



Report from the Chair of the Assessment Committee

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The Assessment Committee (AC), established in early 2012, develops and delivers programs to identify and assess implementation of IOSCO's *Objectives and Principles of Securities Regulation* (IOSCO Principles) and other standards and policies set out in IOSCO reports or resolutions approved by IOSCO (IOSCO Standards) across the IOSCO membership.

I am ably assisted by Amarjeet Singh from the Securities and Exchange Board of India (as Vice-Chair) and Jean-Paul Bureaud from the Ontario Securities Commission, who chairs the Implementation Task Force Sub-Committee (ITF SC).

We have 27 IOSCO members represented on the Committee, with the International Monetary Fund (IMF) as an observer.

Responsibilities of the Assessment Committee

The AC is responsible for:

1. The design and conduct of reviews of implementation across the IOSCO membership of particular IOSCO Principles and particular standards developed by IOSCO (Thematic Reviews);
2. The design and conduct of reviews of Self Assessments prepared by particular IOSCO members about implementation of IOSCO Principles (Country Reviews); and
3. Maintaining and periodically updating the IOSCO Principles and related Methodology through the ITF SC.

Achievements

The twelve months to July 2014 have been particularly busy. We have achieved much.

We have completed three Thematic Reviews, started and progressed four other Thematic Reviews and started our first Country Review. We have refined our processes for conducting our Thematic Reviews – reflecting our commitment to continuous improvement to ensure a quality product of value to IOSCO, our members and our stakeholders.

The ITF SC has developed a framework to review the IOSCO Principles and supporting Methodology.

I would like to thank AC members for their hard work through this period and particularly to those who have participated in or led Review Teams.

I would like to briefly outline our achievements through this period.

Thematic Reviews

Completed Reviews

In September 2013, we published the final report of our first Thematic Review of the implementation of IOSCO Principles 6 and 7 (which are about processes to monitor, mitigate and manage systemic risk and reviewing the regulatory perimeter, respectively). The review was conducted by a Review Team, comprising representatives from nine jurisdictions led by Gert Luiting of the Netherlands AFM. The review provided us with a snapshot of implementation of these Principles across IOSCO's membership. Rather than being a benchmarking exercise, the review was an opportunity for members to identify and share better developed processes, implementation experiences, the challenges faced and how they have been dealt with. The review was also an important learning experience that helped us to further hone and develop AC processes.

The review found:

1. On Principle 6, good progress has been made in developing processes and procedures to identify systemic risks. However further work is needed to develop processes to manage and mitigate systemic risks.
2. On Principle 7, many jurisdictions had developed processes to review the regulatory perimeter – with many of those processes being informal rather than formal. The review saw scope for members to better articulate their responsibilities, powers and objectives to achieve the outcomes sought by this Principle.
3. The review also identified the need for IOSCO to provide more detailed and granular guidance about the characteristics and features of processes that IOSCO members should have in place for both Principles.

In late 2013, IOSCO was asked by the FSB's Official Sector Steering Group (OSSG) to review the implementation of IOSCO's 2013 Principles on Financial Benchmarks (Financial Benchmark Principles) by the administrators of three key interest rate benchmarks – EURIBOR, LIBOR and TIBOR. The review was conducted by the AC working with the Task Force on Financial Market Benchmarks (benchmark task force) and jointly led by Australian ASIC and the UK FCA. The review outcomes were shared with the OSSG in May 2014.

Following on from this review, the OSSG, through its Foreign Exchange Benchmarks Group (FXBG), asked IOSCO to conduct a review of implementation of the

Financial Benchmark Principles by the administrator of the London 4pm closing fix for foreign exchange rates. This review was conducted during April and May 2014 by a joint AC/benchmark task force review team led again by Australian ASIC and the UK FCA. A final report was presented to the FXBG in late June.

Our important work on these reviews was well received by the OSSG and was factored into the further development of the global regulatory landscape for benchmarks. Again the reviews gave us the opportunity to refine and improve our processes.

Thematic Reviews in Train

The AC has also started and progressed four other Thematic Reviews. Specifically:

- > A review of implementation of reforms to the regulation of derivatives market intermediaries (DMI). This is a review of the status of DMI regulation and – where DMI reforms are yet to be implemented – the timetable for implementation of reforms in this important area. The review started in late 2013 and is expected to report in late 2014. The report is expected to flag the need for a further review of the consistency of reforms against IOSCO's June 2012 *Report on International Standards for Derivatives Market Intermediary (DMI) Regulation*. The review is being co-led by the Ontario OSC and Australian ASIC;
- > Assessment of regulatory requirements about the timeliness and frequency of disclosure to investors about issuers and collective investment schemes (CIS) under IOSCO Principles 16 and 26. This review was also started in late 2013 and is expected to report in late 2014. It is being led by Italian CONSOB;
- > A review of the status of implementation of IOSCO's recommendations about incentive alignment in its November 2012 *Final Report on Global Developments in Securitisation Regulation*. This review was included in the G20 Leaders' Roadmap towards Strengthened Oversight and Regulation of Shadow Banking (Shadow Banking Roadmap) agreed in St Petersburg in September 2013. Progress and preliminary findings will be reported to the G20 Leaders in Brisbane in November 2014; and
- > A review of implementation of IOSCO's recommendations about the regulation of money market funds outlined in the October

2012 final report on Policy Recommendations for *Money Market Funds*. This review was also included in the Shadow Banking Roadmap agreed in St Petersburg in September 2013. Progress will be reported to the G20 Leaders in Brisbane in November 2014.

We are also playing a role in supporting the CPSS-IOSCO Steering Group through the CPSS-IOSCO assessment of the implementation of the *Principles on Financial Market Infrastructure*.

Country Reviews

In late 2012, we approached a pool of candidates to participate in our first Country Review and in 2013 received expressions of interest from four member jurisdictions.

Following further discussions in 2013, we are now working on a review of a self-assessment conducted by the Pakistani SECP against all but one IOSCO Principle, with the aim of completing work in late 2014. A review of Trinidad and Tobago is also expected to start in late 2014.

Positioning Strategy

In 2013 a working group convened by the AC Vice-Chair developed and is implementing a positioning strategy intended to help raise awareness of and demand for Country Reviews among IOSCO members.

Work of the ITF Sub-Committee

In June 2012, the ITF SC was established with responsibility for developing an ongoing and dynamic process for maintaining and updating the IOSCO Principles and related Methodology.

The 12 months to July 2014 have seen significant progress in the following areas under the leadership of Mr. Bureau of the OSC:

New IOSCO Framework for Updating the Principles and Methodology:

The ITF SC finalized a new *Framework for Updating the Principles and Methodology* (Framework), which was approved by the IOSCO Board in April 2014. The Framework establishes a structured and efficient process for updating the Principles and Methodology and helps to ensure that IOSCO's current thinking on core elements of a sound securities regulatory framework are appropriately reflected in a timely manner.

Initiating the first Review under the Framework

In May 2014, the ITF SC commenced its first review in accordance with the Framework. Three work-streams are currently underway to: (i) collect feedback from IOSCO Committees and Task Forces, IOSCO members and third-party assessors on what revisions and updates should be made to the Principles and Methodology; (ii) develop a questionnaire to seek feedback from IOSCO Committees and Task Forces on the impact of their reports on the Principles and Methodology; and (iii) streamline the footnotes in the Methodology and develop bibliographies to follow each chapter of Principles in the Methodology.

Correcting textual errors in the Methodology:

The ITF SC completed a comprehensive exercise to review and edit the 2011 Methodology to correct errors in grammar and syntax, and to clarify ambiguous text. The edited Methodology is available on the IOSCO website.

Translating the Methodology:

Work on translating the Methodology into IOSCO's other official languages – namely Spanish, French and Portuguese – was progressed with an external translator. A final review and verification of the translations is underway with the support of ITF SC members, with the aim of having them finalized this September for the IOSCO Annual Conference.

Revising the e-Methodology, an on-line system that was created by IOSCO to facilitate self assessments by its members:

The ITF SC is continuing to develop a new and improved on-line self-assessment questionnaire based on the 2011 Methodology using IOSCO's new technology platform.

Next Steps

Through this year, our main focus will be on completing the Thematic Reviews and Country Reviews we have underway.

The main challenges I see in our work going forward will be developing assessment methodologies suited to reviews, resourcing and delivering timely and robust assessments and reviews in each of our work programs, and aligning our work with that of the Financial Stability Board and the International Monetary Fund.

