

Contents

1 Member Statement	1
2 Executive Summary	3
3 Annual Report Recommendations.....	11
3.1 Reforms to Address Structural Vulnerabilities	11
3.2 Heightened Risk Management and Supervisory Attention	13
3.3 Housing Finance Reforms	16
3.4 Progress on Implementation and Coordination of Financial Reform	19
4 Macroeconomic Environment.....	23
4.1 U.S. Economic Activity	23
4.2 Private Nonfinancial Balance Sheets and Credit Flows	27
4.3 Government Sectors	33
4.4 External Environment.....	37
5 Financial Developments.....	45
5.1 Major Financial Markets.....	45
BOX A: Impacts of Downgrade of U.S. Treasury Securities	46
BOX B: Greek Sovereign Debt Restructuring	48
BOX C: Recent Fiscal and Banking Developments in Spain	50
5.2 Bank Holding Companies and Depository Institutions	64
5.3 Other Financial Institutions.....	73
BOX D: MF Global Bankruptcy	78
BOX E: Current Status of Remaining Stabilization Facilities Inaugurated During the Crisis.....	84
5.4 Financial Market Infrastructure	86
BOX F: Algorithmic and High-Frequency Trading	88

6 Regulatory Developments; Council Activities	97
6.1 Safety and Soundness	97
6.2 Financial Infrastructure, Markets, and Oversight.....	106
6.3 Consumer and Investor Protection.....	113
6.4 Council Activities	118
7 Potential Emerging Threats	123
7.1 Framework: Threats as a Combination of Shocks and Vulnerabilities ...	123
7.2 Areas of Heightened Uncertainty.....	124
7.3 Robustness of Financial Institutions and Markets	127
7.4 Continuing Vulnerabilities in the Financial System.....	130
BOX G: Ongoing Vulnerabilities in the Tri-Party Repo Market.....	133
BOX H: Money Market Fund Responses to Euro Area Uncertainty	134
Appendix A	145
Glossary	189
Abbreviations.....	199
Notes on the Data	207
List of Charts	209
Endnotes	215