

Regulated Professions Task Force

**Report for Zagreb Presidents Forum
By Paul Thornton, Chair**

Private Sector Task Force of Regulated Professions and Industries (PSTF)

- Council was informed in June about IAA involvement in the **Private Sector Task Force of Regulated Professions and Industries (PSTF)**, which was formed to prepare recommendations to go to the G20 on regulatory reform.
- This Task Force was established in May 2011 at the request of the French Government, which chairs the Group of Twenty (G-20) in 2011
- The PSTF aims to provide to the G-20 an analysis of the development of financial policy and regulation to facilitate economic stability in the world's capital markets, focusing particularly on global regulatory convergence

Membership of the PSTF

- As well as IFAC, membership of the Task Force includes:
 - Institute of International Finance (IIF)
 - International Accounting Standards Board (IASB)
 - International Corporate Governance Network (ICGN)
 - International Valuation Standards Council (IVSC)
 - International Actuarial Association (IAA)
 - International Insurance Society (IIS)
 - CFA Institute (CFA I)
 - INSOL International

IAA Regulated Professions Task Force (RPTF)

- The IAA accepted the invitation to participate and formed a “Regulated Professions Task Force”, reporting to the Executive Committee, to provide input and representation
- The IAA Task Force is currently made up of:

Thomas Béhar (Member of Executive Committee)

Tony Coleman (2009 Task Force on the Global Financial Crisis)

Sam Gutterman (Chair of Insurance Accounting Committee)

Gary Hibbard (Chair of Pensions and Employee Benefits Committee)

Dave Ingram (Chair of Enterprise and Financial Risk Committee)

Toshihiro Kawano (Chair of Insurance Regulation Committee)

Dave Pelletier (Chair of the Interim Actuarial Standards Subcommittee of the EC)

Jean Louis Masse (Secretary General)

Paul Thornton (IAA Officer, Chair)

Timeline and Publicity

- An Interim Report was sent to the G20 at the end of June, and copied to Council on July 1
- A Final Report is being issued at the end of September, for the November G20 meeting
- The PSTF agreed that it wished to keep the existence of the Task Force and its recommendations private for the time being.
- The Interim Report has been added to the IAA website, but we have not sought wider publicity.

Recommendations

- Recommendation 1: G-20 to continue to focus on regulatory convergence in the financial sector, ensuring that G-20 nations work together to identify and narrow gaps in regulatory convergence.
- Recommendation 2: G-20 to discourage nations from making unilateral decisions and implementing unilateral national regulatory reforms that are inconsistent with international standards and that widen—rather than narrow—the convergence gap.

Recommendations

- Recommendation 3: G-20, including the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO), the Basel Committee, and the International Association of Insurance Supervisors (IAIS), to enhance the breadth and depth of consultation on matters of regulatory reform, especially with those groups most impacted by those reforms, including the PSTF.
- Recommendation 4: G-20 to recognize and encourage the role played by those consulted on matters of regulatory reform (including the PSTF and the organizations represented by Taskforce members), who must act to support convergence and ensure that reforms adopted are supported by concurrent private-sector efforts to improve practices and governance, in order for the overall reform program to succeed in benefiting the public.

Recommendations

- Recommendation 5: G-20 to encourage and support the development, adoption, implementation and consistent interpretation of globally accepted high-quality international standards, to the greatest extent possible, for each of financial reporting, auditing, valuation, and actuarial services.
- Recommendation 6: G-20 to encourage and support the adoption, and timely, clear, and consistent implementation of internationally agreed regulatory standards for capital adequacy and liquidity requirements for banks, and capital adequacy requirements for individual insurance companies.

Recommendations

- Recommendation 7: G-20 to encourage and support identification of desirable solvency structures for insurance groups, timely international agreement upon and broad implementation of the IAIS Common Framework and Insurance Core Principles for supervision of internationally active insurance groups, and continued cooperation between the IAIS, national and regional regulators, and professional and industry groups in further enhancing national and regional supervisory standards.
- Recommendation 8: G-20 to encourage a rescue culture for non-financial firm insolvencies by supporting the use of World Bank approved global principles for multi-creditor workouts, and encourage and promote universal adoption of modern, effective procedures to deal with the challenges of cross-border insolvency by adoption of the United Nations Commission on International Trade Law (UNCITRAL) Model Law.

Recommendations

- Recommendation 9: G-20 to sustain and enhance the mandate of the FSB, or a specialized body operating under the FSB, tasked with promoting macro-prudential coordination, identifying emerging international risks to stability, making recommendations for standardization of data, and recommending responses.
- Recommendation 10: G-20 to encourage IOSCO towards convergence of capital markets regulation and oversight, and promoting cross-border mutual recognition agreements for such regulation and oversight, as well as coordinated and consistent global regulation of over-the-counter (OTC) derivatives.

Recommendations

- Recommendation 11: G-20 to support appropriately structured and resourced international regulatory organizations and national regulatory bodies that have clearly defined expectations and responsibilities.
- Recommendation 12: G-20 to encourage the development (initially through the FSB) of a mechanism for approving shared private sector/public sector standard-setting arrangements (structural and resourcing) for standards of importance to the financial sector. Such a mechanism would legitimize standard-setting arrangements through recognition and endorsement of the standards.

Recommendations

- Recommendation 13: G-20 to establish a globally coordinated resolution regime for bank-related financial institutions.
- Recommendation 14: The G-20 and the FSB to work with all parties to develop arrangements that achieve the goals of avoiding undue reliance on external ratings while also permitting achievement of internationally workable and consistent standards and supervision of credit rating agencies.

Recommendations

- Recommendation 15: The G-20, through the FSB, to continue to strengthen, in a timely and globally consistent manner, the oversight and regulation of certain areas of the shadow banking system.

IAA process for input

- The Fast Track Procedure has been used to ensure that input on a draft of the Final Report would be received from Member Associations through the Committees involved, namely the Insurance Regulation, Insurance Accounting, Enterprise and Financial Risk, and Professionalism Committees, and the Pensions and Employee Benefits Committee.
- The RPTF has formulated all the input received, together with its own comments, on behalf of the IAA.
- The Report has been finalized by the PSTF for release by 30 September.