

FSB- G20 - MONITORING PROGRESS – Australia September 2011

#				DEADLINE	PROGRESS TO DATE	PLANNED NEXT STEPS
# in brackets are # from the 2010 template		G20/FSB RECOMMENDATIONS			<i>Explanatory notes:</i> <i>In addition to information on progress to date, specifying steps taken, please address the following questions:</i> 1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction? 2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results? <i>Also, please provide links to the relevant documents that are published.</i>	<i>Explanatory notes:</i> <i>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</i> <i>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</i> <i>What are the key challenges that your jurisdiction faces in implementing the recommendations?</i>
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	The Basel II Framework was implemented in Australia at the beginning of 2008. Implementation was assessed as part of the IMF Article IV mission during 2009.	Complete.
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	Changes to Pillar 2 to reflect the July 2009 BCBS package were effective immediately.	Changes to Pillars 1 and 3 will be implemented in full from 1 January 2012. Legislation will not be required.
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial	January 1, 2013 and fully phased in by January 1, 2019.	A discussion paper outlining the Australian Prudential Regulation Authority's (APRA) proposals for incorporating Basel III capital reforms into its prudential standards was issued on 6 September 2011.	APRA is taking steps to implement the new Basel III requirements. Consultation on both the Basel III capital and liquidity standards will continue throughout 2011 and 2012.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

		liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	Submissions are due by 2 December 2011, after which APRA will release for further consultation draft standards and guidance. APRA proposes to broadly adopt the minimum Basel III requirements for the definition and measurement of capital for authorised deposit-taking institutions (ADIs). Alignment will require APRA to amend its current policies in a number of areas, taking a stricter approach than at present in some but a less conservative approach in others. In certain areas, there are strong in-principle reasons to continue APRA's current, stricter, policies; these involve the treatment of deferred tax assets, investments in non-consolidated financial institutions and investments in commercial institutions. APRA is of the view that ADIs are well-placed to implement the Basel III capital standard. It is therefore proposing to require ADIs to meet the revised Basel III minimum capital ratios and regulatory adjustments in full from 1 January 2013, and to meet the capital conservation buffer in full from 1 January 2016. APRA will adopt transitional arrangements for capital instruments that no longer qualify as Additional Tier 1 capital or Tier 2 capital. APRA is proposing to introduce the leverage ratio in accordance with Basel III. Regarding liquidity, APRA envisages releasing its discussion paper and a draft liquidity prudential standard in November 2011. Consultation on both the Basel III capital and liquidity standards will continue throughout 2011 and 2012. The implementation for the revised quantitative liquidity requirements will align with the BCBS timetable. The current supply of high	Legislation will not be required.
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FSB- G20 - MONITORING PROGRESS – Australia September 2011[illegible]

FSB- G20 - MONITORING PROGRESS – Australia September 2011

	(FSB 2009)		Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.		difficulties for ADIs complying with the qualitative requirements. The current prudential standard already explicitly covers some of these requirements and, as a supervisory matter, APRA expects ADIs already meet the requirements of the Basel III principles. APRA participated in the relevant BCBS exercises during 2010, specifically the bank self assessment against the 2008 principles and the Quantitative Impact Study (QIS) (and subsequent calibration of the quantitative standard). APRA will also be collecting LCR and NSFR data from the relevant banks from January 2012, to monitor progress towards compliance with the quantitative requirements. <u>Risk management</u> Risk management is an integral component of APRA's supervisory model. Risk management requirements are embedded in APRA's prudential standards and seek to ensure strong risk management practices within ADIs. APRA adopts a risk-based approach to its prudential supervision including the assessment of risk management practices within ADIs. The Australian Securities and Investments Commission (ASIC) is a member of IOSCO SC3 which is developing guidance on liquidity risk management and internal controls in securities firms.	
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	APRA already undertakes a vigilant approach to supervision, taking a consolidated view where appropriate. In March 2010, APRA released <i>Supervision of Conglomerate Groups</i>, a discussion paper describing its proposed	Australian regulators will continue to monitor supervisory standards and implement any further appropriate measures, taking account of international developments.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

					approach to the supervision of conglomerate groups that include APRA-regulated entities and conduct business in more than one industry. APRA adopts a graduated approach to supervision. Larger and more systemically important firms are subject to more intensive supervision. The RBA has responsibility for monitoring, and promoting, overall financial system stability. This was reconfirmed most recently in the September 2010 <i>Statement on the Conduct of Monetary Policy</i> between the RBA Governor, as Chairman of the Reserve Bank Board, and the Australian Government.	
6 (43, 44)	(Pitts) (Seoul)	Mandatory international recovery and resolution planning for G-SIFs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our 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. We agreed that G-SIFs should be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFs through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups.	End-2010 (for setting up crisis management groups) Ongoing	<u>G-SIFs</u> In 2005, the Council of Financial Regulators (CFR) determined principles for assessing whether an institution is systemic. These principles were reviewed and re-adopted in June 2009. The CFR has recently updated its extensive guidance on ADI resolution, strengthened legal powers for resolution and undertaken testing on resolution. Australian agencies' data gathering and exchange powers are already extensive. <u>Cross-border crisis management</u> In recognition of the inter-connectedness of the Australian and New Zealand banking systems, the Trans-Tasman Council on Banking Supervision (TTCBS), comprising the relevant Australian and New Zealand agencies (RBA, RBNZ, APRA, Australian Treasury and New Zealand Treasury), was established in 2005. Legislation was passed in 2006 in Australia	The TTCBS is currently undertaking a work programme to strengthen trans-Tasman crisis management arrangements. Some legislative changes may be required to facilitate data exchange in an international context. The TTCBS agencies are reviewing their powers to share information in the event of a trans-Tasman banking distress event. Australia continues to monitor whether statutory powers for resolution need to be further developed. APRA is implementing a pilot programme for recovery planning for large ADIs, with proposals for this to be extended to a wider range of ADIs and insurance companies in 2012 and beyond.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

	(Lon)		To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.		and New Zealand in recognition of the need for both countries to keep each other informed of actions that may impact on the financial stability of the other. In 2010, the TTCBS agreed to a Memorandum of Cooperation to assist in achieving a coordinated response to financial distress in banks with significant operations in both Australia and New Zealand. ASIC is also party to the Memorandum.	
7 (45)	(Seoul) (Tor) (WAP) (FSF 2008)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions. VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.	Ongoing	Amendments effected by the <i>Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010</i> are aimed at increasing the effectiveness of Australia's crisis management and resolution regime, including increasing and clarifying APRA's powers to respond to financial distress. In June 2011 the CFR approved updated guidance on the resolution of a distressed ADI. As noted above, the TTCBS has developed a framework for cross-border resolution between Australia and New Zealand. This has been supplemented by the development in 2011 of guidance on a joint resolution applicable to banks operating in both countries.	Australia continues to monitor whether statutory powers for resolution need to be further developed. In addition, APRA has a programme of further work on crisis resolution, including operational aspects of the Financial Claims Scheme (FCS), recovery planning and the development of further guidance on insurance company resolution.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges ...	June 2009 (for establishing supervisory colleges) Ongoing	As at October 2011, APRA is a member of over 12 supervisory colleges, and has hosted three colleges (for two major Australian banks and one major insurance group). ASIC is a member of two supervisory colleges. ASIC is also participating in discussions within an IOSCO SC6 working group established to consider the establishment of supervisory colleges for each major globally active CRA. The working group is assessing the responses to a questionnaire distributed to SC6 members to help understand members' views on what CRA colleges could seek to do and how they would function.	APRA has plans to host more supervisory colleges in 2012, and is reviewing which other Australian financial institutions should be subject to supervisory colleges. Responses to the questionnaire were considered at the October 2011 SC6 meeting. These responses will then inform the next steps that the working group takes.
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	Legislation was passed in 2006 in Australia and New Zealand, emphasising the need for both countries to keep each other informed of actions that may impact on the financial stability of the other. APRA maintains regular dialogue with the RBNZ with respect to the New Zealand operations of the Australian banks. ASIC is a member of the IOSCO Task Force on Supervisory Cooperation (TFSC) which has developed the Principles Regarding Cross-Border Supervisory Cooperation (May 2010). The Principles are supported by an Annotated Sample MOU.	Legislative change will be necessary to enhance ASIC's powers to promptly share supervisory information with other regulators and with supervisory colleges on a proactive basis. While ASIC's powers are currently restricted, this does not prevent information sharing in many circumstances.
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to	Ongoing	Under the <i>Australian Prudential Regulation Authority Act 1998</i> (APRA Act), APRA's mandate is to regulate institutions under its jurisdictions and to balance the objectives of financial safety and efficiency, competition, contestability and competitive	The CFR is also undertaking a review of financial market infrastructure regulation at the request of the Treasurer. The Council was requested to provide advice on measures which could be introduced to ensure Australia's regulatory system for

FSB- G20 - MONITORING PROGRESS – Australia September 2011

			proactively identify and address risks, including regular stress testing and early intervention.		neutrality with a view to promoting financial system stability in Australia. APRA has wide-ranging powers under the industry acts (<i>Banking Act 1959</i>, <i>Insurance Act 1973</i>, and the <i>Life Insurance Act 1995</i>) to make prudential standards and to require compliance with those standards. APRA's prudential standards impose minimum requirements relating to, for example, capital, liquidity, governance, fitness and propriety, audit and disclosure. Reporting standards made under the <i>Financial Sector (Collection of Data) Act 2001</i> require the submission of financial data from regulated (and some unregulated) institutions. The Minister responsible for APRA is prevented from directing APRA's supervision of a particular institution.	financial market infrastructure continues to protect the interests of Australian issuers, investors and market participants, including under a scenario where the ASX is part of a foreign-domiciled group. The issues to be addressed include, but are not limited to, the adequacy of oversight, powers of direction and crisis management arrangements for market operators and clearing and settlement facilities. Pursuant to this request, on 21 October, the CFR released a consultation paper on proposals to enhance the supervision of Australia's critical financial market infrastructure. Submissions for this consultation paper will close in December 2011.
III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	Australia has consistently undertaken major reviews of financial system developments and the national regulatory framework, and continues to monitor the adequacy of its framework. A number of initiatives are currently underway in Australia to review the adequacy of national regulation and fill identified regulatory gaps. APRA and ASIC participated in finalising the recommendations of the Joint Forum report <i>Review of the Differentiated Nature and Scope of Financial Regulation</i> (DNSFR Report), which was published in January 2010. Australia was the subject of an FSB country peer review in 2011, and the	Australia's regulatory framework will be subject to its next major external review in 2012 when the FSAP update is undertaken. Implications for Australia of the Joint Forum report, and any further international developments flowing from its recommendations, will be considered by the relevant authorities. Whether legislation is required is to be confirmed. APRA and ASIC also participate in the Joint Forum Working Group on Revising the Principles for the Supervision of Financial Conglomerates, which is following up certain recommendations in the DNSFR Report. Draft Principles are expected to be released for public consultation in early 2012.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

					review report was published on 21 September 2011.	ASIC is also contributing to a new Joint Forum workstream which will specifically examine the impact of different point-of-sale disclosure requirements across different sectors on regulatory objectives. ASIC is also participating in a Joint Forum pilot study reviewing implementation of these recommendations.
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	The budgetary resources allocated to APRA and ASIC are regularly monitored to ensure they continue to be adequate.	This practice will continue in Australia.
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, ... Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks 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.	End-2009	Hedge funds managers and retail funds are licensed in Australia. Hedge fund managers are subject to ASIC's information gathering powers. The FSB referred the implementation of the G20 commitment to IOSCO which established the Task Force on Unregulated Financial Entities (TFUFE) to examine the regulation of hedge funds. ASIC has been an active member of TFUFE. TFUFE published its Hedge Fund Oversight Final Report in June 2009, which articulated six broad principles on how hedge funds should be regulated. TFUFE has conducted a survey to assess the systemic importance of hedge funds (TFUFE systemic risk survey). In late 2010, ASIC surveyed Australia's nine largest managers (controlling 50% of sector assets) to assess the potential systemic significance of local hedge funds. The data	ASIC has joined a sub-group of TFUFE members to review the questions in the TFUFE systemic risk survey. The next scheduled survey is to be undertaken in 2012. Even though the limited data available suggests most funds can opt into the shorter PDS regime, ASIC will press ahead with issuing a draft regulatory guide on appropriate disclosures to be made by hedge funds in long form PDS. The final IOSCO methodology for assessing compliance with the hedge fund principles was adopted at the end of September 2011. Regulatory reform will need to be considered to facilitate the mandating of appropriate disclosure by wholesale funds.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

					was analysed and a summary was provided to Treasury, APRA and the RBA. An aggregated summary was also provided to IOSCO which combined it with data from other TFUFE members and reported the results to the FSB in July 2011. ASIC provided Treasury with an analysis of the conformance of Australia's regulatory regime against these principles in April 2010. A gap was identified in relation to investor disclosure (wholesale and retail). ASIC and Treasury are addressing the identified gap on disclosure through the following channels: 1. ASIC, through various IOSCO fora, has attempted to achieve some flexibility in the IOSCO assessment methodology on wholesale disclosure. 2. In February 2011 ASIC released a consultation paper (CP 147) on proposed regulatory guidance on retail hedge fund disclosure. Feedback has been considered and a draft ASIC Regulatory Guide is being developed with a view to release for consultation by the end of 2012. 3. As foreshadowed in CP 147 ASIC is working to exclude retail hedge funds from the short form PDS disclosure regime.	
14 (34)	(Lon)	Effective oversight of cross-border funds	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.	End-2009	Australian agencies' data gathering and sharing powers are already extensive. ASIC is a member of the IOSCO Task Force on Supervisory Cooperation, which has developed Principles Regarding Cross-Border Supervisory Cooperation (May 2010). The Principles are supported by an Annotated Sample MOU, to guide co-operation in a number of areas, including hedge funds.	Some legislative changes will be required to facilitate ASIC sharing information and otherwise cooperating with other regulators in an international context.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	Effective risk management and limits on large exposures already form part of APRA's supervisory framework. Counterparties not supervised by APRA, but licensed by ASIC, are required to have adequate risk management systems.	APRA will assess the need to amend relevant supervisory guidance or prudential standards. ASIC will assess the need to amend regulatory guidance/licence conditions for those counterparties regulated by ASIC only.
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	See #15.	See #15.
Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: - implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; - implement IOSCO's proposals to strengthen practices in securitisation markets.	During 2010	In May 2011, APRA finalised its prudential standards on the Basel II enhancements which will come into effect from 1 January 2012. The enhancements require ADIs to hold more capital against re-securitisations and off-balance sheet vehicles. APRA, ASIC, Treasury and the Australian Securitisation Forum (ASF) are in discussions about how the IOSCO recommendations could be implemented through industry guidelines and other measures. The ASF released industry standards on Australian RMBS Reporting (i.e. pre and post issuance disclosure and reporting) in September 2010 and an Australian RMBS Arrears Standard in November 2010.	Changes to Pillars 1 and 3 from the Basel II enhancements will be implemented in full from 1 January 2012. Also see #18.
18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part	By 2010	ASIC is the co-chair of IOSCO's Task Force on Unregulated Financial Markets and Products (TFUMP), which has published a number of recommendations, including in relation to retention. It further published, in March 2011, a report on how its recommendations have been implemented in member jurisdictions. IOSCO's Standing Committee 5 (SC5) has	APRA will continue to review its securitisation rules in light of revised guidance and market experience. ASIC, APRA, Treasury and the ASF are examining how retention and other requirements may be adopted in Australia. Industry standards on the due diligence undertaken on the asset pool are being developed.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

		sponsors or originators	of the risk of the underlying assets, thus encouraging them to act prudently.		also published guidelines on due diligence processes of investment managers in relation to structured finance instruments. The Joint Forum published a report in July on Asset Securitisation which reiterated the importance of transparency (and measures recommended by IOSCO) , measures to address misaligned incentives (including those recommended by IOSCO) and measures to support increased standardisation of securitised products in supporting the recovery of securitisation markets.	ASIC and Treasury are reviewing the IOSCO TFUMP recommendations on the investor and issuer side, in the context of Australia's market and corporate legal framework. Implications of the SC5 guidelines are also being considered. The need for legislation will be assessed as part of these processes. The FSB has requested that IOSCO carry out a stock-take on the implementation of retention requirements and measures to enhance transparency and standardisation of securitisation products in member jurisdictions. Results are to be reported to the FSB in July 2012. The US and EU will conduct preliminary analysis on implementation levels before a broader analysis is carried out by TFUMP.
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	Lenders' mortgage insurance companies are the most significant monolines operating in Australia. From 2006, APRA significantly increased its minimum capital requirements for lenders' mortgage insurers.	The Joint Forum is undertaking a new mandate to examine the structure and regulatory framework of the mortgage insurance sector. This work was requested by the FSB in its <i>Thematic Review on Mortgage Underwriting and Origination Practices</i> (March 2011). The extent of expected contribution from APRA and ASIC is not yet clear.
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	See #18.	See #18.
21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	ASIC is the co-chair of IOSCO's TFUMP which has published recommendations in relation to disclosure. ASIC is represented on IOSCO's SC1 which developed and published disclosure principles for public offerings of asset	ASIC is encouraging industry bodies such as the ASF to work with industry participants and relevant clearing and settlement entities to improve pre- and post-issuance information available to the industry and ultimately the public. The ASF has released industry standards on

FSB- G20 - MONITORING PROGRESS – Australia September 2011

					backed securities in April 2010.	disclosure and reporting.
					ASIC is also represented on IOSCO's SC2 which examined the viability of post-trade transparency for structured finance products (SFPs). In July 2010, SC2 published its report recommending that member jurisdictions should seek to enhance post-trade transparency of SFPs in their respective jurisdictions taking into account the benefits of, and issues related to, post-trade transparency discussed in the report.	The need for legislation will be assessed as part of these processes. See also #18.
IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field.	By end-2012 at the latest	ASIC, APRA and the RBA have established, in conjunction with industry, a quarterly survey to track the progress of the take-up of automated market infrastructure, including: electronic confirmation services, electronic trading platforms, portfolio reconciliation services, portfolio compression services, CCPs and trade repositories. APRA, RBA and ASIC are represented on the international steering group 'OTC Derivatives Regulator's Forum' and participating in several of its sub-groups. ASIC is participating in IOSCO's Task Force on OTC Derivatives Regulation, which is providing technical guidance on issues relating to the reforms and enhancing internationally consistent implementation.	The Australian OTC Derivatives Working Group is continuing to monitor international industry developments and assess the conduct of business in the Australian OTC derivatives markets in the context of the G20 recommendations. APRA intends to implement the Basel III rules related to counterparty credit risk. These rules (which are still to be finalised in respect of the treatment of CCPs) include higher capital charges for non-centrally cleared OTC derivatives. CFR agencies are considering the responses to the "Central Clearing of OTC Derivatives in Australia" discussion paper. It is intended that options for implementing central clearing will be finalised as soon as practicable having given full consideration to consultation feedback. These options will then be presented to the Australian Government.
	(Pitts)		All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.		RBA has participated in the Committee on the Global Financial System's (CGFS) study group on CCP access issues, and the Committee on Payment and Settlement Systems (CPSS)-BCBS work on mitigation of FX risk.	In parallel, substantive work will shortly commence on developing the trade repositories regime for Australia.
	(Lon)		We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and			

FSB- G20 - MONITORING PROGRESS – Australia September 2011

			supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.		In June 2011, the CFR issued the discussion paper “Central Clearing of OTC Derivatives in Australia”. Formal submissions and comments in response to this discussion paper were to be received by 1 September 2011. As part of the consultation process, extensive discussions were held with market participants.	
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	The CFR’s charter includes a mandate to identify important issues and trends in the financial system, including those that may impinge upon overall financial stability. The CFR also monitors the adequacy of Australia’s financial system architecture in light of ongoing developments. The RBA monitors these trends and risks as part of its normal work in assessing financial system stability. In August 2009, Australian agencies, through the G20 Reform Implementation Committee, reviewed Australia’s current approach to macroprudential regulation. ASIC is a member of IOSCO’s Standing Committee on Risk and Research which is, among other things, developing a research methodology on identifying systemic risks in securities markets. ASIC has established an internal Emerging Risks Committee. The Committee meets monthly and surveys the economic and financial environment to identify and monitor risks in that environment, and to develop strategies for managing and mitigating those risks.	The CFR agencies (APRA, ASIC, RBA and Treasury) will continue to take account of the implications for Australia of the work by the FSB, BCBS, IMF and others on macroprudential tools and modify existing arrangements should that prove necessary. Whether legislative change is required is to be determined.
24 (26)	(Lon)	Powers for gathering relevant	Ensure that national regulators possess the powers for gathering relevant information	Ongoing	Australian agencies’ data gathering and sharing powers are already extensive. In recognition of the inter-connectedness of	A further extension of APRA's data gathering and sharing powers is currently under consideration.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

		information by national regulators	on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.		the Australian and New Zealand banking systems, legislation was passed in 2006 in Australia and New Zealand, emphasising the need for both countries to keep each other informed of actions that may impact on the financial stability of the other. APRA's data gathering and sharing powers were further enhanced when the <i>Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010</i> was passed. Under this legislation, APRA has the power to collect data from any entity providing financial services in order to assist another financial sector agency (including the RBA and ASIC) to perform its functions.	Some legislative changes will be required to ASIC's powers to facilitate data collection and to promptly share supervisory information with other regulators.
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level... Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	APRA and the RBA are keeping abreast of international developments and are contributing as appropriate, including through membership of the BCBS. Australia's OTC Derivatives Working Group conducted a survey, released on 22 May 2009, which found that Australia has exhibited a continuing trend towards collateralisation of exposures, underpinned by the negotiation of Credit Support Annexes attached to Master Agreements, with these also increasingly incorporating lower unsecured thresholds and more frequent use of initial margining.	APRA and the RBA will continue to monitor and contribute to international developments.
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	The RBA already monitors asset prices and their implications for the macroeconomy and financial system stability, and reports its assessments regularly in the <i>Statement on Monetary Policy</i> , the <i>Financial Stability Review</i> , Board minutes and other communication vehicles.	This practice will continue in Australia. Legislation will not be required.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	The CFR has a MOU in place between council members on managing periods of financial stress. As at September 2011, APRA has 19 MOUs or similar arrangements with foreign counterparts. As at September 2011, ASIC has 45 MOUs or similar arrangements with foreign counterparts. It is also a signatory to the IOSCO MMOU. In recognition of the inter-connectedness of the Australian and New Zealand banking systems, legislation was passed in 2006 in Australia and New Zealand, emphasising the need for both countries to keep each other informed of actions that may impact on the financial stability of the other. The RBA chaired a CGFS Working Group on Functioning and Resilience of Cross-Border Funding Markets.	Legislative change will be necessary to enhance ASIC's powers to promptly share supervisory information with other regulators and with supervisory colleges on a proactive basis. While ASIC's powers are currently restricted, this does not prevent information sharing in many circumstances.
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	Australia adopted the International Financial Reporting Standards (IFRS) in 2005. In 2009, Australia, through the Australian Accounting Standards Board (AASB) and the Financial Reporting Council (FRC) was instrumental in the formation of the Asian-Oceanian Standards Setters Group (AOSSG). The AOSSG aims to: (a) promote adoption of, and convergence with, IFRS in the region; (b) promote consistent application of IFRS in the region; (c) coordinate input from the region to the International Accounting Standards Board (IASB); and (d) cooperate with governments and regulators and other regional and international organisations to	Australia strongly encourages non-adopting jurisdictions to adopt or converge with IFRS. Australia will monitor progress of IFRS-US GAAP convergence and will continue to promote broader adoption and convergence with IFRS within the Asia-Pacific region. Legislation will not be required.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

					improve the quality of financial reporting in the region. Australia will chair the AOSSG from November 2011 for one or two years. Australia has hosted delegations from other countries that are interested in Australia's implementation of IFRS. ASIC contributes to IOSCO's submissions on IASB discussion papers and exposure drafts, and participates in the sharing of information on IFRS regulatory decisions and interpretations, as well as emerging issues, with other securities regulators.	
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011	Australia adopted IFRS in 2005. Also see #28.	Convergence efforts between the IASB and the FASB seem likely to extend beyond 2011 because a number of the key convergence topics (financial instruments, leases and revenue recognition) are not scheduled for completion until the first half of 2012. Also see #28.
30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	Australia adopted IFRS in 2005. The IASB has been progressing its project to replace IAS 39 on financial instruments. In October 2010, the IASB issued IFRS 9 Financial Instruments that will replace the classification and measurement requirements of IAS 39 in respect of financial assets and financial liabilities. IFRS 9 is scheduled to be re-issued to also deal with financial asset impairment and general hedge accounting by the end of 2011. Macro hedging is scheduled to be dealt with by mid-2012. At that time, IFRS 9 will be a complete replacement for IAS 39.	The existing IFRS 9 has been included in Australian Accounting Standards. The AASB expects to include the other stages of IFRS 9 in Australian Accounting Standards as they become available. The AASB remains an active commentator in the IASB's processes to revise IAS 39, both directly and through its leadership of the AOSSG Financial Instruments Working Group. ASIC is providing input into the proposals through IOSCO. APRA is taking steps to implement the new Basel III requirements, including

FSB- G20 - MONITORING PROGRESS – Australia September 2011

					Although the current application date for IFRS 9 is 2013, the IASB is currently seeking comment on a proposal to extend the application date to 2015.	appropriate transitional arrangements (see #3). Legislation will not be required.
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	The IASB issued IFRS 9 in October 2010. It has been included in the Australian Accounting Standard AASB 9. See also #30. In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which has been included in the Australian Accounting Standard AASB 13. APRA also participates on the BCBS Accounting Task Force which is contributing to the development of IASB standards. ASIC is providing input via IOSCO into the review of IAS 39.	The IASB is progressing its project on general hedge accounting and macro hedge accounting, an objective of which includes simplifying hedge accounting requirements. The AASB will continue to monitor the work of the IASB with a view to incorporating the outcome into AASB 9 in due course. APRA requires that in “marking to model” the valuation must be prudent and apply an extra degree of conservatism. Legislation will not be required.
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon) (WAP)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted specifically in your jurisdiction.	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit 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 reports. All G20 members commit to undertake a Financial Sector Assessment Program (FSAP)	Ongoing	Australia’s prudential standards were assessed under the IMF FSAP process in 2006. Australia is fully or largely compliant with 13 of the 14 standards being reviewed under the FSB’s peer review for non-cooperative jurisdictions. In addition, Australia is a full member of the IOSCO MMOU. Australia was one of the first countries to be mutually evaluated against FATF’s 49 AML/CFT standards in 2005. Australia was rated as compliant or largely compliant with 26 standards. Legislation introduced in 2006 addressed 19 of the 23 Recommendations for which Australia was rated non-compliant or partially compliant. Australia participated in a ROSC on data dissemination during 2010. The IMF	Australia will undergo an FSAP in 2012.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

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FSB- G20 - MONITORING PROGRESS – Australia September 2011

	(Seoul)		We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.		Treasury and APRA were involved in the first FSB thematic review of compensation practices. Treasury is also represented on the second FSB Compensation Review Team.	
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	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.	Ongoing	See #33. In addition, in November 2009, legislation was passed to improve accountability on termination payments – <i>Corporations Amendment (Improving Accountability on Termination Payments) Act 2009</i> .	See #33.
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	Licensing of CRAs took effect from 1 January 2010. Licence conditions for all CRAs require compliance with the IOSCO Code on a mandatory basis. CRAs must provide ASIC with an IOSCO Code Annual Compliance Report.	Three licensed CRAs will submit their first IOSCO Code Annual Compliance Report by 31 January 2012. The remaining two licensed CRAs will submit their first report by 30 April 2012. ASIC will use the reported information in an expanded risk-based surveillance program from February 2012.
36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products	End-2009	ASIC participated in international discussions on these issues, including through IOSCO Standing Committee 6 (SC6) on CRAs. Also see #35.	A Memorandum of Understanding between ASIC and ESMA concerning cross-border CRAs is expected to be executed by the end of 2011. Within IOSCO SC6, ASIC continues to advocate for the establishment of supervisory colleges for globally relevant CRAs to facilitate further cooperation and information sharing between authorities

FSB- G20 - MONITORING PROGRESS – Australia September 2011

			and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.			and assist authorities' oversight of cross-border CRAs. Also see #35.
37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	On 1 January 2010 ASIC withdrew class order relief that allowed issuers of financial products to cite credit ratings in prospectuses and product disclosure statements without the consent of CRAs. As liability for the content of disclosure attaches to persons who have consented to having their statements cited, the withdrawal of the class order relief has implications for the accountability of CRAs. Also see #35 - #36.	Australia is monitoring international developments.
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	See #35 - #36.	See #35 - #36.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	See #4.	See #4.
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	APRA updated and strengthened its capital quality rules for banks in 2005. Enhancements to the Basel II Framework will come into effect from 1 January 2012.	APRA is taking steps to implement the new Basel III requirements. See also #3. Legislation will not be required.
41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	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.	Ongoing	The RBA Governor wrote to Australia's internationally active banks in 2008 encouraging them, where relevant, to draw on the best practice disclosures template developed at the request of the FSF. In response, these Australian banks have improved their disclosure in their existing reporting. APRA and ASIC completed the review template for Australia as part of the FSB's thematic review of risk disclosure practices. APRA issued draft prudential standards in late 2009 to give effect to BCBS enhancements to Pillar 3 on disclosures. IFRS 7 (Financial Instruments: Disclosures) is included in the Australian Accounting Standard AASB 7.	APRA's draft prudential standards to give effect to enhancements to Pillar 3 will be implemented in 2011. Legislation will not be required.
Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	To strengthen its ongoing deposit protection arrangements, in October 2008, Australia introduced a Financial Claims Scheme (FCS). This protects depositors of insolvent ADIs up to a set cap (which is, as at October 2011, A\$1 million per depositor, per ADI). In December 2010, as part of its 'Competitive and Sustainable Banking System' package, the Government confirmed the FCS as a permanent feature of Australia's financial system. Also in October 2008, in response to unusual market conditions, Australia	When the FCS was introduced in 2008, the Government committed to reviewing a number of the Scheme's settings by October 2011. In order to support this review, the CFR undertook an assessment of whether the current structure of the FCS is suitable for the post-crisis environment. Its advice informed the Government's revised arrangements, which were subject to a public consultation process prior to their finalisation in September 2011. The main feature of the revised arrangements for the FCS is a reduction in

FSB- G20 - MONITORING PROGRESS – Australia September 2011

					introduced a temporary Guarantee Scheme which includes coverage, for a fee, of large deposits held with ADIs above the FCS cap. This scheme was closed to new liabilities on 31 March 2010. The measures strengthened confidence in Australian ADIs. No ADI in Australia failed during the difficult market conditions of 2008-09.	the level of the cap to A\$250,000 per depositor per ADI from 1 February 2012. The Government also intends to make legislative changes to the existing framework to improve the effectiveness of the FCS, including: removing coverage of foreign branches of Australian-incorporated ADIs; enabling an additional payment option which allows APRA to transfer deposits to a new institution; establishing a 'look-through' mechanism for certain pooled trust accounts; and enabling the Treasurer to activate the Scheme earlier than the point of winding up. APRA has consulted the ADI industry on operational matters relating to the possible activation of the FCS should that ever occur, including the development of ADI pre-positioning for Single Customer View and FCS payment options. Further consultation will be undertaken later this year, resulting in pre-positioning requirements being implemented from 2012. Further operational matters will be advanced in 2012, including on payment pre-positioning requirements.
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	Australia is working with the IMF and FSB on cooperative and coordinated exit strategy approaches. Its approach is consistent with its G20 commitments. Australia closed the Guarantee Scheme for Large Deposits and Wholesale Funding to new liabilities on 31 March 2010. Spending on the projects announced as part of the Australian Government's stimulus packages continues to decline, consistent with the temporary and timely nature of these packages. Of the two major economic stimulus packages, almost all of the funds have now been spent.	Australia is participating in discussions on this issue in various international forums. The Government has been working with the CFR in reviewing certain aspects of the FCS, and in September 2011, it announced changes to FCS arrangements. See #42. Australia's planned next steps are consistent with relevant international principles.

FSB- G20 - MONITORING PROGRESS – Australia September 2011

Origin of recommendations:

Seoul: The Seoul Summit Document (11-12 November 2010)

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)

Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)

Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)

WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)

FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)

FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)

FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)