁹

On 18 December 2009, the Canadian Minister of Finance, Jim Flaherty, presented a draft on Income Tax Regulations, among further draft legislation, aimed at reforming the

⁵ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁶ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁷ Leaders' Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm

⁸ Canada Signs Its First Tax Information Exchange Agreement, Department of Finance Canada (Ottawa) 29 August 2009. Date of Access: 13 December 2009. www.fin.gc.ca/n08/09-120-eng.asp.

⁹ Meeting of Finance Ministers and Central Bank Governors, Ministry of Finance Japan (Tokyo) 7 November 2009. Date of Access: 17 January 2010. www.mof.go.jp/english/if/g20_091108.pdf.

“taxation of Canadian multinational corporations with foreign affiliates.”¹⁰ Minister Flaherty announced these proposals are meant to enhance the tax system while helping Canadian businesses properly follow tax laws. Flaherty further commented these taxes should indicate that the Canadian “government is committed to enhancing the fairness and competitiveness of Canada’s international tax rules.”¹¹

Thus, Canada has been awarded a score of 0.

Analyst: Katharine Campbell

France: +1

France has fully complied with creating a global framework on at least five of the financial regulation issues mentioned in the Declaration on Responsible Leadership for a Sustainable Future.

On 24 September 2009, the Bank of France and the French Financial Markets Authority (AMF) participated in the establishment of the international OTC Derivatives Regulators’ forum.¹² The Forum is composed of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related to OTC derivatives, CCPs and trade repositories.¹³

On 25 October 2009, at the G20 Pittsburgh Summit, France along with the G20 leaders announced that they succeeded in enhancing and expanding the “scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds.”¹⁴

On 24 August 2009, President Nicolas Sarkozy met with France’s largest banks to discuss a proposal that would enable a bonus-malus principle.¹⁵ If traders’ banks ran up a loss, the traders would face financial penalties. The proposal states “two-thirds of traders’ bonuses will be withheld for a period of up to five years. If the investments turn out to be

¹⁰ Government of Canada Releases Draft Foreign Affiliate Regulations, Department of Finance Canada (Ottawa) 18 December 2009. Date of Access: 21 December 2009. www.fin.gc.ca/n08/09-120-eng.asp.

¹¹ Government of Canada Releases Draft Foreign Affiliate Regulations, Department of Finance Canada (Ottawa) 18 December 2009. Date of Access: 21 December 2009. www.fin.gc.ca/n08/09-120-eng.asp.

¹² A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

¹³ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

¹⁴ Leaders’ Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm.

¹⁵ France cracks down on bank bonuses, Times Online (London) 25 August 2009. Date of Access: 4 December 2009. business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6809771.ece.

loss-making, the deferred part of the bonus will be cancelled.”¹⁶ In addition, Sarkozy said banks would be “blacklisted” from failure to manage a code of conduct over bonuses.

In addition, Sarkozy called for measures to tax or cap on banker’s bonuses.¹⁷ He also expressed interest to extend the proposal internationally in an effort to regulate compensation structures. This complies with the suggestion of initiating a global framework on the compensation structure issue. On 6 November 2009, Minister of Finance Christine Lagarde put in new regulations that will force French banks to abide by the principles on bankers’ bonuses agreed in September at the G20 Pittsburgh Summit.¹⁸ Such measures address compliance with the compensation structure issue.

On 4 September 2009, Governor of the Bank of France Christian Noyer highlighted the increased supervision of financial actors over the past year.¹⁹ Such supervisory methods include principles and rules for rating agencies as well as compulsory registration for increased transparency. Governor Noyer also proposed more regulation on hedge funds through a process of licensing and increased transparency. Off sheet activities are to be consolidated and disciplined through changes in the accounting and prudential frameworks.²⁰ Governor Noyer’s speech outlined several financial regulation issues outlined in the Declaration on Responsible Leadership and stressed the need for international participation.²¹

On 2 December 2009, Minister of Finance Christine Lagarde attended a meeting with other European Union finance ministers in Brussels. The meeting dealt with the establishment of a market regulation system that would span Europe to mitigate further risks associated with the financial crisis.²² Under the new system, the European commission is to be the sole authority for declaring a financial crisis in Europe.²³

Thus, France has been given a score of +1 for recognizing and addressing at least five central financial regulation issues.

Analyst: Geneva Fong

¹⁶ France cracks down on bank bonuses, Times Online (London) 25 August 2009. Date of Access: 4 December 2009. business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6809771.ece.

¹⁷ France cracks down on bank bonuses, Times Online (London) 25 August 2009. Date of Access: 4 December 2009. business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article6809771.ece.

¹⁸ Christine Lagarde: French model on the world stage, The Guardian 6 November 2009. Date of Access: 16 November 2009. www.guardian.co.uk/business/2009/nov/06/france-christine-lagarde-model-stage.

¹⁹ Speech by Christian Noyer, Banque de France (Paris) 7 September 2009. Date of Access: 4 December 2009. www.aciforex.com/docs/markettopics/20090907_Banque_de_France.pdf.

²⁰ Speech by Christian Noyer, Banque de France (Paris) 7 September 2009. Date of Access: 4 December 2009. www.aciforex.com/docs/markettopics/20090907_Banque_de_France.pdf.

²¹ Speech by Christian Noyer, Banque de France (Paris) 7 September 2009. Date of Access: 4 December 2009. www.aciforex.com/docs/markettopics/20090907_Banque_de_France.pdf.

²² European Union agrees super-regulator to head off financial crises, The Guardian (London) 2 December 2009. Date of Access: 6 December 2009. www.guardian.co.uk/business/2009/dec/02/eu-financial-regulation-deal.

²³ European Union agrees super-regulator to head off financial crises, The Guardian 2 December 2009. Date of Access: 6 December 2009. www.guardian.co.uk/business/2009/dec/02/eu-financial-regulation-deal.

Germany: +1

Germany has fully complied with its commitment to implement and promote financial regulation and reform. Germany pursued standardisation of OTC derivative markets, compensation structures reform, regulation and transparency of credit agencies, regulation and oversight of systematically important hedge funds, implementation of appropriate incentives for risk management of securitisation.

On 14 August 2009, The Federal Financial Supervisory Authority (BaFin) has further refined and extended its Minimum Requirements for Risk Management for banks and financial services institutions.²⁴ Banks and financial services institutions are required to implement the new Minimum Requirements for Risk Management by 31 December 2009. The new MaRisk creates a framework where banks will have to manage and monitor their liquidity risks in such a way that impending shortages of liquidity are recognised at an early stage.²⁵ The institutions will be required to have appropriate risk management strategies for the risk of losses resulting from risk concentrations. The new MaRisk also contain more explicit requirements for banks' remuneration systems.²⁶

On 24 September 2009, Deutsche Bundesbank and the German Financial Supervisory Authority participated in the establishment of the international OTC Derivatives Regulators' forum.²⁷ The Forum is composed of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related related to OTC derivatives CCPs and trade repositories.²⁸

On 25 October 2009, during the G20 Pittsburgh Summit, Germany along with the G20 leaders announced that they succeeded in enhancing and expanding the "scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds."²⁹

Thus, Germany has been awarded a score of +1.

²⁴ New Minimum Requirements for Risk Management, Federal Financial Supervisory Authority (Berlin) 14 August 2009. Date of Access: 17 January 2010. www.bafin.de/cln_116/nn_720788/SharedDocs/Mitteilungen/EN/2009/pm_090814_marisk_new.html.

²⁵ New Minimum Requirements for Risk Management, Federal Financial Supervisory Authority (Berlin) 14 August 2009. Date of Access: 17 January 2010. www.bafin.de/cln_116/nn_720788/SharedDocs/Mitteilungen/EN/2009/pm_090814_marisk_new.html.

²⁶ New Minimum Requirements for Risk Management, Federal Financial Supervisory Authority (Berlin) 14 August 2009. Date of Access: 17 January 2010. www.bafin.de/cln_116/nn_720788/SharedDocs/Mitteilungen/EN/2009/pm_090814_marisk_new.html.

²⁷ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

²⁸ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

²⁹ Leaders' Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm

Italy: -1

Italy has failed to comply with its commitment to implement and promote financial regulation and reform. Italy participated in standardisation of OTC derivative markets, and made efforts to strengthen their financial regulation system.

On 24 September 2009, the Banca d'Italia participated in establishment the international OTC Derivatives Regulators' forum.³⁰ The Forum is composed of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related to OTC derivatives, CCPs and trade repositories.³¹

On 25 October 2009, during the G20 Pittsburgh Summit, Italy along with the G20 leaders announced that they succeeded in enhancing and expanding the "scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds."³²

On 2 December 2009, European Union finance ministers met in Brussels to discuss the establishment of a pan-European financial regulation system. The Banca D'Italia is a listed participant of this regulation system.³³ Such a system would involve three head ministers who would arbitrate financial regulation matters. Under the new system, the European commission is to be the sole authority for declaring a financial crisis in Europe.³⁴ The establishment of a continental regulation agency is integral in maintaining coherent regulation standards.

Thus, Italy has been given a score of -1.

Analyst: Geneva Fong

Japan: 0

Japan has partially complied with its commitment to ensure global financial stability. Japan participated in the standardisation of OTC derivative markets, called for compensation policy reforms, pursued global convergence of accounting standards, and strengthened the role of clearing counterparties.

³⁰ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

³¹ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

³² Leaders' Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm

³³ European Union agrees super-regulator to head off financial crises, The Guardian (London) 2 December 2009. Date of Access: 6 December 2009. www.guardian.co.uk/business/2009/dec/02/eu-financial-regulation-deal.

³⁴ European Union agrees super-regulator to head off financial crises, The Guardian (London) 2 December 2009. Date of Access: 6 December 2009. www.guardian.co.uk/business/2009/dec/02/eu-financial-regulation-deal

On 20 July 2009, the Financial Services Agency extended temporary measures regarding restrictions on short selling and purchase of own stocks by listed companies.”³⁵ This measure aims to curb stock market speculation and quick gains due to short selling.

On 7 November 2009, at the meeting of G20 Finance Ministers and Central Bank Governors, Japan vowed to incorporate FSB standards and ensure that compensation policies and practices support financial stability and align with long-term value creation and called on firms to implement these compensation practices.³⁶

On 21 October 2009, the Accounting Standards Board of Japan (ASBJ) participated in extensive talks with the United States Financial Accounting Standards Board (FASB)³⁷ and the International Accounting Standards Board (IASB) in pursuit of global convergence of accounting standards.³⁸ The parties aim to develop a common set of high-quality accounting standards for both domestic and international use.³⁹

On 24 September 2009, Bank of Japan and the Japan Financial Services Agency participated in the establishment of the international OTC Derivatives Regulators’ forum.⁴⁰ The Forum is composed of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related to OTC derivatives, CCPs and trade repositories.⁴¹

On 25 October 2009, during the G20 Pittsburgh Summit, Japan along with the G20 leaders announced that they succeeded in enhancing and expanding the “scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds.”⁴²

³⁵ FSA extends temporary measures regarding restrictions on short selling and purchase of own stocks by listed companies, Financial Services Agency (Tokyo) 28 July 2009. Date of Access: 5 December 2009. www.fsa.go.jp/en/news/2009/20090728-10.html.

³⁶ Meeting of Finance Ministers and Central Bank Governors, Ministry of Finance Japan (Tokyo) 7 November 2009. Date of Access: 17 January 2010. www.mof.go.jp/english/if/g20_091108.pdf.

³⁷ Accounting Standards Board of Japan Meets with U.S. Financial Accounting Standards Board to Discuss Global Convergence, Accounting Standards Board of Japan (Tokyo) 21 October 2009. Date of Access: 5 December 2009. www.asb.or.jp/asb/asb_e/asbj/pressrelease/pressrelease_20091021_e.pdf.

³⁸ ASBJ and IASB reaffirm their ongoing cooperation in achieving convergence in accounting standards Accounting Standards Board of Japan (Tokyo) 9 September 2009. Date of Access: 5 December 2009. www.asb.or.jp/asb/asb_e/asbj/pressrelease/pressrelease_20090909_e.pdf.

³⁹ Accounting Standards Board of Japan Meets with U.S. Financial Accounting Standards Board to Discuss Global Convergence, Accounting Standards Board of Japan (Tokyo) 21 October 2009. Date of Access: 5 December 2009. www.asb.or.jp/asb/asb_e/asbj/pressrelease/pressrelease_20091021_e.pdf.

⁴⁰ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁴¹ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁴² Leaders’ Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm.

On 13 November 2009, Governor of the Bank of Japan, Masaaki Shirakawa stated that Japan Government Bond Clearing Corporation (JGBCC) and other CCPs in Japan have been working to strengthen risk management measures to provide the lead in efficient and safe clearing business with strengthened risk management framework.⁴³ Governor Shirakawa also stated that “It is not easy to reach a consensus among diverse participants in CCPs, but the Bank is confident that CCPs in Japan are making progress toward better risk management commensurate with the important roles of CCPs.”⁴⁴

Thus, Japan has been awarded a score of 0.

Analyst: Cristobal Kaufmann

Russia: -1

Russia has demonstrated non-compliance with its commitment made towards finance at the L’Aquila summit. However, some interim steps have been taken to deal with accounting standards, OTC derivative markets and establishment of central clearing counterparties for these products.

On 25 November 2009, amendments to the Tax Code were adopted to change the taxation of spot contracts which are largely traded in OTC markets.⁴⁵

In October 2009, the Ministry of Finance Delegation took part at the XXVI Session of the Intergovernmental Working Group on international accounting and reporting standards of the UN Conference on Trade and Development. Delegates exchanged opinions on accounting and reporting standards, in particular financial instruments assessment. It was noted that Russia made some progress on information disclosure compared to 2007.⁴⁶

On 14 October 2009, Russia and the EU took part at the meeting of Russia-EU working group on accounting and audit matters. The parties discussed international standards implementations and the realization of the G20 financial declarations.⁴⁷

On 30 November – 1 December, the delegation of the Ministry of Finance took part in the international seminar Practice of financial reporting, auditing and public supervision in Vienna. Ten European countries exchanged experience during the seminar.⁴⁸

⁴³ Speech at a Symposium Commemorating the 25th Anniversary of the Center for Financial Industry Information Systems, Bank of Japan (Tokyo) 13 November 2009. Date of Access: 16 January 2010. www.boj.or.jp/en/type/press/koen07/ko0911d.htm.

⁴⁴ Speech at a Symposium Commemorating the 25th Anniversary of the Center for Financial Industry Information Systems, Bank of Japan (Tokyo) 13 November 2009. Date of Access: 16 January 2010. www.boj.or.jp/en/type/press/koen07/ko0911d.htm.

⁴⁵ Federal Law on Amendments to the First and the Second Parts of the Tax Code of the Russian Federation and Separate Legislative Acts of the Russian Federation, President of the Russia 25 November 2009. Date of Access: 6 December 2009. graph.document.kremlin.ru/doc.asp?ID=55659&PSC=1&PT=1&Page=1.

⁴⁶ Information Message on the XXVI Session of the Intergovernmental Work Group on International Accounting and Reporting Standards of the UN, Ministry of Finance of the Russian Federation 20 October 2009. Date of Access: 2 December 2009. www1.minfin.ru/ru/official/index.php?id4=8492.

⁴⁷ Information Message on the Meeting of the Russia- EU Working Group on Accounting and Audit Matters. Ministry of Finance of the Russian Federation 16 October 2009. Date of Access: 2 December 2009. www1.minfin.ru/ru/official/index.php?id4=8297.

On 25 November 2009 the Russian Government submitted to the State Duma the draft law On Clearing and Clearing Activities. The draft law defines such basic terms like clearing, central counterparty, netting, and foresees guarantees on clearing liabilities. On 22 January 2010 the draft law was adopted in the first reading.⁴⁹

Thus, so far Russia has addressed only 3 of the 7 issues named in the commitment: accounting and prudential standards, standardization and resilience of OTC derivative markets and establishment of central clearing counterparties for these products. Therefore Russia has been awarded a score of -1.

Analyst: Tatyana Lanshina

United Kingdom: 0

The United Kingdom has partially complied with its commitment to implement and promote financial regulation and reform. It has been involved in reforms of remuneration practices to ensure greater financial stability, while pursuing further research on how to implement other reforms on financial regulation such as with OTC derivative markets.

On 24 September 2009, Bank of England and the United Kingdom Financial Services Authority participated in the establishment of the international OTC Derivatives Regulators' forum.⁵⁰ The Forum is composed of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related to OTC derivatives, CCPs and trade repositories.⁵¹

On 25 October 2009, during the G20 Pittsburgh Summit, the UK along with the G20 leaders announced that they succeeded in enhancing and expanding the "scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds."⁵²

On 19 November 2009 the British Government presented the Financial Services Bill to improve compensation practices. Important points of the Bill include reforms on rules regarding pay and bonus. The hardening of these rules is intended to in prevent pay and

⁴⁸ Information Message on Participation of the Ministry of Finance Delegation in the international seminar Practice of financial reporting, auditing and public supervision, Ministry of Finance of the Russian Federation 4 December 2009. Date of Access: 24 December 2009.

⁴⁹ The State Duma Adopted the Draft Law on Clearing and Clearing Activities in the First Reading, RosBusinessConsulting 22 January 2010. Date of Access: 16 February 2010. spb.rbc.ru/freenews/20100122172510.shtml

⁵⁰ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf

⁵¹ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf

⁵² Leaders' Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm.

bonuses from adding to “excessive risk taking.”⁵³ Furthermore, the bill is directed at building upon regulatory framework. This strengthening will happen through the establishment of the Council for Financial Stability and through the increase of powers allotted to the Financial Services Authority.⁵⁴ The UK Government reports this bill will provide “wide-reaching reforms that strengthen financial regulation, support better corporate governance and empower consumers.”⁵⁵

In September 2009, the UK was further successful in having their five main banks commit to changes to bank bonuses. On 30 September 2009 Alistar Darling, Chancellor of the Exchequer, confirmed that Barclays, HSBC, Lloyds, RBS, and Standard Chartered have agreed to the reforms, which will be implemented by 1 January 2010. These reforms will be in line with the Financial Stability Board’s pay and bonuses standards.⁵⁶

On 14 October 2009, Lord Myners, Financial Services Secretary, announced that UK subsidiaries and branches of main international banks have committed to reforms to bank pay and bonuses. The Bank of America Merrill Lynch, Citigroup, Credit Suisse, Goldman Sachs International, JP Morgan Securities Ltd, Morgan Stanley, Nomura and UBS have agreed to reforms following the principles of remuneration of the FSB. Full implementation of these reforms will take place 1 January 2010. Other EU bank that have London branches, BNP Paribas, Deutsche Bank and Société Générale also agreed to reforms that would be in line with their domestic regulators while striving to “voluntarily comply with the FSA Rule on Remuneration for their UK based employees.”⁵⁷

In December 2009, the UK Government also put forth research on reforms to OTC derivatives markets and options for their improvement. The report was a UK point of view of how to make reforms on the management of counter-party credit risk and a lack of transparency.⁵⁸ This paper proposes a wide position management approach, to help prevent the manipulation of the market, rather than proposals favouring position limits. This publication further promotes thoughtful consideration on the work of the international regulatory community by legislators when reviewing proposals on reform.⁵⁹ This paper is not an implementation of reforms, but is a step toward implementing reforms on OTC Derivative Markets along the lines of the G8 commitments.

⁵³ Government Introduces Financial Services Bill, HM Treasury (London) 19 November 2009. Date of Access: 20 December 2009. www.hm-treasury.gov.uk/press_108_09.htm.

⁵⁴ Government Introduces Financial Services Bill, HM Treasury (London) 19 November 2009. Date of Access: 20 December 2009. www.hm-treasury.gov.uk/press_108_09.htm.

⁵⁵ Government Welcomes Walker Review Corporate Governance Reforms, HM Treasury (London) 26 November 2009. Date of Access: 18 December 2009. www.hm-treasury.gov.uk/govt_walker_reforms.htm.

⁵⁶ British Banks to Lead the Way on G20 Bonus Reforms, HM Treasury (London) 30 September 2009. Date of Access: 18 December 2009. www.hm-treasury.gov.uk/press_86_09.htm.

⁵⁷ City of London Banks Agree to Support G20 Bonus Reforms, HM Treasury (London) 14 October 2009. Date of Access: 18 December 2009. www.hm-treasury.gov.uk/press_92_09.htm.

⁵⁸ Financial Services Authority and HM Treasury: Reforming OTC Derivative Markets, A UK Perspective, HM Treasury (London) December 2009. Date of Access: 20 December 2009. www.hm-treasury.gov.uk/d/hmt_fsa_otcderivativemarkets.pdf.

⁵⁹ Joint HMT and FSA Paper on Reforming OTC Derivative Markets, HM Treasury (London) Date of Access: 20 December 2009. www.hm-treasury.gov.uk/fin_eufs_index.htm.

Thus, the United Kingdom registers a score of 0.

Analyst: Katharine Campbell

United States: +1

The United States has fully complied with its commitment to implement and promote financial regulation and reform. The United States pursued standardisation of OTC derivative markets, reform of accounting standards, put new restrictions on compensation structures, addressed the definition of capital and the appropriate incentives for risk management of securitisation, and moved to strengthen regulation and transparency of credit rating agencies.

On 24 September 2009, Federal Reserve, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, New York State Banking Department, Office of the Comptroller of the Currency, and the Securities and Exchange Commission participated in the establishment of the international OTC Derivatives Regulators' forum.⁶⁰ The Forum is composed of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related to OTC derivatives, CCPs and trade repositories.⁶¹

On 25 October 2009, during the G20 Pittsburgh Summit, the United States along with the G20 leaders announced that they succeeded in enhancing and expanding the "scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds."⁶²

On 4 October 2009, Secretary Timothy Geithner stated that the United States is committed "to specific deadlines for implementation of more and higher quality capital, stronger liquidity, a simple leverage ratio to constrain excess risk-taking and building buffers that firms can draw down in periods of stress."⁶³ Secretary Geithner also outlined that since the April G-20 meeting, the United States has put "new restrictions on bonuses and golden parachutes and a requirement that boards of directors review the relationship between compensation and risk; appointed a Special Master for Executive Compensation, empowered to review compensation structures for the top 100 employees at firms receiving exceptional assistance; and proposed legislation, already passed by the House, that will require all public companies to permit shareholders to cast an annual "say on pay" vote and make their compensation committees independent in fact, not just in

⁶⁰ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁶¹ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁶² Leaders' Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm.

⁶³ Statement by Secretary Timothy F. Geithner at the International Monetary and Financial Committee (IMFC) Meeting, US Department of the Treasury (Washington) 4 October 2009. Date of Access: 17 October 2010. www.treas.gov/press/releases/tg308.htm.

name.”⁶⁴ In the same address, Secretary Geithner announced that the United States has also moved to “strengthen the transparency and the functioning of the over-the-counter derivatives market, and is working to develop tools to effectively resolve large failed financial institutions.”⁶⁵

On 21 October 2009, United States Financial Accounting Standards Board (FASB) participated in extensive talks with the Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) in pursuit of global convergence of accounting standards.⁶⁶ The parties aim to develop a common set of high-quality accounting standards for both domestic and international use.⁶⁷

Thus, the United States registers a score of +1.

Analyst: Mila Khodskaya

European Union: +1

The European Union has fully complied with its commitment to implement and promote financial regulation and reform. The European Union (EU) participated in the implemented compensation structures reforms, definition of capital and the appropriate incentives for risk management of securitisation, addressed accounting and prudential standards, participated in the standardisation and resilience of OTC derivative markets, and adopted new legislation on regulation and transparency of credit rating agencies

The EU has proposed legislation to curb bankers’ incentives to excessive risk taking.⁶⁸ On 24 September 2009, in a motion following the Pittsburgh Summit the EU has ‘supported the notion of spreading bankers’ bonuses over several years but regrets the lack of the use of taxes and salary caps’.⁶⁹

On 25 October 2009, during the G20 Pittsburgh Summit, the EU along with the G20 leaders announced that they succeeded in enhancing and expanding the “scope of regulation and oversight, with tougher regulation of OTC derivatives, securitization markets, credit rating agencies, and hedge funds.”⁷⁰

⁶⁴ Statement by Secretary Timothy F. Geithner at the International Monetary and Financial Committee (IMFC) Meeting, US Department of the Treasury (Washington) 4 October 2009. Date of Access: 17 October 2010. www.treas.gov/press/releases/tg308.htm

⁶⁵ Statement by Secretary Timothy F. Geithner at the International Monetary and Financial Committee (IMFC) Meeting, US Department of the Treasury (Washington) 4 October 2009. Date of Access: 17 October 2010. www.treas.gov/press/releases/tg308.htm

⁶⁶ ASBJ and IASB reaffirm their ongoing cooperation in achieving convergence in accounting standards. Date of Access: 5 December 2009. www.asb.or.jp/asb/asb_e/asbj/pressrelease/pressrelease_20090909_e.pdf

⁶⁷ Accounting Standards Board of Japan Meets with U.S. Financial Accounting Standards Board to Discuss Global Convergence”. Date of Access: 5 December 2009.

⁶⁸ EU Nations Back New Bankers’ Pay, Capital Rules. Associated Press, 10 November 2009. Date of Access: 6 December 2009. abcnews.go.com/Business/wireStory?id=9040745

⁶⁹ Motion for a Resolution. EU white paper. (Brussels) 30 September 2009. Date of Access 14 January 2010. www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B7-2009-0084&format=XML&language=EN

⁷⁰ Leaders’ Statement: The Pittsburgh Summit, The Pittsburgh Summit 2009 (Pittsburgh) 24-25 September 2009. Date of Access: 14 January 2010. www.pittsburghsummit.gov/mediacenter/129639.htm

On 24 September 2009, the Committee of European Banking Supervisors, the Committee of European Securities Regulators, the European Central Bank, and the European Commission participated in the establishment of the international OTC Derivatives Regulators' forum.⁷¹ The Forum is composed of international regulators and it will provide regulators with a means to cooperate, exchange views and share information related related to OTC derivatives CCPs and trade repositories.⁷²

The EU has begun an overhaul of IAS 39 (International Accounting Standards) which had taken effect 1 January 2005. The International Accounting Standards Board (IASB) is an active ally in this respect with a proposed time-line to implement the change of IAS 39 during the year 2010.⁷³

With regards to the OTC derivative markets and establishment of CCPs the EU has complied by proposing a road map for future policies. "Already in July this year, the Commission identified four complementary tools to reduce the negative impact of OTC derivatives markets on financial stability: (i) increase standardisation, (ii) use trade repositories, (iii) strengthen the use of CCPs, and (iv) increase the use of organised trading venues."⁷⁴

On 23 April 2009, the EU adopted legislation to promote a rating standard for the Union.. According to Commission President Jos  Manuel Barroso: "Commission's proposals on credit rating agencies are the latest example of the EU leading the world in responding to the economic and financial crisis, restoring confidence and preventing a repeat."⁷⁵

Analyst: Cristobal Kaufmann

⁷¹ A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁷² A Global Framework for Regulatory Cooperation on OTC Derivative CCPs and Trade Repositories, Banque de France (Paris) 24 September 2009. Date of Access: 16 November 2009. www.banque-france.fr/gb/supervi/telechar/OTCD_Regulators_Forum_Press_Release.pdf.

⁷³ Financial Instruments Recognition and Measurement: Replacement of IAS 39, IASC Foundation (London), 2 October 2009. Date of Access: 6 December 2009. ec.europa.eu/internal_market/accounting/docs/ias/arc-update-20091002_final_en.pdf

⁷⁴ Ensuring efficient, safe and sound derivatives markets: Future policy actions, Commission of the European Communities (Brussels) 20 October 2009. Date of Access 6 December 2009. eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0563:FIN:EN:PDF

⁷⁵ Approval of new Regulation will raise standards for the issuance of credit ratings used in the Community, Directorate General Communication (Brussels)y. 23 April 2009. Date of Access 6 December 2009. europa.eu/rapid/pressReleasesAction.do?reference=IP/09/629&type=HTML