

**SUMMARY MINUTES****Video Conference: EFMLG, FLB, FMLC, FMLG, HKMA, SNB and MAS****Tuesday, 10 March 2009, 12-2 pm GMT**

<b>1.</b>	<b>EFMLG initiatives – update</b>	<b>European Financial Markets Lawyers Group</b> Mr Stéphane Kerjean, Mr Frederik Winter
a.	Supervisory arrangements in the European Union: the de Larosière Group recommendations	<p>On 25 February 2009, the High-Level Expert Group chaired by Mr Jacques de Larosière ('the Group') presented a report to the European Commission on the reform of the European financial system with a particular focus on the supervision of financial institutions. The report provides for 31 recommendations, aiming at offering concrete solutions for regulatory, supervisory and global repair action. In a communication of 4 March 2009, the Commission expressed its overall support to the Group's findings and recommendations (COM(2009)114).</p> <p>The Commission has already taken concrete initiatives in areas such as a proposal for a regulation on credit rating agencies, Solvency II proposal or the establishment of colleges of supervisors for banks operating on a cross-border basis. The Commission however pointed out that recent experience has exposed important failures both in the way supervisors look at particular cases, and in their approach to the financial system as a whole.</p> <p>As regards macro-prudential supervision, the Commission welcomed the Group's idea for a new European body under the auspices of the ECB and involving the Commission as well as the three Committees of European Supervisors (CEBS, CEIOPS and CESR). The function of such body would be to gather and assess on all macro-prudential risks in the European financial sector, to identify systemic risks at European level and to issue risk warnings. In terms of supervising individual companies, the Group has recommended the establishment of a European System of Financial Supervisors (ESFS). In a first phase (2009-2010), the three Committees of European Supervisors as well as national supervisors would be strengthened, and a more harmonised set of financial regulations, supervisory powers and sanctioning regimes would be introduced. In a second phase (2011-2012), the Committees of European Supervisors would be transformed into</p>

		<p>Authorities carrying out certain tasks at European level, whilst relying on colleges of supervisors and national supervisors for the day-to-day supervision of individual companies. A review after three years would consider the need for further consolidation of the ESFS.</p> <p>The Commission intends to present a financial supervision package before the end of May 2009, for decision at the June European Council. The legislative changes to give effect to these proposals will follow in autumn 2009 and are intended to be adopted in time for the renewed supervisory arrangements to be up and running in the course of 2010. Furthermore, the Commission also intends to publish several legislative proposals in the course of 2009, focussing on topics such as derivatives and other complex structured products, hedge funds, prudential capital requirements for trading book activities and complex securitisations.</p>
b.	Joint EFMLG-ISDA initiative on netting	<p>This initiative launched mid-2008 aims at remedying the current legal uncertainties with the adoption of an EU directive on close-out netting arrangements. Although there is no official stance of the European Commission on this topic, the European Banking Federation (EBF) has set up a working group on this issue and EFMLG-ISDA as well as the EBF intend to cooperate further on this issue. A proposal for a Convention on netting is part of the draft tri-annual work programme of UNIDROIT but is not yet endorsed by the UNIDROIT decision-making bodies. In a recent opinion (CON/2008/37), the ECB suggested that, in view of the systemic significance of the exercise of automatic close-out rights against systemically significant credit and financial institutions operating in international financial markets, there needs to be a wider discussion at EU level on the application of close-out netting provisions to financial institutions in the over-the-counter derivatives market, and not only in the context of financial collateral arrangements.</p>
c.	European contract law and Draft Common Frame of Reference	<p>In December 2008 the academic drafting group submitted to the European Commission the final version of the Draft Common Frame of Reference (DCFR) which provides for a set of 'model rules' covering core fields of civil law such as contract law and proprietary security rights in movable assets. Although it is not yet decided by the Commission what will the future function of the DCFR, this set of non-binding rules could have an important impact on the financial</p>

		industry and could be a source of inspiration and guidance for both the European and national legislators. The EFMLG contributes to this project by pointing to some particular aspects of the DCFR that are relevant for financial services. The DCFR should be compatible with existing Community financial market regulation and with the industry's practices, as represented, for instance, by standard agreements used for some financial instruments traded in the financial markets.
<b>2.</b>	<b>FLB initiatives – update</b>	<b>Financial Law Board</b> Mr. Takashi Hamano, Ms. Keiko Harimoto
a.	Updates on the sovereign immunity legislation	<p>Japan has signed the United Nations Convention on Jurisdictional Immunities of States and Their Property (hereinafter the “UN Convention.”) in January 2007. On February 4th, the Legislative Council (an advisory body to the Minister of Justice) has submitted its report on the outline of sovereign immunity legislation (in line with the UN Convention) to the Minister of Justice. On February 27th, the Government has submitted the bill of the sovereign immunity legislation based on the said report to the Diet (Japanese parliaments).</p> <p>The main points of the bill (“The Law concerning the civil jurisdiction of Japan over foreign states etc.”) are as follows;</p> <ul style="list-style-type: none"> <li>- Foreign States shall be immune, as a general rule, from jurisdiction with respect to the court proceedings (cf: Article 5, 6 of the Convention).</li> <li>- The exceptions to the general rule include (i) express consent to exercise of jurisdiction, (ii) participation in the proceedings, (iii) filing of counterclaims and (iv) “commercial transactions” (cf: Article 7-10 of the Convention).</li> <li>- A foreign entity which is entitled to perform and actually performing the acts in the exercise of the sovereign authority of the foreign State shall have the same immunity status as the foreign State (cf: Article 2 of the Convention). It is accepted that a foreign central bank could potentially fall within the definition of such foreign entity.</li> <li>- The property of a foreign central bank or its equivalent shall be immune from attachment</li> </ul>

		<p>(cf: Article 21 1(c) of the Convention).</p> <p>- The date of enforcement of the law will be determined by a cabinet order. The date of enforcement shall be within one year from the date of enactment.</p>
b.	Legislative development for public fund injection to banks and insurance companies	<p>In December 2008, the “Law on Special Measures for Strengthening Financial Functions” (Hereinafter the “Special Measures Law”) was amended to strengthen banks’ capital bases to counter the aggravation of global financial crisis. At the same time the Insurance Business Law was amended to maintain credibility of insurance industry under the current vulnerable financial environment.</p> <p>(Key points of the amendment to the Special Measures Law)</p> <p>The Special Measures Law was put into force in 2004 to strengthen banks’ capital bases by public fund capital injection. However, the deadline for application was passed in the end of March 2008. Under the amended law, banks (and cooperative-type credit institutions) may apply for public fund capital injection until the end of March 2012. As of end March 2009, three regional banks have filed their applications to the Financial Services Agency (FSA).</p> <p>The other key features of the amendment are; (i) facilitation of finance for small and medium-sized enterprises, (ii) elimination of requirements concerning management responsibilities, and (iii) introduction of indirect public fund capital injection in cooperative-type financial institutions.</p> <p>(Key points of the amendment to the Insurance Business Law)</p> <p>The Insurance Business Law establishes a safety net for the benefit of policyholders by which liability reserve funds of an insurance company is guaranteed to a certain degree. For this purpose, an insurance policyholders protection corporation (e.g., LIPPCJ&lt;Life Insurance Policyholders Protection Corporation of Japan&gt;) makes financial assistance to a healthy insurance company which takes over the business of a failed insurance company. Although financial assistance shall be funded by insurance companies’ contributions, the Insurance Business Law provides for a temporary measure which allows public fund injection to the</p>

		<p>LIPPCJ to support funding of financial assistance which cannot be covered by the contributions.</p> <p>Before the amendment, public fund injection was only applicable to financial assistance for a failure which occurred no later than March 2009. By the amendment, this deadline was extended to March 2012.</p>
c.	Possible legislation for interbank fund settlement and non-cash payment methods	<p>In response to the widespread use of electronic money and the development of fund transfer services by non-bank companies, Financial System Council (an advisory body to the Prime Minister) has released a report on improvements of legal frameworks for inter-bank fund settlement and non-cash payment methods in January 2009. On March 6, the bill for the new legislation on interbank fund settlement and non-cash payment methods was submitted to the Diet.</p> <p>The new legislation (“The Law concerning Funds Settlement”) consists of the following three key components: (i) amendments to the Pre-paid Card Law (“Act on Regulation, etc. on Advanced Payment Certificate”), (ii) new legal framework for a “fund transfer service” by a non-bank institution and (iii) new legal framework for an “inter-bank funds clearing agency”.</p> <p>(Key points of amendments to the Prepaid Card Law)</p> <p>The so-called Prepaid Card Law (“Act on Regulation, etc on Advanced Payment Certificate”) was enacted in 1988 to regulate issuance of prepaid cards such as telephone cards and public transportation fare cards. Under the Law, issuers are required: (i) to register with the FSA, and (ii) to deposit monies with a public deposit office as guarantee which are more than half of the unspent outstanding balance of the issued cards. However, the current Prepaid Card Law is only applicable to paper-based and IC-equipped cards, such as magnetic cards and smart card type e-monies. Thus, server-based advanced payment methods, which have become widely used, is not covered by the law, though they are functionally equivalent to smart card type e-monies.</p> <p>The new legislation is intended to bring such server-based advanced payment methods within the scope of the regulatory framework and treat them equally with paper-based and IC-equipped</p>

	<p>cards. Because the new legislation incorporates the Pre-paid Card Law as its component, the law will be abolished on the date of enforcement of the legislation.</p> <p>(Key points of the new legal framework for fund transfer services) Under the current banking laws, only banks (and other licensed deposit-taking institutions) are allowed to conduct “exchange transactions” (i.e., fund transfer services). Considering consumer needs for inexpensive and convenient fund transfer services, the new legislation for fund transfer services allows a non-bank institution to conduct “small value” fund transfer services under less stringent regulations. The definition of the “small value” fund transfer services is to be determined by a cabinet order.</p> <p>The new legislation is intended to ensure safety of fund transfer services by some regulatory measures. For example, a fund transfer service institution shall register with the FSA. Besides, a fund transfer service institution shall retain as guarantee an amount of monies that is not less than the amount of funds in the process of remittance by depositing such monies to the public depository or otherwise.</p> <p>(Key points of the new legal framework for inter-bank funds clearing agency) Japan’s interbank fund transfer system, so-called the “Zengin System,” is operated by the Tokyo Bankers Association (the “TBA”) and the TBA acts as a central counterparty to assume all the claims and obligations accrued from interbank fund transfers among the member banks and clear those claims and obligations by way of novation netting on a contractual basis. However, the TBA is currently not regulated as a clearing agency because there is no regulatory framework for a funds clearing agency. Besides, there is no statutory backing on the effectiveness of its clearing procedures especially in insolvency proceedings.</p> <p>Under the new legislation, an “inter-bank funds clearing agency” shall be licensed by the FSA. In cases where an inter-bank funds clearing agency provides for a clearing procedure of unsettled obligations of its clearing member(s) by its business rules, that clearing procedure takes effects in the event of insolvency of its clearing member(s).</p>
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<b>3.</b>	<b>FMLC initiatives – update</b>	<b>Financial Markets Law Committee</b> Dr Joanna Perkins, Mr Antony Beaves, Miss Louise Asbridge, Miss Saira Arian
a.	UK Tripartite Consultation Paper on Banking Reform - Financial Stability and Depositor Protection	<p>On 12<sup>th</sup> February 2009, the Banking Bill received the Royal Assent and became the Banking Act 2009. The final texts of the Act has included many amendments that were suggested by the FMLC. On 30 January 2008, the Bank of England, the FSA and HM Treasury published a joint consultation document entitled “Financial stability and depositor protection” as a response to recent market turbulence and instability. The FMLC published a response which looked at the issues of concern in detail. A copy was submitted to the Tripartite banking reform team on 23 April 2008. Three further consultation papers have been published by the Tripartite Authorities. One of these consultation documents focused on the proposal to introduce a pre-insolvency “Special Resolution Regime” for struggling banks and the latest (published in November 2008) introduced proposed safeguards for partial property transfers. The FMLC has produced responses to each of these consultations and a written submission for the Banking Bill 2008 Committee. The FMLC nominated one of its members to appear on the Expert Liaison Group (the “ELG”) which is working with the Government to help prepare new secondary legislation for the Special Resolution Regime.</p> <p>The FMLC is currently involved in drafting a letter to the Treasury on the secondary insolvency rules and outstanding issues in relation to the Banking Act. In addition to this, the FMLC Secretary, Dr Joanna Perkins, has been invited to join the Treasury’s Review Group on Investment Bank Insolvency and attended the first meeting of this group of 30 experts in this field on 2 March 2009.</p>
b.	Unsettled OTC Cash-Equity Trades in Euroclear UK & Ireland	<p>In the wake of Lehman’s collapse, a large number of OTC trades remained unsettled and suspended within the EUI system. These trades had been matched and entered the system for settlement when Lehman’s account was suspended and no funds were made available for settlement. Euroclear UK and Ireland suspended the trades for 9 weeks in these circumstances before directing the parties involved to agree a mutual deletion of their settlement instructions. During the 9 weeks in question, non-defaulting counterparties experienced considerable</p>

		<p>operational uncertainty arising from their vulnerability to settlement and the consequent risk of exposure to trades which they had, by then, already replicated in the market for contractual and regulatory reasons. The high volume of trades involved and the very considerable exposure of the non-defaulting parties caused considerable market uncertainty and could have had significant adverse consequences for the financial system.</p> <p>A Working Group was set up to consider this issue. The Working Group had its first meeting on 17 November 2008 at which meeting three workstreams were agreed and three subgroups were devised. The three workstreams are as follows:</p> <p>To look, non-retrospectively, into whether there are appropriate non-legislative changes (e.g. to the CREST rules) that could be implemented to help prevent similar problems happening again in the future.</p> <p>To consider whether a legislative solution is required/appropriate/sufficient/desirable and to address related questions, including but not limited to:</p> <ul style="list-style-type: none"><li>(i) whether it can be said that the Settlement Finality Directive (“SFD”) 1998/26/EC requires [Member States to ensure] that national settlement systems deal in any particular way with trades involving insolvent participants;</li><li>(ii) whether the SFD otherwise provides grounds for Member States to choose to impose default rules on settlement systems, such that the rules can be implemented via secondary legislation under the European Communities Act section 2(2); or</li><li>(iii) to set out very broad guidelines for secondary or primary legislation in this area, dealing with a combination of mutual deletion and close-out as necessary.</li></ul> <p>To provide a contractual analysis which covers aspects including, for example, performance, breach, delivery, offer &amp; acceptance, how OTC trades are concluded and implied terms.</p>
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c.	The Landsbanki Freezing Order	<p>The Landsbanki Freezing Order is a Statutory Instrument created in 2008 No 2668. This order caused concern in relation to the ordinary processes on which banks rely to close out their positions against a defaulting counterparty under market standard derivatives trades - by imposing criminal penalties on those attempting to do so. After the Freezing Order came into force, the Treasury swiftly issued a licence to allow close-out in this situation. The use of a licence, however, - rather than an amendment to the legislation - implies at law that the original intention of this legislation was to prevent exactly the actions covered by the Licence and raises questions for those who acted prudently and in good faith to close out their positions ahead of the Licence coming in to force.</p> <p>The FMLC has set up a Working Group which is currently drafting two papers in relation to this Order. This is an important issue because the Order caused a great deal of concern in the markets in relation to the processes on which banks rely to close out their positions against a defaulting counterparty under market standard derivatives trades. The initial drafts are soon to be completed.</p>
d.	Location of Intangible Assets	<p>The FMLC has been asked to advise the Department for Business Enterprise and Regulatory Reform (BERR) on the draft Overseas Companies Regulations and, in particular, on which charges over intangible property should be registrable. According to Article 49(3)(a) of the draft Overseas Companies Regulations intangible property shall be regarded as situated in the UK if, at the time a charge over that intangible property is created, the property is governed by the law of any part of the UK.</p> <p>This proposal is seen to be flawed as it imposes a requirement to register security over many intangible assets that probably have no connection with the UK. It will also cause significant</p>

		problems for multinational companies with branches in the UK. The Government will review this issue in two years time.
<b>4.</b>	<b>FMLG initiatives – update</b>	<b>Financial Markets Lawyers Group</b> Ms Joyce Hansen, Mr Michael Nelson, Ms Sandra Lee
a.	Second round of TARP funds (\$350 billion) released (January 2009)	The second tranche of the \$700 billion Troubled Asset Relief Program (TARP) funds, created by the Emergency Economic Stabilization Act of 2008 (EESA), was released in early January 2009. There is growing discontent in the U.S. Congress with the manner in which the U.S. Treasury and other agencies are implementing the EESA and distributing TARP funds.
b.	Announcement of Treasury's new Financial Stability Plan (February 2009)	<p>In early February 2009, U.S. Treasury Secretary Timothy Geithner released the Financial Stability Plan (FSP), which provides a high-level outline of the plan to address the financial crisis.</p> <p>The plan can be found at <a href="http://financialstability.gov/docs/fact-sheet.pdf">http://financialstability.gov/docs/fact-sheet.pdf</a></p> <p>The plan has six major prongs:</p> <ul style="list-style-type: none"> <li>i. Financial Stability Trust (with comprehensive stress test)</li> <li>ii. Public-Private Investment Fund</li> <li>iii. Consumer and Business Lending Initiative</li> <li>iv. Transparency and Accountability Agenda</li> <li>v. Affordable Housing Support and Foreclosure Prevention Plan</li> <li>vi. Small Business and Community Lending Initiative</li> </ul> <p>A few highlights:</p> <p>The Financial Stability Trust (FST): The FSP includes the establishment of the FST, which will</p>

		<p>manage the government’s capital investments in financial institutions made under TARP. A focus of the FST is the implementation of a “stress test” for banks and the provision of “contingent equity” by the U.S. Treasury in the form of preferred security investment. This investment can be converted into common equity if that capital is needed.</p> <p>Public-Private Investment Fund: This fund has been established to purchase toxic and legacy assets. The structure of this fund is still under development. The key issue for this fund is the pricing of assets, and the U.S. Treasury intends to look to the private sector to assist in determining how these assets will be valued. The scale of the program is expected to be between \$500 billion to \$1 trillion dollars.</p> <p>Consumer and Business Lending Initiative: The focus of this joint Federal Reserve and Treasury initiative is to spur consumer lending through the expansion of the Term Asset-Backed Securities Loan Facility (TALF) from \$200 billion to \$1 trillion (the TALF is discussed below).</p>
c.	<p>Passage of the American Recovery and Reinvestment Act of 2009 (February 2009)</p>	<p>On February 16, 2009, the U.S. Congress passed the American Recovery and Reinvestment Act of 2009 (AARA)—the \$787.3 billion stimulus bill contains appropriations spending by governmental agencies, direct spending and tax relief for individuals, families and businesses. The AARA also includes revisions to certain executive compensation rules contained in the original EESA for institutions receiving TARP funds. Revisions were made to the compensation rules associated with “senior level officers of an institution”, and certain limits were also extended to “other highly compensated employees” of institutions receiving over a certain threshold of TARP funds.</p> <p><a href="http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&amp;docid=f:h1enr.pdf">http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&amp;docid=f:h1enr.pdf</a></p>
d.	<p>TALF 1.0 (February-March 2009)</p>	<p>On March 3, 2009 the Federal Reserve and the U.S. Treasury announced the launch of the Term Asset-Backed Securities Loan Facility (TALF). Under the TALF, the FRBNY will lend up to \$200 billion in the form of term (3-year), non-recourse loans to eligible owners of certain AAA-</p>

		<p>rated asset backed securities (ABS) backed by newly and recently originated auto loans, credit card loans, student loans and SBA-guaranteed small business loans. The purpose of the TALF is to spur lending to consumers and small businesses by reopening the securitization market for these loans.</p> <p>The first TALF offering will be in mid-March and subsequent subscriptions will take place each month thereafter. The TALF has been authorized to loan funds through the end of December 2009 or longer if the Federal Reserve Board chooses to extend the facility.</p> <p>Terms and conditions for the TALF as well as extensive FAQs can be <a href="http://www.newyorkfed.org/markets/talf_terms.html">www.newyorkfed.org/markets/talf_terms.html</a> and <a href="http://www.newyorkfed.org/markets/talf_faq.html">www.newyorkfed.org/markets/talf_faq.html</a></p>
e.	Emphasis on transparency and launch of the Board's new website detailing financial crisis stability measures (February 2009)	As part of the Federal Reserve Board's efforts to promote transparency of monetary policy, it recently launched a website <a href="http://www.federalreserveboard.gov/monetarypolicy/bst.htm">www.federalreserveboard.gov/monetarypolicy/bst.htm</a> that describes the new policy tools implemented by the Federal Reserve to address the financial crisis.
f.	Financial regulatory reform	<p>Some highlights:</p> <p>The U.S. Treasury has been tasked with writing a report addressing regulatory reform, which is due by the end of April. It is not clear at this time whether the report will have specific details or will instead be more of a high-level outline. Regulatory reform is also expected to be on the Obama administration's agenda for the G20 meeting as well.</p> <p>The U.S. Congress will hold hearings to address regulatory reform in March and April in both the House of Representatives and the Senate. Legislation will be expected sometime in the early summer. It is expected that one regulatory body will be designated as the systemic risk regulator for the U.S. and that such regulator will have broad authority to review financial institutions across different financial product markets.</p>

		It is likely that the U.S. Congress will also turn to hedge fund regulation, which will be overseen either by the Securities and Exchange Commission or by the systemic risk regulator. The Federal Reserve will likely ask for formal, legal authority over settlement and clearing.
<b>5.</b>	<b>HKMA initiatives – update</b>	<b>Hong Kong Monetary Authority</b> Mr Steven Parker, Ms Joanna Wong
a.	Expansion of deposit protection in Hong Kong	<p>Under Hong Kong’s Deposit Protection Scheme (“DPS”) the amount of compensation that a person is entitled to receive in respect of a failed bank cannot exceed HK\$100,000. Deposits in restricted licence banks and deposit-taking companies are not covered by the DPS.</p> <p>On 14 October 2008 the Hong Kong Government announced it would use the Exchange Fund to guarantee repayment of all customer deposits with all authorized institutions (“AIs”) (i.e. banks, restricted licence banks and deposit-taking companies).</p> <p>The guarantee was effective immediately and will remain in place until the end of 2010. The guarantee covers all protected deposits as defined in the DPS Ordinance held with AIs. The HKMA has taken steps to monitor activities of AIs with a view to pre-empting the emergence of imprudent business practices because of the potential moral hazard that might be engendered by the availability of the guarantee.</p>
b.	Developments in respect of renminbi business in Hong Kong and the HKMA's role	<p>There are no currency restrictions in Hong Kong as opposed to China and until a few years ago, Hong Kong banks lacked the ability to clear renminbi (“RMB”) because circulation of RMB outside of China was restricted.</p> <p>In 2003 the People’s Bank of China (“PBoC”) appointed the Bank of China (Hong Kong) Limited (“Clearing Bank”) to act as the clearing bank for RMB business in Hong Kong.</p>

		<p>Under this scheme a participating bank in Hong Kong, which has entered into a settlement agreement with the Clearing Bank, can take RMB deposits from Hong Kong residents. The Clearing Bank is the conduit through which RMB is “repatriated” to China. It maintains an account with the Shenzhen Branch of the PBoC and places RMB deposits collected from the participating banks into this account. Other services the participating banks can offer to persons include currency exchange, remittance services and RMB debit and credit cards, subject to certain restrictions.</p> <p>The RMB business conducted in Hong Kong was expanded in 2005 and 2007. To facilitate the issuance and trading of RMB-denominated bonds, enhancements were made to the HKMA’s Real Time Gross Settlement System to provide PvP service in respect of RMB funds, and its Central Moneymarkets Unit which serves as a central depository for such bonds.</p> <p>One role of the HKMA, as the supervisor of banks in Hong Kong, is to ensure that banks are able to address the legal and reputational risks that come with their contractual obligations with the Clearing Bank. The HKMA has also put the participating banks on notice that they need to be cautious of the liquidity risk and market risk involved in dealing with RMB bonds.</p> <p>In December 2008, the PBoC and the HKMA signed a currency swap agreement with an initial term of 3 years, which allows for short-term liquidity support to be provided to the Mainland operations of Hong Kong banks and the Hong Kong operations of Mainland banks in case of need.</p> <p>Also in December 2008, the Central Government of China announced a pilot scheme to allow the settlement of trade outside of China with RMB. Once the programme is up and running, companies in Hong Kong, Macau and the 10 Asean countries could use RMB to settle trade in goods with their partners in selected provinces of China.</p>
<b>6.</b>	<b>SNB initiatives – update</b>	<b>Swiss National Bank</b> Dr Hans Kuhn

a.	Crisis Management	<p>SNB reports on the status of the stabilization package for UBS announced on 16 October 2008. A core element of this package is the purchase from UBS of up to USD 60 billions (later reduced to USD 40 billions) in legacy assets. The implementation of this transaction should be completed by the end of March 2009. One of the lessons that can be drawn from this intervention is that the concept of offloading toxic assets on a bad bank worked well, but its implementation is extremely complex and time consuming; hence the approach is not scalable infinitely.</p>
<b>7.</b>	<b>MAS initiatives – update</b>	<p><b>Monetary Authority Singapore</b> Mr Ng Heng Fatt, Ms Denise Wong, Ms Liew Siok Fang, Ms Dawn Chew</p>
a.	Fed-MAS Swap Facility	<p>On 30 Oct 2008, MAS joined global central banks in establishing a temporary reciprocal currency arrangement (swap line) of US\$30 billion with the US Federal Reserve. The swap facility represents the ongoing co-operation between the Federal Reserve and MAS to enhance the robustness of the US dollar funding and foreign exchange markets in Singapore by reassuring global financial institutions operating in Singapore that they have access to US dollar liquidity.</p> <p>On 3 Feb 2009, the Federal Reserve extended their temporary reciprocal currency arrangements (swap lines) to 30 Oct 2009.</p> <p>We would like to take this opportunity to thank our colleagues at the Federal Reserve for the establishment of the swap facility.</p>
b.	ASEAN + 3 – Chiang Mai Initiative	<p>The Chiang Mai Initiative is a regional financing arrangement comprising a network of bilateral swap arrangements amongst the ASEAN plus 3, i.e. China, Japan and South Korea. It was established in 2000 after the 1997-98 Asian financial crisis to prevent a repeat of the turmoil.</p> <p>In 2007, it was agreed that the bilateral swap arrangements network will be multilateralised by way of a self-managed reserves pooling arrangement – where funds committed by member countries would be pooled together, but with each member continuing to manage the funds its</p>

		<p>commits as part of its own reserves.</p> <p>The Finance Ministers of ASEAN plus 3 met on 22 Feb 2009 in response to the current global economic turmoil. It was agreed at this meeting that the total size of the Multilateralised Chiang Mai Initiative (“CMIM”) will be increased from the initially agreed level of US\$80 billion to US\$120 billion, the proportion of the amount of contribution between the ASEAN and the Plus 3 countries will be maintained at 20:80 respectively.</p> <p>The US\$120 billion pool of foreign-exchange reserves can be used by countries to defend their currencies amid the deepening global recession.</p> <p>In the interim, the existing bilateral swap arrangement network should play its full role and be strengthened in terms of size and participants as necessary.</p>
c.	Review of regulatory regime for sale and marketing of structured products	<p>In light of the issues surrounding the sale of structured products such as the Lehman Minibond Note Programme which has resulted in many investors in Singapore suffering significant losses, MAS has announced that it will undertake a review of its regulatory regime for the sale and marketing of structured products.</p> <p>The review will consider stronger suitability requirements for certain types of products, clearer product labelling, and simpler descriptions of the features and risks of products so that they can be more readily understood.</p> <p>The review will also examine whether any enhancements should be made to ensure a clearer separation between a bank’s traditional deposit-taking business and its investment product sales and marketing activities.</p> <p>However, MAS is careful not to come up with overly prescriptive rules which may not serve all investors.</p>



		MAS intends to conduct a public consultation on the proposals by mid-March 2009. We will provide further updates on this review at the next video conference.
<b>8.</b>	<b>Other issues</b>	
a.	Date and Organisation of Next meeting	FMLC kindly offers to organise and host the next conference.