



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 12 June 2009

10961/09

**ECOFIN 437
EF 92
SURE 21**

NOTE

from: Secretariat
to: Delegations

Subject: Roadmap on financial supervision and regulation following the G 20 and the de Larosière report

Delegations will find attached the Roadmap on financial supervision and regulation following the G 20 and the de Larosière report (elaborated by the EFC), dated 3 June, which was welcomed by Ministers on the occasion of the Council (ECOFIN) meeting of 9 June.



Brussels, 3 June 2009
ECFIN/CEFCPE(2009)/52238

DRAFT ECOFIN roadmap on financial supervision and regulation following the G 20 and the de Larosière report

1. Supervisory framework

Action	Timetable	Actors	State of progress
Revise the EU supervisory framework by: 1. strengthening EU supervision at the level of micro-prudential supervision; 2. developing a macro-prudential framework	May 2009 Commission Communication Autumn 2009 Commission legal proposals	Commission, FSC, EFC Commission	Ongoing in the context of the follow-up to the de Larosière report and the Commission 4 March Communication
Establishment of colleges of supervisors for large cross-border financial groups	As soon as possible and at the latest end 2009	CEBS-CEIOPS Implementation of the appropriate legislation (banking, insurance, ecc.) by Member States	Ongoing
Operational guidelines for the colleges of supervisors	end 2009	CEBS-CEIOPS	Ongoing. CEBS guidelines will be published for consultation by the end of 2009
Establishment of CEBS/CEIOPS common risk assessment methodology	Autumn 2009	CEBS-CEIOPS	CEBS/CEIOPS working on a common risk assessment methodology
Explore ways to strengthen national application of guidelines of EU Committees of supervisors		EU Committees of supervisors	Completed by CEBS and CESR. Ongoing in CEIOPS

Study on sanctioning powers	Autumn 2009	Report by the Commission in cooperation with EU supervisory Committees	Ongoing
Report on supervisory Cooperation and information exchange	Autumn 2009	Report by the Commission	Ongoing
Report on delegation of tasks and responsibilities	Autumn 2009	Report by the Commission	Ongoing
Enable supervisory authorities to take account of the EU dimension	Mid-2009	Member States, taking into account recent legislation on banking and insurance	Ongoing

2. Regulatory framework

Action	Timetable	Actors	State of progress
Capital requirements for banks (CRD)			
- Supplementary requirements for trading book activities	June 2009	Commission proposal	Ongoing following Basel Committee process
- Upgrading of requirements for complex securitisation instruments	June 2009		
- Supplementary measures addressing leverage	October 2009	Commission proposal	Ongoing, following Basel Committee process
- Enhance liquidity risk assessment and management by banks	2009	Inputs from CEBS on all issues. A CEBS guidance on liquidity will be published in 2009.	
- Removal of national options and discretions	2009		
Harmonization of the definition of capital	To be defined on the basis of the Basel process	Commission	Following the Basel Committee Process. A CEBS proposal for the harmonization of hybrid instruments to be published in June 2009

Pro-cyclicality			
Identify policy tools to mitigate pro-cyclicality in the financial system and financial regulation, including of capital requirements through counter-cyclical capital buffers in the CRD	July 2009 report EFC WG	EFC WG	Report being finalised Also following international fora, including the Basel Committee
	End 2009	Commission	
	End 2009 Commission report on excessive pro-cyclicality	Commission	Ongoing
Credit rating agencies			
Oversight/supervision of Credit rating agencies	2009	Commission proposal	Adopted
Credit rating agencies to adopt standards for compliance	Spring 2010	CESR- completed CEBS (CRD) based on IOSCO works	Ongoing
UCITS regulation			
Assess risk management in non-bank investors, particularly for illiquid assets. Any further initiative as a follow-up to the Madoff case.	Autumn 2009	Commission, CEIOPS-CESR and industry	Expected level II Provisions of the UCITS directive
OTC derivatives			
Central counterparty clearing for "over the counter" derivatives	July 2009 Autumn/end 2009	Market solution Industry and Commission. Commission to examine possible regulatory framework for CCPs ESCB/CESR recommendations to be finalised in the next days	Ongoing
Alternative investment funds managers (AIFM), including hedge funds			
Oversight/supervision of hedge funds and private equity	April 2009	Commission proposal	Negotiations ongoing

Other actions			
Extend the scope of regulation to all to date still unregulated instruments, institutions, markets in respect of systemic institutions	Overview by September 2009 and Mifid review in 2010	EFC, FSC, Commission	Ongoing. Initiated for hedge funds managers, CRAs, OTC derivatives.
Member States' common format to disclose national transposition of EU legislation		MS and EU Committees of Supervisors CEBS supervisory disclosure	Ongoing
Cross sectoral consistency checks of terminology of EU legislation	September 2009	Commission	Ongoing/Results foreseen for September 2009
Harmonization of reporting formats for financial institutions	2012	CEBS, CEIOPS, CESR, Commission, FSC	
Review market abuse directive	Autumn 2009	Commission proposal	Ongoing

3. Transparency and valuation

Action	Timetable	Actors	State of progress
Transparency			
Financial institutions provide full risk disclosure in reporting and disclose all losses on an ongoing basis	Ongoing	Financial institutions, Commission with input from EU Committees of supervisors	Ongoing. CEBS Report on Pillar 3 disclosures to be published in June 2009
Review financial Statements to ensure these include a complete picture of the firm's activity		CEBS Others too be defined	Ongoing. Results foreseen in June 2009
Improve transparency in use of derivatives	June 2009 + MIFID review	Commission will present a report	Ongoing

Valuation and accounting standards			
Accounting valuation of illiquid assets (also following the US FASB decision of April 2009)	Mid 2009/end 2009	IASB	IASB issued guidance in October 2008. IASB has now stated that there is consistency between its guidance and US GAAP guidance of April 2009. IASB expected to issue proposal for a new standard on the use of fair value in June 2009.
Standard setters to address weaknesses and consider improvements in market valuations of financial instruments based on their liquidity and investors' holding horizons	Mid 2009/end 2009	IASB	IASB due to issue a proposal for complete revision of IAS 39 in the autumn 2009
Impairment rules (follow-up to the FASB decision of April 2009)	As soon as possible	IASB and Commission	The IASB is planning to include impairment rules in its project on measurement and classification. An exposure draft is planned for July and adoption by 2009. Amendments on impairment rules as a whole are planned for an exposure draft in October

Fair value option and embedded derivatives, follow up to the Commission letter to The IASB (October 2008)	As soon as possible	IASB and Commission	On fair value Option, an exposure draft is planned for July and adoption by 2009. On embedded derivatives, agenda depending on the FASB initiatives. To be concluded by end 2009
Enhance and reform governance of accounting standard bodies	2009	Commission	Phase II of constitutional review ongoing
Refinement of the accounting rules in respect of dynamic provisioning	EFC WG report to Ecofin July 2009 Follow up of IASB by end 2009	EFC WG Commission IASB G 20 process Basel committee CEBS	IASB (with involvement of the Basel Committee) due to come forward with proposals

4. Crisis and risk management

Action	Timetable	Actors	State of progress
EFC-HLWG to draw lessons from the financial crisis. Strengthen cross-border crisis management including cooperation with appropriate authorities	Mid 2009 To Ecofin in September 2009	EFC Subgroup	Ongoing
Implementation of the MoU	2009	Supervisory authorities, Finance Ministries, Central Banks	Ongoing

A banking stabilisation and resolution framework for early interventions	June 2009	A paper by the Commission on a bank stabilisation and resolution framework. Possibly followed up by a consultation in the autumn with a view to possible legislative proposals in 2010	Ongoing
Amendments and enhancement of the deposit guarantee Directive Assessment of an EU wide scheme Investor protection schemes Insurance guarantee schemes	July 2009-mid 2010 Linked to resolution framework	Commission Consultation in July, possible legislative proposal in the autumn	Ongoing Pre-consultation

5. Promoting integrity of financial markets

Action	Timetable	Actors	State of progress
Retail policies			
Packaged retail investment products	April 2009	Commission Communication to explain legislative actions to strengthen safeguards for transparency and sales of packaged retail investment products	Adopted
Ensure responsible lending and borrowing	Autumn 2009	Commission will reflect on measures	Consultation document to be published in May-June 2009, public hearing scheduled on 3 September 2009

Promote best practices for pre-foreclosures arrangements	End 2009	Commission report	Responses to questionnaires to national supervisory authorities on pre-foreclosure practices are being analysed by the Commission
Strengthen financial services consumer inputs to EU policy	End 2009	Commission proposal	Internal deliberations on the best approach to strengthen consumer/investor input
Simplify and harmonize national substantive law on securities holding and transactions	End 2009	Commission proposal	Ongoing
Complete the Single Euro Payment area	Mid-2009	Commission proposals and guidance on criteria for the compatibility of multilateral interbank remuneration, including multilateral interchange fees	Draft roadmap under finalisation
Remuneration policies and governance			
Review of recommendations on remuneration of directors, clarifying incentives of financial firms to avoid compensation schemes that reward short term returns	April 2009	Commission recommendations	Adopted
Link capital requirements of banks to remuneration policies	June 2009	Commission proposal Inputs from CEBS	Ongoing
Examine additional measures on remuneration and risk management in relation to non-banking institutions	Autumn 2009	Commission proposal/implementing measures	Ongoing

Report on corporate governance principles for financial institutions	End of 2009	Commission report	Ongoing, also on the basis of the Basel Committee input
Non cooperative jurisdictions			
Protection against illicit actors and non-cooperative jurisdictions. Development of a toolbox for enforcement	2009	Commission	Ongoing
