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Abstract

The Dodd-Frank Act of 2010 is the keystone policy response directed at reforming U.S. financial system activities and oversight in the wake of the 2007-2009 financial crisis. The United States also has financial system reform policy commitments in the international arena, including in particular by virtue of its membership in the G20. This analysis considers U.S. policy initiatives related to a core dimension of financial system reform: risks posed by systemically important financial institutions ("SIFIs"). It provides a comparison of SIFI policy initiatives and timetables under both the Dodd-Frank Act and the G20 agenda, as reflected in the ongoing work plan of the Financial Stability Board (FSB), and poses the question "Are U.S. domestic and international financial system reform commitments in sync?" While finding that, fundamentally, the answer is "yes," the detailed comparison yields two caveats with potential policy implications. First, the two agendas differ in their relative emphasis on the coverage of both banks and nonbanks. The G20/FSB focus, at least over the near-term, is bank-centric compared with the Dodd-Frank Act, which consistently addresses both bank and nonbank financial firms. Second, implementation of Dodd-Frank Act provisions is subject to long-established U.S. law mandating that there be sufficient opportunity for public input into the rulemaking process, whereas the G20/FSB process has been less systematic and transparent on public consultation and feedback. The lesser emphasis on transparency and public input characterizing the G20/FSB policy development process may be attributable in part to the somewhat more rapid pace of the G20/FSB agenda relative to corresponding Dodd-Frank Act timelines. These observations may be relevant to the current debate over the speed and scope of Dodd-Frank Act implementation measures, and to the discussion about the future international competitiveness of U.S. banks and nonbank financial firms.

Keywords: G20, Dodd-Frank Act, Financial Stability Board, financial system reform, global financial system, systemically important financial institutions, G-SIFI, G-SIB

JEL Codes: G28, G21, G01, F33, F53

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Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act is the keystone U.S. financial system reform policy response to the financial crisis of 2007-2009.[1] Less in the limelight, but conceptually akin to much of the financial system reform agenda codified in the Dodd-Frank Act (DFA), is the policy response of the Group of Twenty (G20) nations.[2] Indeed, G20 policy deliberations on financial system reform, to which U.S. authorities made substantial contributions, proceeded largely in tandem with the domestic debate culminating in the enactment of the DFA in July 2010. Furthermore, although the G20 policy measures to which Member nations committed at the Leaders' Summit in Seoul, Korea in November 2010 do not, as does the Dodd-Frank Act, have the force of law, they represent an important element of the "international side" of U.S. financial system reform policy.[3] That raises the question of whether the G20 and DFA financial reform agendas are "in sync."

[1] The Dodd-Frank Act is the major legislative response to the financial crisis, but a range of other government programs were implemented to respond to the crisis, including the Troubled Asset Relief Program (TARP), liquidity provision and financial market stabilization efforts by the Federal Reserve, and liquidity provision by the FDIC. For a comprehensive description of the Federal Reserve's crisis response programs see Board of Governors of the Federal Reserve System (2011a); for a description of the FDIC's liquidity provision program see FDIC (2011).

[2] The G20 is made up of the finance ministers and central bank governors of 19 countries and the European Union. Country members are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russian, Saudi Arabia, South Africa, the Republic of Korea, Turkey, the United Kingdom, and the United States. "Institutional Members" include the European Central Bank, the International Monetary Fund (IMF), the World Bank, and the Financial Stability Board (FSB). See www.g20.org/index.aspx for a comprehensive description of the G20.

[3] In order for the United States to officially implement the policy commitments it makes in the G20 forum, it must follow the same set of procedures applying to commitments made in other international fora, including, e.g., those made at the Basel Committee for Banking Supervision. Section I (below) explains that in the United States, the Administrative Procedures Act governs the process for the legal adoption and implementation of policy commitments made in such international fora; Appendix Table A2 highlights the major steps in the Administrative Procedures Act. Note that the other G20 countries also require follow-on regulatory and/or legislative action.

The purpose of this study is to answer that question, at least for one portion of the policy agenda. The paper focuses specifically on policies to address risks to the financial system posed by systemically important financial institutions – so-called "SIFIs."[4] The study compares the substance and timetable of specific Dodd-Frank Act and G20 SIFI-oriented policy initiatives and ascertains the extent to which those policies are consistent with each other. The analysis concludes overall that the G20 and Dodd-Frank Act SIFI agendas are substantively consistent and complementary. However, that conclusion is qualified in two ways. First, the two agendas differ in their relative emphasis on the coverage of both banks and nonbanks. The G20/FSB focus, at least over the near-term, is bank-centric compared with the Dodd-Frank Act, which consistently addresses both bank and nonbank financial firms. Second, implementation of Dodd-Frank Act provisions is subject to long-established U.S. law mandating that there be sufficient opportunity for public input into the rulemaking process, whereas the G20/FSB process has been less systematic and transparent on public consultation and feedback. The lesser emphasis on transparency and public input characterizing the G20/FSB policy development process may be attributable in part to the somewhat more rapid pace of the G20/FSB agenda relative to corresponding Dodd-Frank Act timelines.

The study is organized as follows. The background discussion in Section I briefly chronicles the financial crisis-induced emergence of the G20 as the premier forum for international financial system policy development, and outlines the rapid evolution of the

[4] The Dodd-Frank Act does not use the terms "systemically important financial institutions" or "SIFIs," but rather "large, interconnected financial companies." Nevertheless, the term "SIFI" is now so widely used in discussions and analyses of the financial system that it has essentially taken on a generic status. See for example Tarullo (2011). The current paper uses "SIFI" in reference to both the G20 policy agenda and the Dodd-Frank Act.

G20's financial system reform agenda from November 2008 through early-2011. Of particular note are policies aimed at reducing risks to the financial system posed by SIFIs: the G20 Leaders have committed to an ambitious "SIFI Project," under the auspices of the FSB, and Section I concludes by describing the major dimensions of that project. With that as context, Section II presents comparisons of G20/FSB and DFA policy actions and proposals to improve SIFI safety and soundness. Section III summarizes the detailed comparisons, focusing in particular on answering the question of whether the G20/FSB and DFA agendas and timetables are in sync with each other. Section IV concludes by identifying several considerations relevant to the current debate about the appropriate speed and scope of Dodd-Frank Act implementation measures, and the issue of the international competitiveness of U.S. banks and nonbank financial firms.

I. The Recent Emergence of the G20 and the Financial Stability Board in International Financial System Policy

The globalized nature of the financial crisis that began in 2007 had, by the September 2008 collapse of Lehman Brothers, become a universally acknowledged fact.[5] Less clear at that time was in what forum finance ministers and central bankers could most effectively respond. Prior to the fall of 2008, the Group of Seven (G7) Finance Ministers and Central Bank Governors would have been the consensus choice for coordinating international response to any crisis with the world's largest commercial and investment banks at its center,

[5] The consensus view, as reflected in the Financial Crisis Inquiry Commission Report (2011, p. xvi), is that "the collapse of the housing bubble [in the U.S.] … was the spark" that triggered the financial crisis, but the crisis quickly expanded across financial instruments, markets, networks, and national borders, exposing financial system vulnerabilities that had been building in many countries. For detailed timelines of major events, including those marking the early stages of the crisis in 2007, both from U.S.-centered and international perspectives, respectively, see Federal Reserve Bank of New York (FRBNY a) and (FRBNY b). For a blow-by-blow description of the role of the U.S. subprime mortgage market in the crisis see James R. Barth et al (2009); see also Douglas Robertson (2011) for an analysis focused on the role of structured finance markets in the crisis. Clasessens et al (2011) provides a wide-ranging analysis of the fundamental causes of the crisis.

inasmuch as most of those institutions are headquartered, and regulated, in a G7 country.[6] In these circumstances, G7 Members decided to defer to the G20's leadership in developing and coordinating the international agenda on reforming the functioning and regulation of the global financial system. Although relatively unheralded at the time, that "hand-off" constituted a major change in how, and by whom, international economic and financial policy coordination is undertaken.[7]

I.A. The Rapid Evolution of the G20's Financial System Reform Agenda: the 2008 Washington Summit to the 2010 Seoul Summit

Meeting November 15, 2008, in Washington, DC at what can be argued was the zenith of financial market panic and the nadir of financial market stability, the G20 Leaders strongly concurred in their desire for "rapid action" and committed to a 47-point "action plan."[8] Action plan items were designated as either priorities for "immediate action" by the end of the first quarter of 2009, or as "medium-term actions" to be fully addressed thereafter.

[6] The G7 includes Canada, France, Germany, Italy, Japan, the U.K., and the U.S. Note that the Basel Committee on Banking Supervision has been a major, and well-known, forum for international banking and financial system policy developments for decades; it continues to play a key role in shaping international stabilization efforts, most recently by the development of the so-called "Basel III" capital framework. In response to the pervasive and expansive nature of the global financial crisis, the BCBS and sister "international standard setting bodies" agreed to follow the lead of the G20 in international financial system reform policy development. In addition to the BCBS, international standard setting bodies include the International Organization of Securities Commissions (IOSCO) for the securities industry, for the insurance industry the International Association of Insurance Supervisors (IAIS), and for accounting the International Accounting Standards Board (IASB); http://www.financialstabilityboard.org/members/links.htm includes information on international standard setters.

[7] Indeed, as of mid-June 2011, it still appeared that the significance of the change was widely underappreciated. For example, Moody's *Banking System Outlook: United States of America* (May 12, 2011) asserts "There are two sweeping regulatory changes underway: the Dodd-Frank Act and Basel III." Consider also the statement by Representative Bachus, Chairman of the House Financial Services Committee, who remarked that "[T]here is no need to rush and meet arbitrary deadlines (under the DFA) when the rest of the world is at least 18 months behind the United States" in financial system reform legislation and policy implementation [Holzer and Sparshott (April 19, 2011)]. On a country-specific basis the Congressman's observation are broadly accurate but, as this paper shows, developments are unfolding rapidly in the G20-multilateral arena.

[8] Group of Twenty (2008). See Appendix Table A1 for the complete list of the 47 points, and a mapping of those points into what emerged over the year following the Washington Summit as major priorities.

The finance ministers of the G20 were given overall responsibility for getting the action plan off the ground, with the assistance of the Financial Stability Forum, the IMF, and the "international standard setting bodies."[9]

Most analysts now agree that the global financial system began to emerge, albeit fragilely, from the depth of the crisis by the end of the second quarter of 2009.[10] However, when G20 Leaders reconvened at the London Summit at the beginning of the second quarter, there was as yet no clarity about the depth, breadth, or duration of the financial crisis. Indeed, the London Communiqué begins by asserting that "We face the greatest challenge to the world economy in modern times; a crisis which has deepened since we last met."[11] The G20 Leaders then noted that, amid trying circumstances, Members had made progress, albeit limited, in addressing many of the 47 action items outlined at the Washington Summit. The group went on to reaffirm the importance of the November 2008 action plan, but rationalized the lengthy, 47-point agenda into a more limited set of highest priority "major reforms."[12]

The London Summit *Declaration* also unveiled a significant structural change for the G20, in that it announced the reconstitution of the old Financial Stability Forum (FSF) as the new Financial Stability Board. The FSB's mission is to "coordinate at the international level the work of national financial authorities and international standard setting bodies in order to develop and promote the implementation of effective regulatory, supervisory, and other financial sector policies [to] address vulnerabilities affecting financial systems in the interest

[9] See footnote 6 for a list of the international standard setting bodies.

[10] See for example International Monetary Fund (2009).

[11] Group of Twenty (2009a).

[12] Group of Twenty (2009b).

of global financial stability."[13] At a stroke, the new FSB became the influential policy development arm of the G20, a substantial contrast with the role of the old FSF as multilateral "think tank" lacking formal backing from the major financial center countries for policy development.[14]

To give teeth to the FSB's policy development and coordination efforts, Members agreed on a process to encourage compliance with the G20 policies to which they commit.[15] That process consists of periodic "peer reviews," along the lines of the IMF's Financial Sector Assessment Program (FSAP), using as "evidence IMF/World Bank public Financial Sector Assessment Program reports." The FSB also committed to publishing peer review results.[16] Under those circumstances, although the FSB has no legal authority to impose compliance, it is likely that a non-compliant Member would find its ability to shape G20 policies diminished. It is also possible that financial market participants around the globe would question the reliability of national policies enacted by a non-compliant Member. Possibly the most important factor likely to impel countries toward compliance, however,

[13] Financial Stability Board (2009), p. 1.

[14] In addition to the G20 members listed in footnote 2 above, FSB Member countries include Hong Kong SAR, the Netherlands, Spain, and Switzerland. Additional international organizations include the Bank for International Settlements (BIS), the European Commission (EC), the Organization for Economic Co-operation and Development (OECD), the Committee on the Global Financial System (CGFS) the Committee on Payment and Settlement Systems (CPSS), and the international standard setting bodies. Note that the FSB's charter includes provisions for accepting new members at the discretion of existing Members.

[15] Note that the issue of noncompliance and its consequences is an open one and remains on the G20 "to-do" list" as indicated, for example, in the communiqué following the April 2011 G20 meeting in Washington, DC. See Group of Twenty (2011), p. 2.

[16] FSB (2009), p. 3. Peer reviews take one of two main forms: a review of a range of financial sector policies and practices in a specific country (see, e.g., the 2010 peer review of Mexico at http://www.financialstabilityboard.org/publications/r_100927.pdf); and "thematic reviews" focusing on policies and practices on a specific issue across multiple Members (see, e.g., the 2011 thematic review of mortgage underwriting practices at http://www.financialstabilityboard.org/publications/r_110318a.pdf). For a description of the IMF/World Bank Financial Sector Assessment Program see http://www.imf.org/external/np/exr/facts/fsap.htm.

was incipient as of the publication of this paper: FSB financial system reform policy decisions may come to be widely perceived in the same light as are Basel Committee capital requirements.[17]

Although the G20 made important progress in London, one could still characterize the period from the November 2008 Washington Summit through the April 2009 London Summit as the "firefighting" phase of the international response to the global financial conflagration. In contrast, by September 2009, as G20 Leaders met again in summit, repair and reconstruction were the clear order of the day. In that environment, Leaders took decisive steps in three respects at the Pittsburgh Summit. First, in the Summit Communiqué they explicitly designated the G20 as "the premier forum" for international economic and financial policy cooperation.[18] Second, Leaders' anointing of the G20 as the premier international financial policy group also "officially" ratified the G20's lead role across the whole spectrum of financial sector reform work in which the international standard setting bodies, the IMF, and World Bank engage.

The third major decision by the G20 was to firm up the financial reform policy agenda set out in the London Communiqué. Keeping that document's focus on a limited set of fundamental objectives, Leaders agreed in Pittsburgh on timetables and action in six key priority areas:[19]

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[17] The term "requirements" is used throughout Basel Committee documents on capital standards; see for example BCBs (2010c). All Basel Committee members understand that the term is not meant to convey any sense of being legally binding. Indeed, as noted above (see footnote 3), every country has its own legislative and/or regulatory process for adoption and implementation of BCBS "requirements."

[18] Group of Twenty (2009c), point #19, p. 3.

[19] Group of Twenty (2009c); see especially "Strengthening the International Financial Regulatory System," pp. 7-10. A seventh major objective of a very near-term nature can be characterized as "recouping the cost of responding to the financial crisis." Leaders agreed that national authorities should ensure that their financial

- **Capital:** Relying on the work of the Basel Committee, the G20 committed to developing by end-2010 internationally agreed rules to improve both the quantity and quality of bank capital, discourage excessive leverage, and mitigate pro-cyclicality.

- **Systemically Important Financial Institutions (SIFIs):** The primary goal is to eliminate the too-big-to-fail view and the moral hazard/excessive risk-taking behavior it elicits by subjecting SIFIs to higher capital requirements and heightened prudential standards. In addition, Leaders agreed that Members should cooperate in developing policies for the orderly cross-border resolution of global SIFIs.

- **OTC Derivatives:** To reduce systemic risks from OTC derivatives activities, Leaders emphasized the development of policies to improve transparency and regulatory oversight.

- **Compensation:** Leaders endorsed the (then new) compensation standards developed by the FSB aimed at aligning employee compensation at financial firms with long-term value creation, rather than excessive risk taking, and tasked the FSB with monitoring Members' implementation of those standards.

- **Non-Cooperative Jurisdictions:** Leaders committed to developing global standards for dealing with tax havens, money laundering, proceeds of corruption, terrorist financing, and prudential standards.

- **International Accounting Standards:** Leaders asserted that international accounting bodies should achieve a single set of high quality, global accounting standards within the context of their independent standard setting processes, and complete convergence to single standard before end-2011.[20]

By the time of the November 2010 Summit in Seoul, barely two years after their urgent gathering in Washington, G20 Leaders were confident that a strong international consensus had been established on each major objective.[21] In that environment, they

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sectors make "a fair and substantial contribution" toward repaying the costs borne by governments in dealing with the financial crisis and subsequent repair of the financial system.

[20] The International Accounting Standards Board (IASB) is the main international accounting standard setter; it was tasked with working in cooperation with the Financial Accounting Standards Board (FASB), the entity that sets U.S. accounting standards, to reach convergence on a single set of standards.

[21] Relative emphases within the Pittsburgh agenda shifted somewhat over the ensuing year in response to ongoing changes in the global financial system, as well as in recognition of progress made in national jurisdictions. In particular, the G20 increased its focus on the role of credit rating agencies (CRAs), agreeing on the goal of reducing what was perceived to have become excessive reliance by regulatory authorities and market participants on credit ratings from the major CRAs; and Leaders endorsed the FSB's recommendation to

approved the Basel Committee's comprehensive framework for strengthening capital and liquidity standards; and the public release by the BCBS of its "Basel III" framework document a few weeks after the Seoul Summit marked the completion of the first major financial system reform goal of the G20.[22] In Seoul, Leaders also ratified the FSB's recommendations for detailed work plans to address the remaining five major priorities over the 2011-2012 period.

I.B. Focus on SIFIs

Prominent among the FSB's work plan recommendations was its so-called "SIFI Project," on which the rest of this paper focuses.[23] Because of the obvious cross-border importance of SIFIs with a large international presence, the G20 agreed in Seoul that FSB work focus initially on "global" systemically important financial institutions – so-called "G-SIFIs." By year-end 2010, the FSB had settled upon three interrelated work streams dealing with, respectively, prudential standards, supervision, and resolution. The "supervision" workstream essentially looks for the FSB to coordinate the work of international standards setters to reconsider, and as necessary, update their "core principles" documents and standards for supervision, in consultation with national authorities. The "resolution" workstream is focused on ensuring that the failure and unwinding of large, cross-border SIFIs

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"expand the perimeter" of financial system oversight, including examining the role, composition, and supervision of the "shadow banking system." Nevertheless, the Pittsburgh Summit agenda remained the central anchor of G20 financial reform policy through the 2010 Seoul Summit.

[22] Basel Committee on Banking Supervision (2010c). Basel Committee on Banking Supervision (2010a) provides a useful summary of the main elements of Basel III capital framework.

[23] The FSB initially laid out its multi-faceted work plan on SIFIs in FSB (2010a); see also FSB (2010c), which identifies five "major features the policy framework for SIFIs should combine:" heightened prudential standards, with emphasis on higher loss absorbency capacity; making SIFI resolution a viable option; strengthening supervision of SIFIs; strengthening core infrastructures; and ensuring effective and consistent implementation of national policies. "Core infrastructures" are "payment systems, securities settlement systems, and central counterparties" [FSB (2010a, p. 8)].

will unfold in such a way that it will not become a systemically-destabilizing or taxpayer-burdening event; as a corollary, financial firms and market participants will understand that no firm is too big to fail. The third major dimension of the SIFI project targets improvements in regulations applying to SIFIs. This "heightened prudential standards" part of the overall SIFI project, including the development of criteria for identifying and designating which firms are SIFIs, is the primary focus of the comparison between G20/FSB SIFI initiatives and corresponding initiatives under the Dodd-Frank Act to which the paper now turns.[24]

II. Dodd-Frank Policies to Improve SIFI Safety and Soundness vis-à-vis G20 Commitments

Much of the Dodd-Frank Act targets the same financial stability goals as does the G20/FSB agenda, which the United States helped develop and to which it has committed itself. A major objective of both agendas is the development of effective policies to address systemically important financial institutions. This section of the paper compares G20/FSB and DFA measures to improve SIFI safety and soundness in order to answer the question: Are United States policy commitments on SIFIs – both those mandated under the DFA, as well as those agreed to in the international arena – consistent with each other?[25, 26]

[24] Appendix Table A3 offers comparisons of the other major dimensions of SIFI work, including the major G-SIFI resolution initiatives of the FSB and the "orderly liquidation authority" measures under Title II of the DFA. The table also compares G20/FSB and DFA initiatives which, while not directly categorized as "SIFI" work, nevertheless deal with systemic issues.

[25] That U.S. policy-makers care about consistency is illustrated by remarks senior regulatory authorities have made comparing the DFA and Basel III. See, e.g., Tarullo (2010) and Walsh (2011a). In the latter, Acting Comptroller Walsh makes the noncontroversial but basic point that "the two frameworks do not mesh perfectly" (p. 3).

[26] Although beyond the scope of the analysis in the body of this paper, the DFA includes many provisions squarely addressing "resolution" issues, and other measures dealing with systemically significant financial issues. Appendix Table A3 highlights DFA "orderly liquidation" provisions as they compare to G20/FSB resolution initiatives; it also includes a comparison of DFA to G20 measures on OTC derivatives, financial market utilities, executive compensation at financial firms, credit rating agencies, and shadow banking.

Table 1 compares relevant policy initiatives under the G20/FSB agenda (left-hand side) and under the DFA (right-hand side) across two basic dimensions: 1) identification and designation of SIFIs (Row 1); and 2) measures to improve SIFI regulation or "prudential standards" (Rows 2, 3, and 4). Also indicated in Table 1 are the most pertinent and significant G20/FSB documents or DFA Titles and Sections and, in selected instances, the specific authority or authorities charged with lead roles.[27] The timeframes under consideration in both sections run through 2012 (except as explicitly noted).[28]

II.A. SIFI Identification

The top substantive row of Table 1 (hereafter in the text "Row 1") summarizes major work and corresponding timetables under each agenda for the identification of SIFIs, a necessary first step in addressing the risks they pose to the financial system. One difference immediately apparent between the two programs is that the current focus for the FSB is on G-SIFIs, a perspective formally approved by the G20 at the Seoul Summit in November 2010, as discussed in Section I above. There is not an explicitly separate focus in the DFA on large, interconnected financial firms that are "globally" significant. Nevertheless, firms that will be designated as "globally significant" constitute a financially powerful subset of the large, interconnected financial institutions with which the Act concerns itself.[29] Moreover, the G20 continues to encourage national authorities to proceed expeditiously with the identification

[27] It is worth noting that the FSB routinely relies on input from G20 Members' national regulatory and supervisory authorities and/or from bodies independent of the G20, particularly the so-called international "standard setters" (including the Basel Committee on Banking Supervision [BCBS], the International Organization of Securities Commissions [IOSCO], and the International Association of Insurance Supervisors [IAIS]).

[28] The DFA includes references to statutory deadlines as from the enactment date, July 21, 2010 through July 21, 2015, but the vast majority of explicit deadlines are scheduled in 2011 and 2012. See Board of Governors of the Federal Reserve System (2011b) for a glossary explaining the precise meaning of DFA timeline terminology.

[29] As of mid-June, 2011, no publicly-available document describing identification methodology existed, nor had the G20 (or any other authority) published a list of firms officially designated as "G-SIFIs."

(and development of plans for oversight) of all SIFIs. As indicated on the right-hand side of Table 1, Title I of the Dodd-Frank Act does just that. In fact, Title I addresses both bank and nonbank SIFIs; as explained directly, that wider scope likely represents a meaningful difference with the G20 agenda.

For banks, as of the July 21, 2010 enactment date, Section 165 of the DFA specifically designates bank holding companies with consolidated assets of $50 billion or greater as "large, interconnected financial institutions" for which the Board of Governors of the Federal Reserve system is to "establish prudential standards" that "are more stringent than the standards and requirements applicable to (bank and nonbank) financial companies that do not present similar risks … to the financial stability of the United States," either because of the nature of such bank SIFIs' "ongoing activities," or in the event of their "material financial distress or failure."

For nonbanks, there is not a corresponding, clear-cut size criterion, although size, measured in several ways, is listed under Section 113 among the criteria that the Financial Stability Oversight Council (FSOC) "shall consider" in its determination of nonbank SIFIs.[30]

[30] Section 113 instructs the FSOC to consider: 1) leverage; 2) size and nature of off-balance sheet exposures; 3) interconnectedness with other bank and nonbank SIFIs; 4) importance of the company as a source of credit and liquidity throughout the economy, including 5) for low income, minority, or underserved communities; 6) the extent to which assets are managed rather than owned; 7) the mix of the companies activities along a number of dimensions; 8) existing degree of regulation on the company; 9) the amount and nature of financial assets of the company; 10) the amount and types of liabilities, including the degree of reliance on short-term funding; and 11) other risk-related factors.

"Nonbank financial companies" are: 1) a U.S. nonbank financial company organized under the laws of the U.S., or any State, that is predominantly engaged in financial activities; and 2) a "foreign nonbank financial company" that is organized in a country other than the U.S. and is predominantly engaged in financial activities. "Predominantly engaged" means a company either has annual gross revenues derived from financial activities representing 85 percent or more of its consolidated gross revenues, or has consolidated assets relating to financial activities that are 85 percent or more of its consolidated assets.

Section 102(a)(7) of the DFA assigns responsibility to the Federal Reserve Board for defining the terms "significant bank holding company" and "significant nonbank holding company. See Board of Governors of the Federal Reserve System (2011b) for frequently updated information on the status of DFA initiatives in which the Federal Reserve plays a role.

The stated intention of Section 113 is for the FSOC to choose criteria that result in the identification of nonbank financial firms whose "material financial distress" would jeopardize the financial stability of the United States. As with most such rulemakings, ahead of the issuance and implementation of the final rule, the DFA follows a multi-phase process for taking account of public input.[31] In the case of the designation of nonbank SIFIs, that process involved, first, issuance of an Advanced Notice of Proposed Rulemaking (APNR) in October 2010 followed by a public comment period; second, issuance by the FSOC of a Notice of Proposed Rulemaking (NPR) in late January 2011, followed by an additional public comment period ending in late February 2011.[32] The NPR explains in detail the nature of the public comments received in response to the APNR, as well as how those comments figure into the construction of the revised rulemaking proposal. The NPR also explains how the eleven statutory factors listed in the DFA are addressed by its proposed criteria for nonbank SIFI designation. Those criteria include: leverage, size (taking account of on- and off-balance sheet exposures as well as credit extension), interconnectedness, liquidity risk and maturity mismatch, lack of substitutes, and degree of existing regulatory scrutiny.[33] The FSOC is expected to issue the final rule on the designation of nonbank SIFIs sometime during the third quarter of 2011.

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[31] See Appendix Table A2 for a summary of the major steps in the rulemaking process.

[32] See Financial Stability Oversight Council (2011a). Note that this sort of rulemaking process, summarized in Appendix Table A2, applies quite broadly across DFA provisions; as discussed briefly in the concluding section of this paper, one could argue that the routine requirement to follow such a process constitutes a significant difference between the DFA and the G20/FSB agendas because it fosters greater deliberation and transparency in the implementation of important public policy measures.

[33] See in particular the table, p. 4561, in FSOC (2011a).

As indicated on the Dodd-Frank side of Row 1 in Table 1, the Act includes three other Titles addressing nonbank SIFI identification and prudential standards issues.[34] Title VII ("Wall Street Transparency and Accountability") assigns securities industry SIFI responsibilities to the Securities and Exchange Commission (SEC) and the Commodities Futures Trading Commission (CFTC). Title V deals with the insurance industry. Although the Federal Insurance Office (FIO) created under Title V has limited oversight authority for the insurance industry, it is charged with providing advice to the FSOC in the determination of insurance companies to be designated as SIFIs. Finally, Title VIII deals with payment, clearing, and settlement systems designated as systemically significant. Title VIII assigns responsibility to the FSOC for identifying systemically important financial market utilities (FMUs), and payment, clearing, and settlement activities (PCSs). Once designated as SIFIs, those firms or entities, and the activities in which they engage, are subject to heightened oversight by the Federal Reserve.

Conceptually, as indicated on the left-hand side of Row 1, the FSB agenda also addresses nonbanks, but in fact that agenda is bank-centric. Specifically, the FSB asked the Basel Committee to take the lead on developing a methodology for identifying global significantly important banks – so-called "G-SIBs" – an important subset of G-SIFIs.[35] In April 2011 the BCBS completed a comprehensive draft of its G-SIBs identification

[34] Note that DFA Title II deals with SIFIs as well in that it covers the orderly liquidation of nonbanks (as well as banks), including in particular SIFIs.

[35] How important G-SIBs are as a subset of G-SIFIs varies across countries because the range of financial activities permitted to, and engaged in, by banks varies across countries. For example, banks in some countries are permitted to engage in a full range of securities brokering and dealing activities, while in other countries there are substantial restrictions, or prohibitions, on such activities for banks. As a consequence, the proportion of total financial services activities accounted for by the banking industry differs widely across countries. To the author's knowledge, no one has yet analyzed how big the G-SIBs subset is, either for a given country, or globally. Hence, it is impossible to say with any degree of accuracy how much systemically important financial activity would be left unaccounted for under a policy of designating only G-SIBs.

methodology, based on quantitative indicators grouped into five equally-weighted areas: global activity, size, interconnectedness, substitutability, and complexity.[36] As reported in periodic FSB "Progress Reports," revisions to the initial framework has proceeded according to schedule, amid ongoing dialogue with and feedback from the FSB; as of mid-June 2011 it appeared likely that, at least for the banking sector, the FSB's declared timetable for G-SIFI identification and designation would play out as indicated in Table 1.

Nonbank G-SIFIs are a somewhat different matter however. The FSB originally indicated, in its October 2010 *SIFI Report*, that its ambitious G-SIFI identification timetable applied to banking companies only, and that, "as experience is gained, the FSB will review how to extend the identification framework to nonbanks."[37] Subsequently, the FSB's February 2011 *Progress Report* amended the banks-only scope to include the insurance industry.[38] Specifically, the FSB requested that the International Association of Insurance Supervisors (IAIS) propose, by end-March 2011, a provisional methodology for identifying insurance G-SIFIs; and, after feedback on that proposal by the FSB, the amended schedule calls for final methodology for insurance firms to be ready by the same mid-summer 2011 deadline applying to G-SIBs identification.

That said, as of mid-June 2011 it appeared that the insurance industry work would, ultimately, be far less definitive than the G-SIBs work, for at least two reasons. First, as noted in Row 1, the IAIS indicated up front that its starting point is its June 2010 position paper, which concluded that "there is little evidence of insurance either generating or

[36] *Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board to G20 Finance Ministers and Central Bank Governors (April 10, 2011), p. 2.

[37] FSB (2010a), p. 1.

[38] FBS (2011a).

amplifying systemic risk, within the financial system itself or in the real economy."[39] Second, and seemingly in recognition of this categorical de-emphasis on the systemic risk posed by insurance firms, the FSB's SIFI project update on December 31, 2010 noted that the "work effort underway within the IAIS to develop a methodology … *might* help to identify insurance companies who carry out activities which are *potentially* systemic."[40]

Beyond insurance, it is unclear how much emphasis the FSB will place over the near-term on G-SIFI identification methodology and designation of nonbank financial service firms. In this vein, the FSB's December 31, 2010 project update notes that input from IOSCO (the International Organization of Securities Commissioners) and the CPSS (Committee on Payment and Settlement Systems) will "in due course" help to "identify other types of firms that carry out potentially systemic activities."[41]

II.B. Heightened Prudential Standards for SIFIs

Broadly, public policy to promote the safe and sound functioning of financial firms can be divided into two closely-related categories: 1) regulation (the development of rules and laws under which SIFIs must operate); and 2) supervision (the governmental oversight of SIFI activities in relation to the regulations under which they are required to operate). The G20 financial reform agenda and the DFA address both categories. The remainder of this

[39] International Association of Insurance Supervisors (2010), p. 1. The Geneva Association, which describes itself as "the leading international insurance 'think tank'," included in its December 2010 newsletter an explanation of the issue running along the same lines; see Geneva Association (2010).

[40] FSB (2010c); author's emphasis added. Note that the issue of the "SIFI-ness" of large insurance firms had, by early-Q2 2011, become a significant element of the debate within the United States over the appropriate implementation of Dodd-Frank provisions. Some analysts expected that at least four U.S.-headquartered insurance firms would be among the first set of nonbanks designated as "large, interconnected financial companies" under Dodd-Frank. See Braithwaite (2011).

[41] FSB (2010c), p. 2. As indicated in the parenthetical statement at the end of Row 1 in Table 1, as of mid-June 2011, for the securities industry there was no publicly-available information on the nature or timing of IOSCO work on G-SIFI identification.

paper focuses on a comparison of policies dealing with regulation; nevertheless, as Appendix Table A3 illustrates, many supervision-focused policy initiatives map from one agenda to the other.

Under the auspices of the G20, the FSB aims to be an independent voice in the development of financial sector regulations with significant cross-border implications. Of central interest are regulations affecting the safe and sound operation of G-SIFIs. The remainder of this section focuses on a comparison of the DFA and the G20 financial reform agendas as they apply to a core regulatory concern: heightened prudential standards for SIFIs.

Both the DFA and the G20/FSB agenda emphasize the perceived necessity of rethinking and, as necessary, revising or even overhauling existing regulatory schemes for SIFIs. Both policy agendas also agree that SIFIs should be subject to higher prudential standards than other financial firms. Broadly, higher prudential standards for SIFIs can be categorized into two complementary groups: those aimed at strengthening the ability of SIFIs to withstand financial shocks by absorbing financial losses rather than failing or looking for a public bail-out; and those aimed at reducing, restricting, or otherwise circumscribing SIFI activities in order to reduce the likelihood of facing large financial shocks. The G20/FSB agenda and the DFA address both of these sets of heightened prudential standards, but differ in both scope and timing.

II.B.1. Heightened Prudential Standards: Higher Loss Absorbency for SIFIs

The central focus of the FSB's "heightened prudential standards for SIFIs" workplan is on increasing the loss absorbency ability of G-SIFIs. The emphasis on higher loss absorbency underlines a policy commitment to reduce the moral hazard associated with too-big-to-fail. Specifically, 1) SIFIs must have sufficient capital to weather substantial financial

stress; and 2) SIFIs' owners and investors should understand that it is their funds, rather than taxpayers', ultimately at risk.

As indicated in Row 2 on the left-hand side of Table 1, the FSB's workplan relies heavily on Basel Committee work. That work, the outline of which was made public by the Basel Committee at the end of 2010, focuses specifically on the question of how much additional capital the largest banks should be required to hold, beyond that established under the Basel III framework for all internationally active banks.[42] It is important to emphasize that Basel Committee loss absorbency work, as with its identification methodology work, deals only with the largest banking organizations – G-SIBs – and does not cover nonbank SIFIs. Details for the construction of the so-called "capital surcharge" are to be included in the same consultative paper containing the Basel Committee methodology for the identification of G-SIBs, expected to be published in mid-summer 2011. The loss absorbency work has two main dimensions: 1) the appropriate amount of additional capital that G-SIBs should be required to have, expressed in the same manner as many of the Basel III capital requirements – i.e., as a percent of risk-weighted assets; and 2) the composition of the capital surcharge, that is whether, and to what extent, instruments other than common equity capital could be used. At least in the early stages of Basel Committee deliberations, contingent capital and bail-in debt were officially considered as part of the "menu of viable alternatives."[43]

[42]BCBS (2010b). To be clear, BCBS work on higher loss absorbency requirements centers on establishing an additional amount of capital that global systemically important banks (G-SIBs) should be required to hold. What has come to be called the "SIFI capital surcharge" is in addition to the other elements of the Basel III framework, which applies to all internationally active banks.

[43] See for example the speech by Stefan Walter, Secretary General of the Basel Committee, who states that "we expect this additional loss absorbing capacity will be met through some combination of common equity, contingent capital, and bail-in debt" [Walter (2010), p. 3.] The exact same wording was used by the Chairman of the Basel Committee in his January 17, 2011 speech [Wellink (2011), p. 4].

DFA provisions also address higher loss absorbency for SIFIs, covering both banks and nonbanks, as outlined in Row 2 on the right-hand side of Table 1. Title I targets a range of prudential-standards issues for "large, interconnected" financial firms. In concert with the FSB agenda, many of the provisions focus on higher loss absorbency for SIFIs; the Dodd-Frank Act also mentions contingent capital as a possible instrument. But the DFA goes beyond the FSB agenda in that, throughout Title I provisions, nonbank SIFIs are included.

Another difference, small but worth noting, between the higher loss absorbency initiatives is the basic timeline for action. The FSB's original timeline, proposed in October 2010 and ratified the following month by the G20 Leaders at the Seoul Summit, set an end-2011 date for completion of the SIFI identification and higher loss absorbency work.[44] However, the FSB announced in April 2011 that members had "agreed [to] an accelerated timetable and processes," targeting completion ahead of the G20 Leaders Summit in France, November 3-4, 2011; the announcement did not include an explanation for the stepped up pace.[45] Corresponding DFA implementation deadlines are January 2012, but that slightly

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Contingent capital (also called "co-cos") and bail-in debt are variations on the same underlying concept. Both are instruments issued by a bank that can be converted into equity in circumstances under which the bank needs to raise capital rapidly. Contingent capital would be issued as non-equity capital, and bail-in debt as a form of bond. In the event a bank fails, it creditors, including in particular bond holders, stand ahead of owners of the bank's equity capital (stockholders) in liquidation proceedings; because, therefore, they are more likely to get paid off if the bank fails, bondholders have somewhat less incentive to monitor the bank's performance than do stockholders. Advocates of the use of contingent capital and/or bail-in debt argue that the convertibility provisions will increase the incentives for holders of those instruments to impose market discipline on the bank, and hence the instruments ought to count partially toward fulfilling bank capital ratio requirements. Opponents of a reliance on contingent capital and/or bail-in debt point to the paucity of real-world experience with the use of such instruments, and are concerned that they might not function as advertised. For a detailed discussion of capital requirements and convertible debt, see Pazarbasioglu et al (2011).

[44] FSB (2010a).

[45] See FSB (2011b).

later date incorporates suitable time for public input on proposed rules anticipated to be made public by end-June 2011.[46]

II.B.2. Heightened Prudential Standards: Restrictions/Limitations on SIFIs

Requiring higher loss absorbency capacity increases SIFIs' incentives to more carefully manage their risk exposures and, in particular, has the advantage of relying on market discipline imposed by investors and creditors. Another prudential policy tack is to prohibit, or at least limit, particular activities. The imposition of restrictions or limitations on some activities, although arguably a rather blunt policy approach, nevertheless could be justified, in selected circumstances, on the grounds that the benefits flowing from the interplay of marketplace forces might be outweighed by the costs imposed on society if market forces, however intensively bolstered by market discipline, do not do the job. Historically, regulators have imposed restrictions on selected activities when attempting to achieve certain public policy objectives.

The current G20/FSB agenda does not include a SIFI workstream dedicated to the development of recommendations for specific SIFI activities restrictions, as the left-hand side of Row 3 in Table 1 reveals. The G20 has however explicitly endorsed deliberations on the use of activities restrictions by national regulatory authorities. For example, the November 2010 FSB progress report states that "In some circumstances, the FSB may recognize that

[46] As of June 21, 2011, the Federal Reserve Board's website listed enhanced prudential standards proposals under the "Initiatives Planned: April to June 2011" (see www.federalreserve.gov/newsevents/reform_ milestones201104htm). That information basically corresponds to Federal Reserve Chairman Bernanke's statement in his May 12, 2011 Congressional testimony that "we anticipate putting out a package of proposed rules for comment this summer" in order "to meet the January 2012 implementation deadline for these enhanced standards." See Bernanke (2011), p. 2.

further (prudential) measures, including … tighter large exposures … and structural measures could reduce the risks or externalities that a G-SIFI poses."[47]

In contrast, the DFA includes a number of specific provisions limiting the nature and/or scope of SIFI activities. The right-hand side of Row 3 in Table 1 highlights four restrictions of particular note. Among the most discussed restrictions is the so-called "Volcker Rule," on which Sections 619 and 622 of Title VI focus. The Volcker Rule requires regulators to implement regulations for banks, bank holding companies, and nonbank SIFIs prohibiting or greatly restricting "proprietary trading" (the use of their own funds to trade in selected financial markets), and investment in hedge funds and private equity funds. The Volcker Rule also restricts the size and nature of banks' investments in hedge funds and private equity funds, entities whose primary activity consists of "proprietary trading" in financial markets. The Volcker Rule extends to nonbank SIFIs supervised by the Federal Reserve, subjecting such nonbank SIFIs to additional capital requirements and/or quantitative limits on proprietary trading and ownership stakes in hedge funds and private equity funds. Section 619 instructs the federal banking agencies, along with the SEC and CFTC, to develop and implement specific regulations to implement those restrictions. The timeline includes two parts: 1) within six months of the enactment of the DFA, i.e., no later than January 2011, the FSOC was to have completed a study of the impact of the Volcker Rule, and issued recommendations for its implementation; and 2) no later than nine months thereafter, i.e., by October 2011, the federal banking agencies and the SEC and CFTC are to have implemented regulations based on those recommendations.[48]

[47] FSB (2010b), p. 7.

[48] The FSOC's study was published on January 18, 2011: see FSOC (2011b). As of April 1, 2011, the Federal Reserve's final rule became effective on the "conformance period" (essentially, timeframe) under which SIFIs

Section 620 of Title VI requires the federal banking agencies to review and rethink the whole range of activities in which "banking entities" should be allowed to engage, and to contemplate corresponding prohibitions, restrictions, or limitations needed to ensure that banks adhere to permitted activities. The agencies have until March 2012 to report to the FSOC and Congress on their review of banking practices and recommendations for new regulatory measures.

Section 165 of Title I addresses two major restrictions that are to be applied to bank and nonbank SIFIs. As indicated in Row 3 on the right-hand side, the Federal Reserve Board (FRB) may prescribe limits on the amount and nature of short-term debt for SIFIs, restrictions that may, at the discretion of the FRB, extend to off-balance sheet exposures. In addition, by July 2012, the FRB, in consultation with the FSOC, is to develop and issue regulations aimed at limiting the risks that the failure of an individual company could pose to a bank or nonbank SIFI; the implementation date for those regulations is July 2013. Specifically, the regulations are to address credit exposure concentration for SIFIs by prohibiting them from having credit exposure to any single unaffiliated company in excess of 25 percent of the capital stock the company.[49]

II.B.3. Heightened Prudential Standards: Other Considerations

The bottom row of Table 1 outlines several other policy initiatives included in either the FSB workplan or in the DFA that, while less easily classified than those discussed in the

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will be required to comply with all Volcker Rule provisions. As of end-March 2011, the federal financial regulatory agencies expected to formally request public comments during the April – June 2011 period on proposed inter-agency rules to: 1) implement Volcker Rule restrictions on proprietary trading, hedge fund, and private equity fund activity by insured depository institutions and their affiliates including bank holding companies (Section 619); and 2) to implement Volcker Rule concentration limits prohibiting a financial company from making an acquisition if the liabilities of the combined company would exceed 10 percent of the liabilities of all financial companies (Section 622).

[49] The 25 percent figure is the upper limit; the FRB can decide on a lower concentration limit.

preceding two subsections, nevertheless bear on the development and implementation of heightened prudential standards. Broadly, the measures included in Row 4 of Table 1 deal with the issues of determining which authorities are responsible for policy development and/or policy implementation, and ensuring the necessary accountability for implementation progress and compliance. G20 and DFA perspectives differ on these "responsibility and/or accountability" policy measures, but those perspectives appear to be complementary rather inconsistent with each other.

The left-hand side of Row 4 lists three closely related FSB initiatives. First, by end-November 2011, the FSB intends to have codified a framework or terms-of-reference by means of which it can will be able to review and compare G-SIFI identification and prudential standards policies of Member countries. As indicated in Row 4, the international standard setting bodies will participate in that initiative. Shortly thereafter, under its Peer Review program, the FSB will establish a Peer Review Council, staffed by senior authorities from Members' national regulatory and supervisory agencies, which will use the G-SIFI evaluation framework to review Members' SIFI policies. That review, and assessment, of Members' G-SIFI policies is slated to be completed by the end of 2012.

DFA measures highlighted on the right-hand side of Row 4 suggest that the United States should be well-prepared on a number of fronts for such an evaluation. First, in what is arguably one of the most noteworthy changes in the U.S. financial regulatory regime since just after the Great Depression, the DFA established a single entity, the FSOC, charged with coordination of all federal level financial sector oversight. Furthermore, the establishment of the new Office of Financial Research, operating under the auspices of the FSOC, has an important role in data collection and analytic work in the policy development process. The

DFA also explicitly recognizes the necessity for coordinating policies with authorities in other countries, especially as they bear on the safe and sound operation of large, interconnected financial firms operating across national borders.

Finally, the right-hand side of Row 4 highlights three provisions in Dodd-Frank aimed at enhancing the transparency of prudential requirements, and ensuring that financial institutions themselves assume greater responsibility and accountability for safety and soundness. Title I, Section 165 (i) requires stress tests for bank and nonbank SIFIs, conducted from two different perspectives. Beginning in 2012, the FRB, in coordination with the appropriate federal bank and nonbank regulatory authorities, are required to conduct annual stress tests of SIFIs. Section 165 specifies the basic parameters of such tests, and mandates that the results of those annual stress tests be made public. In addition, Section 165 requires bank and nonbank SIFIs to conduct self-stress tests on a semi-annual basis.[50] The FRB and primary federal regulators have until January 2012 to develop and issue specific regulations on how the self-stress tests are to be constructed, implemented, and reported. In a conceptually similar vein, Section 165 also requires that all publicly-traded bank and nonbank SIFIs establish a risk committee. A SIFI's risk committee is responsible for enterprise-wide risk management, and as such, represents another major concrete means of encouraging financial institutions to take increased responsibility for safety and soundness.[51]

III. Are G20 and Dodd-Frank SIFI Agendas in Sync?

As the previous section makes clear, the G20 and DFA SIFI agendas are broadly compatible. Equally clear, however, is that there are differences across the two agendas.

[50] For firms in the $10 billion to $50 billion assets range the required frequency is annual.

[51] For banking companies, the risk committee requirement augments a range of risk management measures that federal banking regulators have traditionally required.

This section highlights two in particular: the substance of both policy agendas – including in particular their scope – and their timelines.

III.A. SIFI Identification in Sync?

Table 2 highlights where and how the SIFI policy initiatives agree with or differ from each other. The left-hand side Row 1 indicates that both the G20/FSB agenda and DFA agree in their emphasis on the importance of developing an appropriate SIFI identification methodology, and designating specific financial institutions. However, there are significant differences in the ground each agenda proposes to cover. In particular, over the near-term time horizon on which most of the FSB financial reform workplan focuses, the DFA's scope is wider than the G20/FSB scope. The FSB agenda focuses heavily on banks (G-SIBs), whereas the DFA's SIFI provisions apply to both banks and nonbanks. The DFA's nonbank universe encompasses securities industry brokers and dealers, hedge funds, money market funds, and others, as well as the insurance industry. As explained above, it is far from clear whether the FSB's G-SIFI work in the near-term will go beyond the banking industry in any meaningful sense.

Another substantive difference between the two agendas, as noted at the bottom of Row 1 in Table 2, concerns the nature of the policy development process. Issuance of new or revised regulations under the DFA is subject to the same Administrative Procedure Act process under which pre-DFA financial sector regulations were promulgated.[52] That process guarantees that interested private sector parties, including those directly affected by the proposed regulation, will have an opportunity to provide input to the implementing agencies; the Administrative Procedure Act also requires that implementing agencies to explain how

[52] See Appendix Table A2 for a summary of the major steps required under the Administrative Procedure Act.

they have taken account of public comments in shaping the final rule. The underlying justification for this process is of course, in part, to allow members of the public "to have their say," in accord with the principles of a democratic society. Moreover, by increasing the number of "eyes" focused on the development of a given regulation, the process decreases the chances of unintended consequences emerging from a new regulation.

The FSB also (generally) requests public input into its policy development process. However, the FSB as yet has no formalized, systematic, and transparent public comment process with standardized deadlines, clear guidance on submission procedures, or codified and publicly-available responses to comments received. The FSB has been operating at full capacity for a very short period of time, and it is too soon to detect whether unintended consequences of the kind that traditionally follow upon regulatory and legal changes have emerged. Nevertheless, the more systematic and transparent the public input process becomes, the less potential there will be for unintended consequences.[53]

III.B. Heightened Prudential Standards for SIFIs in Sync?

The left-hand side of Row 2 in Table 2 indicates that both the G20/FSB agenda and the DFA are in fundamental agreement about the importance of requiring SIFIs to hold extra capital in order to diminish too-big-to-fail moral hazard behavior, and to eliminate or at least greatly diminish taxpayer burden in the event of failure. As with SIFI identification, however, Row 2 shows that on this issue the DFA's scope is wider, at least in the near term: i.e., as of mid-June 2011, it appeared increasingly likely that the FSB would have in hand, by the November 2011 G20 Summit, only the loss absorbency recommendations developed by

[53] As of mid-April 2011, there was at least some (publicly-available) indication that the FSB might address this issue in the future: as noted in the Group of Twenty (2011), the FSB had submitted to the G20 "preliminary proposals … to strengthen its [the FSB's] capacity, resources, and governance;" the last term was possibly meant to encompass the public consultation process.

the BCBS for G-SIBs. In contrast, under Dodd-Frank, any nonbanks designated as SIFIs face the distinct possibility of having to adhere to the same kind of higher capital requirement that will be applied to bank SIFIs.

Row 3 of Table 2 also highlights the broader scope of the DFA. The DFA covers a wider range of heightened prudential requirements for SIFIs than currently contemplated under the FSB workplan and, in general, regulations enacted in response to DFA mandates will cover both bank and nonbank SIFIs. For other prudential issues, Row 4 indicates that despite their different focuses, the G20/FSB and DFA agendas are complementary.

III.C. FSB and DFA Timeframes in Sync?

The right-hand side of Table 2 highlights FSB and DFA SIFI-initiatives timeframes. The right-hand side of Row 1 shows that for the banking industry, the identification methodology timetables under both agendas are basically in sync. In contrast, the right-hand side of Row 2, focusing on higher loss absorbency requirements, indicates that FSB and DFA timeframes are not fully in sync. The FSB's narrower focus on the loss absorbency issue is paired with slightly more ambitious deadlines than under the Dodd-Frank Act. The FSB has targeted November 2011 for publication of standards recommendations on the amount and composition of higher loss absorbency requirements, while corresponding DFA deadlines occur in January 2012.

Conclusions about the compatibility of policy timeframes have to be drawn in context. The usual sequencing of events includes a lag between the not-legally-binding policy development process in an international forum such as the FSB or the BCBS, and the subsequent legally-required adoption and implementation process in each country. Because of this, one does not generally look for the timetables in an international forum and in a given

country to be the same or even closely aligned. Furthermore, differing legal requirements across countries almost ensure that countries' implementation schedules will be different.

That said, the current case is a something of an exception to the normal sequencing. As of its enactment in July 2010, the Dodd-Frank Act's policy development and implementation schedules were set in motion; at that time, the FSB was in the process of formulating proposals for specific workplans, with the expectation that those plans would be given the go-ahead by the G20 Leaders at the November 2010 Seoul Summit. As a consequence, much of the deliberation "on the ground" for both agendas was proceeding roughly in tandem. However, the accelerated schedule for the SIFI project, announced (but not explained) in early 2011 by the FSB, means that in key areas the deliberative process in the United States, including in particular the public feedback process, will be finished after the FSB has decided upon, and published, its final standards.[54] To the extent the rulemaking process in the United States yields valuable ideas and perspectives after the FSB process has been completed, the FSB's recommendations will not have the full benefit of those insights.

IV. Conclusions and Policy Considerations

The purpose of this paper is to answer the question of whether U.S. "international" and "domestic" financial reform policy commitments, as reflected in, respectively, the G20/FSB agenda and the Dodd-Frank Act, are in sync. The comparisons in this paper of G20/FSB and DFA financial reform policies to address risks posed by SIFIs to the financial system and the economy leads to the following answer: "Yes – but hold on a second."

The "yes" part of the answer is based on the conclusion that the policy commitments the United States has made in the G20 forum are fundamentally consistent with the safety

[54] FSB (2011b).

and soundness aims of the Dodd-Frank Act. The "hold on a second" part of the answer is due to the paper's identification of two differences. First, in key respects, the DFA's scope is wider. In particular, the G20/FSB agenda is primarily bank-centric, at least over the near-term, while the DFA's SIFI provisions generally apply to both banks and nonbanks. Second, under U.S. law, rulemaking under the DFA is subject to a process that emphasizes the important role of public input, whereas the FSB's somewhat more aggressive policy making process is less systematic and transparent.

How meaningful are those differences? A definitive answer to that follow-on question is beyond the scope of this paper, but several observations may be useful in guiding further thinking.

First, the "in sync" question on which this paper focuses has a bearing on the current debate within the United States on the implementation of the Dodd-Frank Act.[55] Opponents increasingly focus on two closely related criticisms: 1) the deliberative process underlying the law, especially in Congress, was hasty and hence flawed; and 2) regulatory authorities charged with implementation are moving too quickly.[56] For those arguing DFA implementation timetables are too ambitious, the somewhat more ambitious timeframe under which the FSB is operating is likely to be an additional source of concern. On the other side,

[55] That debate has become increasingly animated, as a sampling of headlines in the business press indicates. See, e.g., Davidson (2011b) ("Wolin: Treasury Moving at Right Pace in Implementing Dodd-Frank"), Davidson, (2011a) ("Apoplexy at Dodd-Frank"); *The New York Times* (2011) ("Who Will Rescue Financial Reform?"); Hopkins (2011) ("Dodd-Frank Pummeled at Chamber of Commerce Event"); and Drawbaugh (2011) ("Top banker and regulator offer dueling agendas").

[56] With respect to the pace at which regulatory authorities are moving, some critics appear to ignore (or perhaps do not understand) the fact that the implementation schedule is largely mandated by the Dodd-Frank Act, leaving relatively little discretion on timing to the regulators. Other critics do indeed understand that fact, but charge that regulators are insufficiently receptive to industry comment. See for example McGrane and Randall (2011). Note that one need not be a DFA critic to hold the view that implementation timetables are demanding. For example, Acting Comptroller of the Currency John Walsh observed that "[t]he Dodd-Frank Act, in particular, requires the drafting of a huge number of rules and reports, and sets extremely aggressive deadlines" [Walsh (2011b), p. 8].

for those who believe implementation should proceed as expeditiously as possible, the fact that a parallel policy agenda is moving somewhat faster in the international arena might be cited as all the more reason to "keep up the pace" on DFA implementation.

A second implication of the not-in-sync conclusion has to do with concerns about the international competitiveness of U.S. financial firms. There are at least two dimensions to such concerns. First, the differences between the two agendas in their emphasis on nonbanks could alter the competitive landscape for U.S. nonbank financial firms relative to their foreign counterparts. Might the result be higher regulatory burdens and costs for U.S. nonbank financial firms? Or, would U.S. nonbank financial firms benefit, on net, from perceptions of greater relative stability flowing from Dodd-Frank implementation? Second, how big a burden is the policy mismatch likely to be for the largest U.S. banks – the G-SIBs? Whether U.S. G-SIBs face large costs from having to sort through two not-quite-identical sets of requirements depends on how similar those requirements turn out to be.

A third consideration centers on the nature of the policy development process in the G20 forum. As pointed out repeatedly, for all the criticism leveled against it, the DFA policy development process is guided by a clear set of rules designed to allow for – and to explicitly respond to – public input. The process is intended to reduce the likelihood, and mitigate the impact, of unintended consequences emerging from the implementation of new regulations and rules. U.S. representatives in international financial policy fora, cognizant of those benefits, uniformly advocate a deliberative process consistent with the emphasis on transparency and opportunity for public input reflected in U.S. law.

Of course it is not necessary to look to the U.S. case to see that establishing clear guidelines for reasonable timeframes and public input is both feasible and efficacious. In

particular, it is widely acknowledged that the deliberative and consultative norms under which the Basel Committee has operated for decades were crucial to the successful construction of the new Basel III capital and liquidity framework. Especially given the complex challenges to be addressed in developing standards to be implemented by diverse nations, FSB deliberations would probably be significantly improved by the establishment of clear ground rules on the pace and transparency of the process. Doing so, even at the expense of slowing down the current timetables somewhat, would seem to be a high priority matter given the stakes.

Improving the operation, safety and soundness, and supervision of the increasingly complex and globalized financial system is an urgent task and, as the saying goes "No one ever said it was going to be easy." The fact that it is necessary to address issues in overlapping and sometimes conflicting domestic and international arenas does not make it any easier. It is therefore very important to investigate how "in sync" policy developments are in different but interrelated arenas. This paper has focused on a subset of the case of the Dodd-Frank Act and the G20/FSB financial system reform agendas. Ascertaining the degree of consistency is, however, merely a starting point. Research to better understand the effects of proposed and soon-to-be-implemented measures is urgently needed. That analysis should focus in particular on the combined effects of, and interactions between, policies developed in both the domestic and international spheres.

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Table 1. G20 and Dodd-Frank Act Policy Agendas & Timetables on Systemically Important Financial Institutions: SIFI Identification/Designation and Prudential Standards*

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
SIFI IDENTIFICATION/ DESIGNATION	FSB emphasis on **Globally** Important Financial Institutions **"G-SIFIs".** **Most 2011 G-SIFI work focuses on Banks/Banking Groups: G-SIBs** [Globally Important **Banks**]. **End-2010:** Basel Committee on Banking Supervision (BCBS) to propose provisional G-SIBs identification methodology to FSB. **Mid-April 2011**: BCBS, after feedback from FSB, drafts proposed methodology for quantitative and qualitative indicators for identifying G-SIBs; BCBS requests feedback from National Authorities, including designation of G-SIBs. [NOTE: Along with identification methodology, proposals on amount and composition of higher loss absorbency for G-SIBs (see Policy Initiative, below in this table).] **Mid-Summer 2011**: BCBS to publish consultative document on G-SIB identification methodology [and G-SIBs loss absorbency proposals]. **Late-Summer 2011**: Public comments due on consultative document. **October 2011**: BCBS submits finalized G-SIBs identification and loss absorbency recommendations to G20 Leaders ahead of Cannes Summit Nov. 3 & 4, 2011. **November 2011 (Post-G20 Cannes Summit)**: BCBS to publish, joint w/FSB, G-SIB identification methodology and loss absorbency recommendations as approved by G20 Leaders.	G20 Seoul[2] Para. 30; SIFI Report[3] - Para. 43, 48; FSB PR1[4], p.7. FSB PR2,[11] p. 3. FSB PR3,[12] p. 2.	**Designation of "Large, Interconnected Financial Companies"[7]** -- No distinction made between G-SIFIs and "domestic" SIFIs. -- Applies to **Banks and Nonbanks**; **Banks/Bank Holding Companies (BHCs):** **July 21, 2010 (as of enactment)**, BHCs with greater than $50 billion in assets are designated as SIFIs ("large, interconnected financial companies).[7] **Nonbanks:** **Q3 2011**: Nonbanks designated by the FSOC as SIFIs, at end of a 3-step process: (1) by Oct. 21, 2010, Advance Notice of Proposed Rulemaking (ANPR), with 30-day public comment period; (2) by Jan. 21, 2011, Proposed Rule (NPR), with 30-day public comment period; (3) Final Rule issued as expeditiously as possible, and designations ongoing as from issuance date. ***Insurance Industry*: Federal Insurance Office (FIO)**: Section 313 of Title V establishes the FIO as of DFA **enactment date**. Its primary function is to monitor, rather than supervise or regulate, the insurance industry, but in that capacity the FIO can make recommendations to the FSOC designating an insurer as systemically significant. The FIO also is charged with identifying gaps in the regulation of the insurance industry; it also responsible for coordinating federal-level efforts on prudential aspects of international insurance matters. ***Securities Industry*:** **July 2011**: CFTC and SEC to define terms relevant to ascertaining systemic significance of securities industry financial firms; included are: Sections 721 (CFTC) and 761 (SEC), giving these agencies the authority to define the terms "substantial position," "commercial risk," and "any other term" included in Subtitle A and B that amends pre-DFA securities law.	Title I, Sections 113, 115, 117, 165; Title V, Section 313; Title VII, Sections 721, 761. Title VIII, Sections 805, 806, 810.

Table 1 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[SIFI IDENTIFICATION/ DESIGNATION – continued]	**Nonbanks:** ***Broadly***: "As experienced is gained, the FSB will review how to extend the identification framework to nonbanks, including financial market infrastructures, insurance companies, and other nonbank financial institutions that are not part of a banking group structure." (SIFI Report, p. 1).[3] ***Insurance Industry***: The FSB noted in its February 15, 2011 *Progress Report* to the G20 that it expects to receive input from the International Association of Insurance Supervisors (IAIS) on measures that could be applied to Insurers identified as G-SIFIs; and the FSB's April 10, 2011 *Progress Report* notes that the "IAIS is developing a provisional methodology and set of indicators for assessing the global systemic importance of insurers as input to the initial determination by the FSB and national authorities of G-SIFIs" and that "the IAIS expects to finalize its methodology in September 2011."[12] Note that the IAIS perspective will be based on June 2010 IAIS position paper, which emphasized significant systemic differences between insurance and banking, and concluded that "For the most classes of insurance ... there is little evidence of insurance either generating or amplifying systemic risk, within the financial system itself or in the real economy."[5] [*Securities Industry: IOSCO is working on G-SIFI identification/designation and higher prudential standards issues, but as of March 31, 2011 there was no specific and publicly-available information on the details or timing of these efforts.*]		***Other Nonbanks***: Systemic **Financial Market Utilities (FMUs)** and **Payment, Clearing, and Settlement Activities (PCS)**:[10] **July 2011 and Ongoing**: Designations by the FSOC of FMUs and PCS, at end of 3-step process: (1) by end-Dec. 2010, APNR on processes and criteria for designating FMUs and PCS, with 60-day public comment period; (2) by March 21, 2011, Proposed Rule, with a 30-day public comment period; (3) by end-June, 2011 Final Rule issued.	

Table 1 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
SIFI PRUDENTIAL STANDARDS: Higher Loss Absorbency Requirements for SIFIs	**Higher Loss Absorbency for G-SIFIs**: **Same schedule as for G-SIFI identification, as above; but likely to deal only with G-SIBs and focus on capital surcharge.** As per FSB PR1, p. 7, "[H]igher loss absorbency could be drawn from a menu of viable alternatives and could be achieved by a combination of capital surcharges, contingent capital, and bail-in(able) debt ..."	G20 Seoul Para. 30; SIFI Report - Para. 9, 11; FSB PR1, p. 7. FSB PR2[11], p. 2.	Both Sections 115 and 165 cover specific categories of prudential standards and requirements that the FSOC and the Board of Governors (the FRB) may wish to consider in order to constrain risks to financial stability posed by the existence and operation of SIFIs ("large, interconnected financial companies"). Section 115 focuses on the FSOC's responsibilities, including making recommendations to the FRB; Section 165 focuses on initiatives that the FRB can take either in response to FSOC recommendations, or "on its own," to establish heighten prudential standards for SIFIs. Section 120 gives the FSOC the discretion to consider higher prudential standards for activities and practices not explicitly enumerated in Section 115. Section 171 deals at length with leverage and risk-based capital requirements. **October 2011**:[9] **Additional capital** for nonbank financial institutions' proprietary trading and hedge fund/private equity fund ownership risks (Section 619): Imposition of additional capital and/or quantitative restrictions on nonbank financial companies supervised by FRB, to address risks to and conflicts of interest nonbank entities due to their relationships with hedge funds and private equity funds. **End-June 2011: Proposals for the following measures released for public comment – enactment dates as indicated:**[13] **January 2012**: Under Section 165, the FRB must establish, in consultation with FSOC members responsible for supervising institutions to which heightened standards would apply, standards for **risk-based capital**, leverage, liquidity, overall risk management, resolution plans, credit exposure reporting, and concentration limits; and it may also establish standards for contingent capital, enhanced public disclosure, and other measures.	Title I, Sections 115, 120, 165, 171, 174; Title VI, Sections 606, 619.

Table 1 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[SIFI PRUDENTIAL STANDARDS: Higher Loss Absorbency Requirements for SIFIs – continued]			**January 2012**: **Leverage Requirement for SIFIs** (Section 165[j]): FRB, in consultation with FSOC, to promulgate regulations to implement the 15-to-1 leverage requirement for SIFIs which the FSOC has determined should be subject to such a requirement. **January 2012**: **Minimum Capital Requirements for Banks** - To be developed by the relevant federal banking agencies. Under Section 171 there is no deadline, but FRB may assert the applicability of a Jan. 2012 date. **January 2012**: Section 174 requires GAO to report to Congress on the use of hybrid capital instruments as Tier I capital by banks and BHCs, and on capital requirements of U.S. intermediate holding companies of foreign banks that are BHCs. **July 2012**: FSOC report to Congress on advisability and nature of **contingent capital requirements**. **After July 2012**: **Minimum Amount of Contingent Capital**: FRB may issue regulations requiring bank and nonbank SIFIs to maintain a minimum amount of contingent capital.	
SIFI PRUDENTIAL STANDARDS: Restrictions/Limits on Activities, Credit Exposures, etc.	As per FSB PR1, p. 7 "the FSB may recognize ... **further measures**, including liquidity surcharges, tighter large exposure restrictions, levies, and structural measures."	FSB PR1, p. 7.	**October 2011**: Volcker Rule (Section 619): Federal banking agencies (FRB, FDIC, OCC), in consultation with SEC and CFTC and under the coordination of FSOC, to implement restrictions **on proprietary trading and investment in or sponsorship of hedge funds and private equity funds** by insured depository institutions. **January 2012**: Short-Term Debt Limits for SIFIs (Section 165[g]): FRB, in consultation with FSOC, may prescribe **limits on short-term debt, including off-balance sheet exposures**, for SIFIs.	Title I, Sections 115, 120, 121, 123, 164, 165, 171, 174; Title VI Especially Sections 619, 620, 622.

Table 1 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[SIFI PRUDENTIAL STANDARDS: Restrictions/Limits on Activities, Credit Exposures, etc. – continued]			**March 2012**: Federal banking agencies (FRB, FDIC, OCC) to 1) report to the FSOC and Congress on activities in which a "banking entity" may engage under federal and state law, and the associated risks and risk mitigation practices for each permitted activity; and 2) make recommendations on any restrictions needed to address negative impacts on banking safety and soundness (Section 620). **July 2013**: Concentration Limits and Credit Exposures Standards for SIFIs (Section 165[e]): FRB, in consultation with FSOC, to establish by regulation standards for **concentration limits on credit exposures** to any unaffiliated company for each bank and nonbank SIFI.	
SIFI PRUDENTIAL STANDARDS: Other Issues]	**End-November 2011**: FSB, in consultation with the standard setters,[6] complete an evaluation framework for the application and review of G-SIFI policies, including: i) the ways in which higher loss absorption capacity can be created in G-SIFIs; ii) other prudential measures, such as liquidity surcharges, large exposures restrictions, or systemic levies; and iii) structural measures such as restrictions on activities and legal form that could improve an institution's resolvability. **End-2011**: FSB to establish a Peer Review Council (PRC), comprising senior members of relevant national authorities with G-SIFIs in their jurisdictions; FSB Steering Committee to draw up framework for operation of this PRC. **End-2012**: PRC conducts its initial assessment of national G-SIFI policies.	SIFI Report - Para. 48, 49, 50, 51; FSB PR1, p. 7.	**At Enactment, July 21, 2010; AND July 21, 2011 (OFR); AND annually:** Creation of **FSOC,** the Office of Financial Research (**OFR**), and the Federal Office of Insurance (**FIO**). The FSOC, chaired by the Treasury Secretary, is made up of 9 federal financial agencies, an independent insurance member, and 5 nonvoting members; it is responsible for identifying and responding to emerging risks throughout the financial system, and for the designation of SIFIs; the FSOC is to report annually to Congress. The OFR is responsible for collecting and analyzing data on systemic risk (and is to be fully operational no later than 1 year from enactment of DFA). The FIO is responsible for collecting information about the insurance industry, and for monitoring the industry for systemic risks. **As of Enactment, July 21, 2010**: International Policy Coordination (Section 175): The President (or designee) is encouraged to "coordinate through all available international policy channels" on "similar policies as those found in United States law relating to limiting the scope, nature, size, scale, concentration, and interconnectedness of financial companies," in order to protect financial stability. The FSOC is required to "regularly consult with" counterpart authorities in other	Title I, Subtitles A & B; Section 165. Title VI (various sections).

Table 1 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[SIFI PRUDENTIAL STANDARDS: Other Issues – continued]			countries and international organizations on matters relating to systemic risk of the global financial system; similar requirements for the FRB and Treasury Secretary. **Beginning in 2012: Annual Stress Tests for SIFIs** (all bank holding companies with total consolidated assets of $50 billion or more, and all nonbank financial institutions designated as SIFIs) to be conducted by the Board of Governors of the Federal Reserve System, in coordination with the appropriate primary financial regulatory agencies and the Federal Insurance Office. Annual stress tests results to be published. **January 2012**:[8] **SIFI Self-Stress Tests**: Regulations to be issued by each primary federal regulator, in coordination with the FRB and the Federal Insurance Office (FIO), to ensure that: 1) each **bank and nonbank SIFI conduct its own semi-annual stress test**; and 2) all other financial companies with total consolidated assets of more than $10 billion and regulated by a primary Federal financial regulatory agency to conduct annual stress tests. Stress tests results to be reported to the Board of Governors and to primary financial regulatory agency. **October 2012**: **Risk Committee** Requirement (Section 165[h]): All publicly-traded nonbank SIFIs and all publicly-traded BHCs over $10 billion in assets required by FRB to establish a "risk committee."	

*As of April 30, 2011 unless otherwise indicated. Not to be construed as representing the views of the Office of the Comptroller of the Currency, the United States Treasury Department, the Board of Governors of the Federal Reserve System, or any other person associated with the Federal Reserve System.

Sources: *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Public Law 111-203, July 21, 2010); *Dodd-Frank Wall Street Reform and Consumer Protection Act Integrated Implementation Roadmap*, Financial Stability Oversight Council (October 1, 2010); *Rulemaking Requirements and Authorities in the Dodd-Frank Wall Street Reform and Consumer Protection Act*, Curtis W. Copeland, Congressional Research Service, (November 3, 2010); The *G20 Seoul Summit Leaders' Declaration November 11-12, 2010* ("Seoul Summit Communiqué"); *Reducing the Moral Hazard Posed by Systemically Important Financial Institutions: FSB Recommendations and Time Lines*, Financial Stability Board (October 20, 2010); *Progress since the Washington Summit in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board of the G20 Leaders (November 9, 2010); *Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board to G20 Finance Ministers and Central Bank Governors (February 15, 2011); *Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board to the G20 Finance Ministers and Central Bank Governors (April 10, 2011); *Intensity and Effectiveness of SIFI Supervision: Recommendations for Enhanced Supervision*, FSB in consultation with the IMF (November 2, 2010); Core *Principles for Effective Banking Supervision*,

Table 1 (continued)

Basel Committee on Banking Supervision (October 2006); *Insurance Core Principles and Methodology*, International Association of Insurance Supervisors (October 2003); "Dodd-Frank Implementation: Monitoring Systemic Risk and Promoting Financial Stability," Statement by Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, DC (May 12, 2011)

Notes:
[1] See www.financialstabilityboard.org/press/pr_110219.pdf for links to publicly-released records of the range of FSB financial stability work streams. See www.treasury.gov/initiatives/Pages/FSOC-index.aspx for links to detailed DFA-implementation agendas for all relevant federal financial services regulatory agencies.
[2] Seoul Summit Communiqué, November 11-12, 2010.
[3] "SIFI Report": *Reducing the Moral Hazard Posed by Systemically Important Financial Institutions: FSB Recommendations and Time Lines* (October 20, 2010).
[4] "FSB PR1": *Progress since the Washington Summit in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board of the G20 Leaders (November 8, 2010).
[5] The FSB February 2011 *Progress Report* is as under note 11 below. The IAIS position paper is: *International Association of Insurance Supervisors (IAIS) position statement on key financial stability issues* (June 4, 2010).
[6] Standard setters include the BCBS (Basel Committee on Banking Supervision), IOSCO (International Organization of Securities Commissions), and the IAIS (International Association of Insurance Supervisors).
[7] Dodd-Frank does not use the term "systemically important financial institutions (SIFIs)", referring instead to "large, interconnected financial institutions."
[8] For SIFI self-stress tests, DFA does not include an explicit deadline but the FRB may assert that an 18-month-after-enactment (January 21, 2012) deadline applies.
[9] Not later than 15 months after the July 21, 2010 enactment date, but following a mandated FSOC study and corresponding recommendations on these and other measures described under Section 619.
[10] An FMU is defined as a multi-lateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the FMU; a PCS activity is an activity carried out by one or more financial institutions to facilitate the completion of financial transactions.
[11] "FSB PR2": *Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board to the G20 Finance Ministers and Central Bank Governors (February 15, 2011).
[12] "FSB PR3": *Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board to the G20 Finance Ministers and Central Bank Governors (April 10, 2011).
[13] "Dodd-Frank Implementation: Monitoring Systemic Risk and Promoting Financial Stability," Statement by Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, DC (May 12, 2011), p.2.

Table 2. Are G20 and Dodd-Frank Act Agendas & Timetables in Sync?
G20/FSB and DFA SIFI Policy Initiatives Compared[1]

Policy Initiative	Scope	Timetables
SIFI IDENTIFICATION/ DESIGNATION	***Similarities/Complementarities***: • Both DFA and FSB emphasize key criteria of size, interconnectedness, complexity. ***Differences***: • No DFA provision, *per se*, for identification of G-SIFIs (but G-SIFIs necessarily the dominant subset of "large, interconnected financial companies.") • **DFA: broader scope**: ▪ Largest banking companies designated as SIFIs as from DFA enactment date; **nonbanks** covered by numerous explicit identification/designation provisions. ▪ DFA includes guidance for regulatory authorities to consider a wide range of criteria characterizing systemic significance. ▪ G20/FSB intent is to include banks and nonbanks, but near-term agenda is **heavily bank-centric**. • **DFA process more transparent**: DFA requires regulatory authorities to seek public input on criteria throughout drafting stages of relevant regulations/ guidance; process conducted according to systematic and transparent guidelines; mandated by law that final regulation/guidance explain the nature of public input received and how the final draft responds to that input.	**Timetables for banks basically in sync:** • DFA designated bank SIFIs as of enactment; FSB expect to have identified G-SIBs before end-2011. **FSB** likely to **lag in nonbank SIFI identification**: • FSB planned to include insurance and securities G-SIFIs, but IAIS and IOSCO lag BCBS G-SIBs work.
SIFI PRUDENTIAL STANDARDS: Higher Loss Absorbency Requirements for SIFIs	***Similarities/Complementarities***: • Conceptual agreement that SIFIs should be subject to more demanding loss absorbency requirements. ***Differences***: • **Dodd-Frank Act scope likely broader over near-term** (through 2011 & early 2012). ▪ **Bank/Nonbank coverage**: FSB bank-centric focus over near-term means loss absorbency requirements will apply to banks, similar to the DFA; but DFA may be ahead of FSB in applying higher loss absorbency requirements to nonbank SIFIs.	**Timeframes not in sync**: **FSB narrower scope more ambitious** than DFA. • FSB agenda combines G-SIBs identification/designation with higher loss absorbency requirements. • FSB targets **Nov. 2011**for completing standards on the additional degree of loss absorbency required of G-SIBs, and the explicit instruments G-SIBs will be able to use to meet higher loss absorbency standards. • Corresponding **DFA deadlines**: January **2012**. • DFA proposed rules released around the same time as FSB proposals, but DFA includes provisions for **greater degree of deliberation on, and transparency about**, loss absorbency standards and instruments.

Table 2 (continued)

Policy Initiative	Scope	Timetables
[SIFI PRUDENTIAL STANDARDS: Higher Loss Absorbency Requirements for SIFIs – continued]	▪ **Instruments for higher loss absorbency**: Possible **differences in scopes could persist**. • DFA may give greater emphasis to the role of common equity capital in loss absorbency; FSB to consider a "menu" of instruments.	
SIFI PRUDENTIAL STANDARDS: Restrictions/Limits on Activities, Credit Exposure, etc.	***Differences*: DFA scope broader:** • DFA commits up front to wider scope of explicit restrictions/limitations for bank and/or nonbank SIFIs. ▪ DFA's Volcker Rule restricts proprietary trading for bank and nonbank SIFIs. ▪ DFA includes limits on short-term debt, including for off-balance sheet exposures. ▪ DFA includes limits on SIFIs' credit exposure to unaffiliated companies • No corresponding explicit G20/FSB policy initiatives, but G20/FSB in conceptual agreement about advantages, appropriateness of implementing prohibitions, restrictions, limitations on SIFIs under selected circumstances.	**Timeframes: unclear if in sync**. • DFA deadlines in 2012 and 2013. • DFA deadlines allow time for FSB to catch up, but little publicly-available information on corresponding FSA explicit policy initiatives after 2011.
SIFI PRUDENTIAL STANDARDS: Other Issues	***Similarities/Complementarities*:** • G20/FSB and DFA are conceptually **complementary**, and encourage **international cooperation**: ▪ G20/FSB and DFA have different focus: • G20/FSB agenda focuses on assessment of Members' G-SIFI programs, especially via its Peer Review process. • DFA focuses on assigning oversight authority and accountability.	Timeframes: **No clear comparison possible** given the substantially different focus of each agenda. • FSB assessment-of-Members framework to be finalized by Nov. 2011. • FSB Peer Reviews of Members conducted during 2012. • DFA SIFI measures in place during 2012 likely mean U.S. assessed as showing substantial progress vis-à-vis FSB standards and evaluation framework; • **BUT** many **DFA deliberations**, and first round implementation efforts and results, to be completed **AFTER FSB** standards developed and ratified, likely reducing the nature and scope of U.S. input into the FSB process.

Table 2 (continued)

Policy Initiative	Scope	Timetables
[SIFI PRUDENTIAL STANDARDS: Other Issues – continued]	• DFA includes concrete measures for ensuring SIFI policies accountability and transparency: ▪ FRB and primary federal regulatory authorities responsible for administering **annual stress tests for SIFIs**, and publishing results. ▪ SIFI **self-stress tests** semi-annually. ▪ Every publicly-traded SIFI must establish risk committee with clear responsibility for effectiveness of enterprise-wide risk management.	

Source: Table 1. Based on publicly-available information as of April 30, 2011 unless otherwise indicated. Not to be construed as representing the views of the Office of the Comptroller of the Currency, the United States Treasury Department, the Board of Governors of the Federal Reserve System, or any other person associated with the Federal Reserve System.

Notes:
[1] The Dodd-Frank Act does not use the terms "SIFI" or "systemically important financial institution," but rather "large, interconnected financial companies."

Table A1. G20's Initial Response to the Financial Crisis: ***November 2008 Washington Summit Action Plan***	
Action Item (by G20 Major Objective)[1]	**Lead Institution in Implementation**[2]
Capital: *Strengthen quantity and quality of capital, reduce procyclicality*	
Strengthened capital requirements	BCBS
Harmonized capital definition	BCBS
Mitigate procyclicality	BCBS
Regulation of liquidity risk management	BCBS
Measurement of risk concentration	BCBS
Systemically Important Financial Institutions: *Eliminate too-big-to-fail moral hazard, ensure orderly cross-border resolution of SIFIs*	
Regulate all SIFIs	BCBS, IAIS, IOSCO
Orderly cross-border resolution	IMF
Strengthen cross-border crisis management	FSB
Enhanced risk disclosure on ongoing basis	FSB
Robust liquidity supervision of cross-border banks	BCBS
Early warning exercises	IMF
Regulation of risk management practices	National authorities
Reassess risk management models	National authorities
Develop stress test models	BCBS
Coordinate existing crisis response policies	National authorities
Assess needs for regulatory convergence	FSB
Cross-border supervisory colleges	BCBS
OTC Derivatives: *Enhance standardization, transparency, and oversight of OTC derivatives markets activities*	
OTC and CDS market transparency	FSB
Best practices for hedge funds	National authorities
Diligence over structured products	BCBS & IOSCO
Regulate innovative products	FSB
Compensation: *Align compensation with long-term stability rather than excessive risk-taking*	
No excessive risk incentives compensation	FSB
Non-Cooperative Jurisdictions: *Establish global standards for prudential standards, and for dealing with tax havens, money laundering, proceeds of corruption, terrorist financing*	
Protect from non-cooperative jurisdictions	National authorities
Anti-money laundering	FATF
Tax information exchange	OECD
Cross-border information sharing	FSB
Regulatory cooperation between jurisdictions	National authorities
FSAP every 5 years	IMF
Combat market manipulation and fraud	National authorities
Financial sector surveillance	IMF

Table A1 (continued)	
International Accounting Standards: *Convergence to a single set of global accounting standards*	
Single set of accounting standards	IASB & FASB
Consistent application of accounting standards	National authorities
Accounting standard-setting bodies governance	IASB
Disclosure for complex instruments	IASB & FASB
Accounting for off-balance sheet vehicles	IASB & FASB
Accounting for complex instruments	IASB & FASB
Credit Rating Agencies: ***Reduce reliance on CRAs***	
Regulate incentives for credit rating agencies (CRAs)	BCBS & IOSCO
Adoption of IOSCO standards by CRAs	IOSCO
Registration of CRAs	National authorities
[Items that do not map clearly into a post-Washington Summit Major Objective]	
Draw lessons from crisis	IMF
Monitor asset prices	National authorities
Coordinate crisis response exit	National authorities
Adequate resources for International Financial Institutions	IMF & World Bank
Restore private capital flows to emerging markets	World Bank
Establish Multilateral Development Bank (MDB) and its financing	World Bank
Reform governance of Bretton Woods institutions	IMF & World Bank
Build upon existing financial regulation	IMF

Sources: Stephane Rottier and Nicolas Veron, "An Assessment of the G20's Initial Action Items," *Bruegel Policy Contribution*, Issue 2010/08, Bruegel Institute (September 2010); Group of Twenty, *Declaration – Summit on Financial Markets and the World Economy* ["Washington Summit Communiqué"] (November 15, 2008).

Notes:

[1] Phrasing of individual action items closely follows Rottier and Veron (September 2010). Author's judgment in categorizing items under G20 Major Objectives emerging after the Washington Summit, especially as per the September 2009 Pittsburgh Summit and the June 2010 Toronto Summit; see the discussion in Section I.A of the main text.

[2] Designation of lead institution closely follows Rottier and Veron (2010). **BCBS:** Basel Committee on Banking Supervision; **FSB**: Financial Stability Board; **IAIS:** International Association of Insurance Supervisors; **IOSCO:** International Organization of Securities Commissions; **FATF:** Financial Action Task Force; **IMF:** International Monetary Fund; **OECD:** Organization for Economic Cooperation and Development; **FASB:** Financial Accounting Standards Board; **IASB:** International Accounting Standards Board.

Table A2. Summary of the Administrative Procedure Act Rulemaking Process[1]

1. ***Advance Notice of Proposed Rulemaking*** **(APNR)**: This is an optional step, but one that is routinely followed by the federal financial regulatory authorities. The agency responsible for the new regulation (or substantially revised existing regulation) publishes its initial analysis of the subject matter. The APNR includes a request for public input on key issues, a firm deadline for agency receipt of such input (allowing, at a minimum, 30 days for public comments), and specific instructions for how to convey comments to the agency. Ahead of the next rulemaking step, the agency typically makes the submitted comments publicly available.

2. ***Notice of Proposed Rulemaking*** **(NPR)**: The agency responsible for the new regulation publishes its proposed regulatory language in the Federal Register.[2] The proposed actual regulatory language is accompanied by (and generally preceded by) a thorough summary of the nature of public comments received in response to the APNR (if applicable), as well as a clear discussion of the reasoning underlying the rule. The NPR also announces the opening of a public comment period, and specifies the duration of that public input period.

3. ***Public Comment Period***: The public comment period officially commences as of the date of the publication of the NPR in the Federal Register (which can be several days to a week after the agency makes the NPR publicly available via its own publication process). Members of the public are invited to submit written comments to the agency on any aspect of the NPR of interest to them. The public comment period typically last between 30 and 180 days, depending on the complexity of the rule. The rulemaking agency is required to consider the issues and concerns raised during the comment period.

4. ***Final Rule***: The final rule includes any modifications the agency deems appropriate in light of its consideration of comments received during the public comment period. Similar to the NPR, the final rule also includes the agency's response to issues raised by public comments, and any updates to the discussion of the underlying justification for the rule. In the event the agency judges that public comments warrant changes to the NPR making it fundamentally different from the original proposal, it may publish a second proposed rule and initiate another public comment period. The final rule is codified in the Code of Federal Regulations.

[1]Unless specified otherwise, Dodd-Frank Act rulemaking requirements follow the Administrative Procedure Act rulemaking process. This table draws heavily on information included in Dodd-Frank Wall Street Reform and Consumer Protection Act Integrated Implementation Roadmap, Financial Stability Oversight Council (October 1, 2010) at www.treasury.gov/initiatives/Pages/FSOC-index.aspx

[2] See the Federal Register at www.gpoaccess.gov/fr/index.html.

Table A3. G20 and Dodd-Frank Act Financial System Reform Agendas and Timetables: Comparison of Policy Initiatives for SIFI Resolution, OTC Derivatives, Credit Rating Agencies, Compensation, and Shadow Banking*

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
SIFI Resolvability/ Orderly Liquidation	**End-March 2011**: National Authorities, using the BCBS' Cross-Border Resolution Group Recommendations and the FSB (draft) *Key Attributes of Effective Resolution Regimes*, to report their assessment of SIFI resolvability policies in their jurisdictions, including: i) their capacity to resolve SIFIs operating in their jurisdictions under their existing resolution regimes; and ii) any necessary legislative and other changes to national resolution regimes and policies necessary in order (1) to eliminate provisions that hamper cross-border cooperation or trigger automatic consequences as a result of interventions in other jurisdictions; (2) to oblige seeking cooperation with foreign resolution authorities; and (3) to provide the powers to require changes to an institution's structure and business practices. **End-June 2011**: FSB to determine key attributes of effective resolution regimes for G-SIFIs, including the minimum level of legal harmonization and legal preconditions required to make cross-border resolutions effective. **End-2011**: In light of the FSB's *Key Attributes*, national authorities to set out their plans to address any necessary legal or regulatory changes in their resolution regimes and policies. **During 2012**: FSB, in consultation with the Basel Committee's Cross-Border Bank Resolution Group (CBRG), to undertake a thematic peer review on Members' implementation of the attributes of effective resolution regimes.	G20 Seoul[2] Para.32; SIFI Report[3] - Para. 21, 22, 23, 24	Dodd-Frank includes new authority for the FDIC to wind down a failing bank or nonbank financial firm. FDIC can act preemptively to close bank and nonbank if judged to threaten financial stability. Power to fire culpable management, wipe out shareholders and, if necessary, creditors. Requires the FDIC to coordinate the orderly resolution of cross-border financial firms with the appropriate foreign authorities to the extent possible. **RESOLUTION PLANS**: DFA requires the FRB and the FDIC to issue joint rules requiring large, interconnected financial firms to periodically submit plans for their rapid and orderly resolution. FSOC Recommendations on Resolution Plan (**beginning October 2010 and ongoing**). **End-2011**: Resolution Plan (FRB and FDIC jointly): agency rulemaking as from October 2010. **OLA (Orderly Liquidation Authority)**: DFA gives the FDIC the authority to write rules and policies to implement the Orderly Liquidation Authority. **July 2011**: **Creditor Rights**: Final Rule by FDIC in consultation w/FSOC due July 2011; two public comment periods on initial and revised proposed rule, extending from October 2010 through April 2011. **July 2011**: **Maximum Obligation Limit**: Final Rule by FDIC and Treasury, in consultation w/FSOC due July 2011; public comment period on proposed rule in April 2011. **March 2011**: "Risk Matrix" Assessment Recommendations by FSOC due March 2011.	Title II, especially Sections 203, 204, 205, 206, 216, and 217; Title I, Section 175.

Table A3 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[SIFI Resolvability/ Orderly Liquidation – continued]			**July 2011**: Assessments/Recoupment final rule by FDIC in consultation with Treasury due July 2011; public comment period in April on proposed rule. **July 2012**: Agency (FDIC, FRB, OCC, FHFA, CFTC, SEC) rulemaking, joint with FSOC, on SIFI record-keeping requirements.	
Contractual and Statutory Bail-Ins	**"Bail-in"** debt refers to debt instruments which would absorb losses and contribute to recapitalization in extreme circumstances, including in particular before a bank becomes a "gone concern," and in a resolution context. Bail-in debt would convert to equity when the loss absorption capacity of a bank's equity and sub debt capital is exceeded. The conversion "trigger" could be governed by "contractual" measures, such that banks are required to fund a minimum proportion of risk-weighted assets by securities that include convertibility "automatically" within their contractual terms; or the bail-in could be "statutory," such that write-downs or conversion on specified non-capital funds are imposed by regulators' decisions. **May-2011**: FSB Bail-In Working Group to examine the legal and operational aspects of contractual bail-in mechanisms, and report to FSB. **November 2011**: FSB to report to G20 on recommendations for the use of bail-in debt.	G20 Seoul Para.30; SIFI Report - Para.10, 11, 25; FSB PR1,[4] p. 8.	**No explicit DFA requirement** to consider bail-in debt as a loss absorption enhancement.[5] **Mid-2012**: FSOC report on the advantages and disadvantages of contingent capital.	Title II.[5]
Institution-Specific Cooperation Agreements, and Institution-Specific Resolution Plans	**End-2011**: For all G-SIFIS, relevant home and host authorities draw up institution-specific cross-border cooperation agreements specifying the respective roles and responsibilities of the authorities at all stages of a crisis. **End-2011**: FSB to assess and report on the progress in the development of institution-specific recovery and resolution plans for all G-SIFIs.	G20 Seoul Para.31; SIFI Report - Para. 26 & 27; FSB PR1, p. 9.	**January 2012**: FRB and FDIC to jointly issue rules requiring designated bank and nonbank SIFIs to submit resolution plans and credit exposure reports. **January 2012**: FRB may prescribe regulations to require periodic public disclosures for designated bank and nonbank SIFIs to support market evaluations of risk profile, capital adequacy, and risk management capabilities.	Title I, Section 165; Title II, Section 210; Title VII, Section 716.

Table A3 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[Institution-Specific Cooperation Agreements, and Institution-Specific Resolution Plans – continued]	**End-2011**: FSB to report on practical measures taken to improve resolvability, addressing obstacles associated with booking practices, global payments, intra-group guarantees, and information systems.		**July 2012**: Qualified Financial Contracts (QFC) Recordkeeping: Joint rules by federal banking agencies, SEC, CFTC, and Federal Housing Finance Agency (FHFA) requiring that financial companies maintain records, with respect to QFCs (including market valuations), deemed necessary to assist the FDIC as receiver for a covered financial company. **No Deadline Specified**: Prohibition against Federal Government Bailouts of Swaps Entities: A bank swap entity is required to conduct its swap activities in compliance with minimum standards for safety and soundness, and for mitigation of systemic risks. DFA text presumes the relevant prudential regulators will impose the appropriate standards by regulation, but Section 716 does not require a rulemaking, or any consultation as to minimum standards.	
Over-the-Counter (OTC) Derivatives	**End-January 2011**: IOSCO analysis of characteristics of exchanges and electronic platforms that could be used for OTC derivatives trading, including characteristics of a market that make exchange or electronic platform trading practicable, the benefits and costs of increasing exchange or electronic platform trading, and regulatory actions that may be advisable to shift trading to exchanges or electronic trading platforms. **End-March 2011**: Consultative report on standards for financial market infrastructures; and End-2011: Final report on standards for financial market infrastructure. **Mid-2011**: Consideration of central counterparty (CCP) access to central bank liquidity. **Mid-2011**: Consideration of issue of number and location of CCPs and trade repositories.	G20 Seoul, Para. 37; SIFI Report, Para. 40, 41, 42; FSB PR1, pp. 12, 13 FSB OTC[6], p. 2.	New and strong reporting requirements for all OTC derivatives trading. Encourage move to standardized contracts and centrally cleared trading. Standard derivatives contracts traded on transparent trading platforms. Customized contracts subject to capital and margin requirements. New regulatory regimes for dealers, major swap participants, exchanges, contract markets, and clearing organizations. Aim is to encourage growth of standardized contracts, but where not possible, set capital and margin requirements for customized contracts to discourage overuse.	Title VII

Table A3 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[Over-the-Counter (OTC) Derivatives – continued]	**End-2011**: Establishment of minimum data reporting requirements and standardized formats, and the methodology and mechanism for aggregation of data on a global basis for market participants reporting to trade repositories, and for trade repositories reporting to regulators and the public. **End-2011**: IOSCO report on coordination of application of CCP requirements on a product and participant level, and any exemptions from those requirements. **Ongoing**: Development of common frameworks for effective cooperation and coordination on oversight arrangements and information sharing among the relevant authorities for individual trade repositories and systemically important OTC derivative CCPs. **Mid-March 2011**: FSB progress report on implementation of OTC Derivatives Working Group recommendations. **End-March 2011**: Commitments from industry including publishing a roadmap with implementation milestones for achieving greater standardization, increasing volumes of centrally cleared transactions, dispute resolution procedures, and portfolio reconciliation. **End-July 2011**: Development of appropriate reporting metrics to measure the extent to which G20 Members are meeting their commitments to address FSB recommendations on central clearing, exchange or electronic platform trading, and reporting to trade repositories.		Sets up comprehensive framework of oversight and reporting for OTC derivatives markets. Requires almost all swaps to be centrally cleared. Establishes new regulatory regime for dealers, major swap participants, exchanges, contract markets, and clearing organizations. Swaps push-out amendment designed to reduce fall-out from banks' derivatives trading. No federal assistance may be provided to any swaps entity, including banks [federal assistance" includes 1) advances from Fed discount window, and 2) FDIC insurance for the purpose of engaging in swaps activities.] **End-2010**: CFTC to issue final rule on position limits. **July 2011**: SEC to issue rules on position limits. **April 2011**: SEC and CFTC jointly to issue final rules on enhanced enforcement. Public comment period early-2011. **July 2011**: SEC (Section 761), and CFTC (Section 721) jointly to issue final rules on definitional issues including, by July 2011, the term "substantial position." There is no explicit deadline for defining other key terms, including the term "any other term," "major swap participant," and "major security-based swap participant." Public comment periods in July 2010 and early-2011. **July 2011**: SEC (Section 764) and CFTC (Section 731), in consultation with each other, the federal banking agencies, the FCA, and the FHFA, to issue General Rulemakings for, respectively, security-based swap dealers and major security-based swap participants, and for swap dealers and major swap	

Table A3 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[Over-the-Counter (OTC) Derivatives – continued]			participants. Rules to cover the following areas: 1) reporting and recordkeeping; 2) daily trading records; 3) business conduct standards; 4) documentation standards; 5) duties such as monitoring of trading, and antitrust considerations; and 6) standards for chief compliance officers of swap dealers and major swap participants, including reporting obligations. **July 2011**: SEC and CFTC jointly to issue final rules on capital and margin requirements for entities without a prudential regulator. Public comment period early-2011. **July 2011**: SEC, CFTC, FDIC, FRB, OCC, FHFA, and Farm Credit Administration jointly to issue final rules for swap dealers and major swaps market participants for which there is a prudential regulator; and imposition of capital and margin requirements on swaps that are not centrally cleared. Public comment period early-2011. **No Explicit Deadline**: International Harmonization - the SEC, CFTC, and other prudential regulators required to consult and coordinate with foreign regulatory authorities on the establishment of consistent international standards with respect to the regulation of swaps, security-based swaps, swap entities, and security-based swap entities. No explicit requirement to issue rules. **July 2011 and twice per year thereafter**: The CFTC (Section 727) and SEC (Section 763), respectively, to issue a semiannual report, to make available to the public, information on trading and clearing in major swap categories, on swap market participants, and market developments. In consultation with the Bank for International Settlements, and such U.S. regulators as may be necessary.	
Reduce Reliance on Credit Rating Agencies (CRAs)	**End-May 2011**: Standard setters and regulators to consider next steps to implement FSB Principles.[7]	G20 Seoul - Para. 37; FSB PR1, p. 29.	**As of Enactment, July 21, 2010**: Liability and Accountability Standards: 1) Individual investors can not sue CRAs; 2) Rated firms can only cite a rating in public offering statements if the	Title IX, Subtitle C.

Table A3 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[Reduce Reliance on Credit Rating Agencies (CRAs) – continued]	**End-June 2011**: Report from standard setters to FSB on progress in implementation of "next steps." **End-Sept. 2011**: FSB report to G20 Finance Ministers and Governors on progress on FSB Principles.	FSB CRA,[7] p. 7.	rating agency gives consent; and by giving consent, the rating agency opens itself to prosecution under federal law for "knowingly and recklessly" failing to conduct a reasonable investigation to support the rating. **July 2011**: Remove Reliance on Credit Ratings from Regulations: Federal regulatory agencies must remove references to, or requirements to rely on, credit ratings from all regulations, and substitute alternative standards of credit-worthiness. Each federal regulatory agency must complete a review of all such regulations and report to Congress. Federal banking agencies issued a proposed rule in August 2010, and the public comment period ended in October 2010. **July 2011**: SEC to issue final rules on 1) Disclosures and due diligence; and 2) Internal controls and conflicts of interest: CRAs must establish internal control structures to govern policies, procedures, and methodologies for determining credit ratings, and to improve corporate governance and take other measures to reduce conflicts of interest. Public comment period in early-2011.	Title IX, Subtitle C.
Compensation	**October 2011**: The FSB's Standing Committee on standards Implementation (SCSI) to publish a report, under the FSB's peer review process, on Members regulations on compensation practices, especially as those practices bear on SIFI risk-taking. SCSI to develop an assessment methodology and questionnaire by end-March 2011; conduct the survey in April 2011; draft the peer review report by end-June 2011.	FRB PR1, pp. 20-21.	**April 2011**: Under Section 956, federal banking agencies, SEC, FHFA, and NCUA to jointly issue regulations and/or guidelines on: 1) No Excessive Incentive-Based Compensation - Prohibitions on incentive-based compensation that is excessive or may lead to material financial loss; and 2) Compensation Structure Disclosure - Requirements on disclosures to federal regulators on compensation structures. **April 2011**: SEC to issue final rule on disclosure of investment adviser votes on executive compensation; public comment period early-2011. **April 2011**: SEC to issue final rule on sharehold "say on pay" votes; public comment period late 2010.	Title IX, Subtitle E.

Table A3 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[Compensation – continued]			**July 2011**: SEC to issue final rule on independent compensation committees; public comment period early 2011. **October 2011**: SEC and CFTC to issue final rule on "pay vs. performance;" public comment period July 2011.	
Shadow Banking	**End-June 2011**: FSB, in collaboration with international standard setters, to report on regulation and oversight of shadow banking system, and develop recommendations for strengthening regulation and oversight. Reaching a consensus definition of what constitutes the shadow banking system is a key objective. **Nov. 2011**: FSB report to G20. **2011 (TBD)**: IAIS guidance paper on treatment of unregulated entities, and lessons learned from crisis. **2011 (TBD)**: FSB Supervisory Review Committee assessment of adequacy of regulatory scope, including for shadow banking system.	G20 Seoul - Para. 41; FSB PR1, p. 25.	***Regulation of Advisers to Hedge Funds and Others; Improvements to the Asset-Backed Securitization Process***: DFA does not target the "shadow banking system," *per se*. Large hedge fund and private equity fund managers to register with the SEC. Fund managers must report information about trades and portfolios to the SEC. Requires managers of large hedge funds and private equity funds to register with the SEC. Requires fund managers to report information about trades and portfolios to the SEC. **January 2011**: SEC to issue final rule on review of underlying assets and disclosures. Public comment period December 2010. **January 2011**: SEC to issue final rule on reps and warranties. Public comment period December 2010. **January 2011**: FSOC to report to Congress on effects of risk retention requirements. **April 2011**: SEC to finalize revisions to existing "accredited investor" regulations. Public comment period early-2011. **April 2011**: Regulations on Credit Risk Retention by Securitizers (Section 941) - Section 941(b) directs the federal banking agencies and the SEC to jointly issue rules:	Title IV; Title IX, Subtitle D.

Table A3 (continued)

Financial System Reform Policy Initiative	G20/FSB Agenda & Timetable[1]	G20/FSB Reference	Dodd-Frank Act (DFA) Agenda & Timetable[1]	DFA Reference
[Shadow Banking – continued]			1) requiring securitizers to retain an economic interest in "a portion of credit risk" for any asset securitized, including residential mortgages; 2) to establish asset classes with separate rules for different classes of assets; and for each class, to establish underwriting standards specifying loan characteristics indicative of low credit risk. In consultation with the other federal banking agencies and the SEC, the FRB to study and report to Congress on the effects of the new credit risk retention requirement on each individual class of asset-backed securities [FRB issued report in October 2010, as required by Section 941(c)]. **July 2011**: SEC and CFTC to issue final rule on reporting requirements for hedge fund managers. Public comment period early-2011. **July 2011**: SEC to issue final rule designed to exclude "bad actors" in hedge fund industry private offerings. Public comment period early-2011. **July 2011**: SEC to report to Congress on data collection on the hedge fund industry; annual reports thereafter.	

*As of March 1, 2011 unless otherwise indicated. Not to be construed as representing the views of the Office of the Comptroller of the Currency, the United States Treasury Department, the Board of Governors of the Federal Reserve System, or any other person associated with the Federal Reserve System.

Sources: *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Public Law 111-203, July 21, 2010); *Dodd-Frank Wall Street Reform and Consumer Protection Act Integrated Implementation Roadmap*, Financial Stability Oversight Council (October 1, 2010); *Rulemaking Requirements and Authorities in the Dodd-Frank Wall Street Reform and Consumer Protection Act*, Curtis W. Copeland, Congressional Research Service, (November 3, 2010); The *G20 Seoul Summit Leaders' Declaration November 11-12, 2010* ("Seoul Summit Communiqué"); *Reducing the Moral Hazard Posed by Systemically Important Financial Institutions: FSB Recommendations and Time Lines*, Financial Stability Board (October 20, 2010); *Progress since the Washington Summit in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board of the G20 Leaders (November 9, 2010); *Intensity and Effectiveness of SIFI Supervision: Recommendations for Enhanced Supervision*, FSB in consultation with the IMF (November 2, 2010); Core *Principles for Effective Banking Supervision*, Basel Committee on Banking Supervision (October 2006); *Insurance Core Principles and Methodology*, International Association of Insurance Supervisors (October 2003).

Notes:
[1] See www.financialstabilityboard.org/press/pr_110219.pdf for links to publicly-released records of the range of FSB financial stability workstreams. See www.treasury.gov/initiatives/Pages/FSOC-index.aspx for links to detailed DFA-implementation agendas for all relevant federal financial services regulatory agencies. As noted throughout the current analysis, Dodd-Frank does not use the terms "SIFIs" or "systemically important financial institutions," but rather "large, interconnected financial companies."

Table A3 (continued)

[2] Seoul Summit Communiqué, November 11-12, 2010.
[3] "SIFI Report": *Reducing the Moral Hazard Posed by Systemically Important Financial Institutions: FSB Recommendations and Time Lines* (October 20, 2010).
[4] "FSB PR1": *Progress since the Washington Summit in the Implementation of the G20 Recommendations for Strengthening Financial Stability*, Report of the Financial Stability Board of the G20 Leaders (November 8, 2010).
[5] Dodd-Frank does not use the terms “bail-in debt” or “bail in-able debt,” but does not explicitly rule out measures covered under those rubrics.
[6] “FSB OTC”: *Implementing OTC Derivatives Markets Reforms*, Financial Stability Board (October 25, 2010).
[7] *Principles for Reducing Reliance on CRA Ratings*, Report to G20 Finance Ministers and Governors, Financial Stability Board (October 27, 2010).