



Report on the Assessment Committee

- > Chair: **Mr. Amarjeet Singh**, Chief General Manager, Securities and Exchange Board of India
- > Vice Chair: **Mr. Jean Lorrain**, Director, International Affairs, Autorité des marchés financiers, Quebec

A wave of standard setting in the wake of the global financial crisis has given Implementation Monitoring (IM) a fresh impetus in recent years. The gathering momentum of IM spurred IOSCO to identify it as one of the six priority areas in the IOSCO Strategic Direction 2015 to 2020.

IM is largely entrusted to the Assessment Committee (AC), which is mandated to promote full, effective and consistent implementation of Principles and Standards across IOSCO membership. Since its inception in 2012, the Committee has made rapid progress and played an impactful role in the financial regulatory world.

The year 2016 was witness to several important milestones in AC's exciting journey in the assessment universe.

Thematic Reviews

Thematic Reviews (TRs) form a key component of the AC's program.

During the year, the AC in collaboration with Committee 3 on Regulation of Market Intermediaries made significant progress on a TR on adoption of *Recommendations*

regarding the Protection of Client Assets. Thirty-seven jurisdictions are participating in this review.

The AC also continued to monitor the progress on implementation of the IOSCO Principles for Financial Benchmarks:

- > It completed and published the second review of implementation of these Principles by Administrators of the Euro Inter-Bank Offer Rate (EURIBOR); the London Inter-Bank Offer Rate (LIBOR); and the Tokyo Inter-Bank Offer Rate (TIBOR);
- > It progressed the follow-up review of these Principles in respect of the WM/Reuters 4 p.m. Closing Spot Rate.

During 2016, the AC also conducted follow-up work on its Money Market Fund (MMF) and Securitization reviews for an update to the Financial Stability Board (FSB). These updates are included in the FSB's dashboard on implementation monitoring for G20 leaders.

Country Reviews

The AC completed and published the final report *Country Review of Republic of Trinidad and Tobago*, which is its second country review. The latest review – sought by the Trinidad and Tobago Securities and Exchange Commission – assessed implementation of select IOSCO Principles.

The AC also made significant progress on the country review of Sri Lanka, aimed at assessing implementation of all IOSCO Principles (except Principle 38 relating to clearing and settlement).

Updating the IOSCO Principles and Methodology

Maintaining and periodically updating the IOSCO Principles and Methodology through the Implementation Task Force Sub-Committee (ITFSC) is another important responsibility of the AC. During 2016, the ITFSC, led by Philipp Sudeck of BaFin, was actively engaged in revising the Methodology.

The ITFSC followed a structured and collaborative approach and made substantial progress. The sub-committee conducted consultations with the policy committees and task forces and the regional Committees, GEM Committee and CPMI-IOSCO on the proposed revisions. The revision was approved at the 2017 Annual Conference.

New Initiatives

The AC has been considering augmenting its tool kit by introducing a new, efficient and fairly reliable monitoring mechanism, particularly in the context of its resource constraints. Driven by this thinking, the AC has developed a new tool, christened ISIM (IOSCO Standards Implementation Monitoring) to monitor the implementation of the IOSCO Principles based on self-assessments. The ISIM program is expected to enhance the implementation monitoring in a resource efficient manner. The Board approved this initiative in 2016.

During 2016, the AC took another significant initiative by taking over from the Financial Stability Board (FSB) the Implementation Monitoring Network (IMN) survey relating to the securities market reform areas (**Box-1**).

Box - 1: IOSCO's engagement with IMN

Since 2010, the FSB has conducted an annual IMN survey of FSB jurisdictions, asking them to self-report the status of implementation of G20/FSB post-crisis recommendations in the areas not designated as priority areas.

A number of these recommendations relate to securities markets. For the 2016 survey, the AC took over for the first time the analysis for recommendations that pertain to securities markets, viz:

- i. Hedge funds;
- ii. Structured products and securitization;
- iii. Oversight of credit rating agencies;
- iv. Measures to safeguard the efficiency and integrity of markets; and
- v. Supervision and regulation of commodity derivative markets.

This work also led IOSCO to publish separately its own report *Implementation Report: G20/FSB Recommendations related to Securities Markets* in October 2016.

The coming year

The AC's work in the coming year will be guided by the Board priorities decided upon in accordance with new Board procedures. For its ISIM program in 2017, the AC is conducting a monitoring exercise on a carefully chosen set of principles across a wide range of jurisdictions. The AC will also continue with its other streams of work, including new thematic reviews and follow-up reviews/updates. The AC will seek to improve upon the IMN survey relating to securities markets, as it continues this work stream. In line with its dynamic approach, the AC will continue to reflect on how to improve its effectiveness and add new products to its tool kit.

Further, mindful of the need to enhance its assessments going forward, the AC is contemplating taking up level 2 reviews involving monitoring of consistency in implementation. The AC is also considering developing its capacity for assessing the effectiveness of reforms, to meet FSB expectations.

Finally, the AC would like to thank and to acknowledge the stellar contribution made by Steven Bardy (and his team at ASIC), who, as Chair of the AC from 2012 to 2016, laid its foundation, paving the way for the committee's many achievements.

The IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) Screening Group

- > Chair: **Mr. Jean-François Fortin** (Québec AMF)
- > Vice Chair: **Ms. Jane Attwood** (UK FCA)

The *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (MMoU) represents a common understanding among its signatories of how they should consult, cooperate, and exchange information for the purpose of regulatory enforcement regarding securities markets.



The Screening Group is tasked with reviewing MMoU applications to establish whether applicants meet the requirements for becoming signatories to the IOSCO MMoU. At the same time, the IOSCO General Secretariat offers guidance and other assistance to non-signatories to encourage them to move forward with their applications.

MMoU Compliance

In 2016, three IOSCO members signed the MMoU, bringing the total number of signatories to 109 by year end.

- > Superintendencia de Compañías, Valores y Seguros (SCVS) Ecuador, February
- > Autoriti Monetari Brunei Darussalam (AMBD) Brunei, March
- > Turks & Caicos Islands Financial Services Commission (TCIFSC) Turks & Caicos Islands, March

Another three members signed in mid-January 2017:

- > Financial Services Regulatory Authority (FSRA) Abu Dhabi

- > Qatar Financial Centre Regulatory Authority (QFCRA) Qatar
- > Capital Markets Authority (CMA) Uganda

In mid-January 2017, sixteen members were listed on Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions, but are committed to becoming signatories. One member had not yet agreed to be listed on that Appendix, and another application was in an initial review process. At that time, most of the 18 ordinary members that remained non-signatories to the MMoU had taken steps to address through legislative amendments the issues preventing them from complying with the MMoU requirements.

The growing number of signatories has increased cross-border cooperation, enabling regulators to investigate a growing number of insider traders, fraudsters and other offenders. In 2003, a total of 56 requests for assistance were made by IOSCO members pursuant to the MMoU; the annual figure increased to 3,203 in 2015 and to 3,330 in 2016.

Enhanced MMoU

The current MMoU has set the benchmark for international cooperation among securities regulators on enforcement matters. By facilitating information sharing and cooperation, the MMoU enables the detection and prosecution of fraud and illegal conduct, deters wrongdoers and prevents regulatory arbitrage.

But since 2002, when the current MMoU was established, significant change has swept across financial markets, driven by new technologies and regulation, and the growing role of market-based finance in the global economy. These changes propelled IOSCO to develop an enhanced standard that goes beyond the MMoU and takes into account these recent market developments.

At the annual meeting in Lima in May 2016, the IOSCO Presidents Committee adopted a resolution approving the text of the Enhanced MMoU (EMMoU), which builds upon the current MMoU. IOSCO has extended the MMoU information-sharing framework to include five new enforcement powers that it believes are necessary to increase cooperation and sustain the integrity and stability of markets. Known as the ACFIT powers, these powers will enable members to:

- A:** Obtain and share **Audit** work papers, communications and other information relating to the audit or review of financial statements;
- C:** **Compel** physical attendance for testimony (by being able to apply a sanction in the event of non-compliance);

F: **Freeze** assets if possible or, if not, advise and provide information on how to freeze assets, at the request of another signatory;

I: Obtain and share existing **Internet** service provider records (not including the content of communications), including with the assistance of a prosecutor, court or other authority, and to obtain the content of such communications from authorized entities; and

T: Obtain and share existing **Telephone** records (not including the content of communications), including with the assistance of a court, prosecutor, or other authority, and to obtain the content of such communications from authorized entities.

In addition, the EMMoU envisages the obtaining and sharing of existing communications records held by regulated firms.

IOSCO began to accept applications from signatories to the EMMoU in April 2017.









Capacity Building

In September 2013, IOSCO established the Board-level Capacity Building Resources Committee to manage the implementation of a capacity building strategy focused on technical assistance, and education and training for members, especially in emerging markets jurisdictions.

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Based on a comprehensive survey of capacity building priorities and input provided by the Growth and

Emerging Markets (GEM) Committee, the IOSCO General Secretariat prepared a draft workplan and an accompanying resourcing strategy, which were subsequently approved by the IOSCO Board.

Main activities included the creation of the Online Toolkit for Regulatory Capacity Building (Online Toolkit) and the organization of two additional regional



training seminars. These capacity building activities complemented the long-standing and on-going education and training activities that IOSCO offers its members and have been resourced by a one-off additional fee from nominated Board members.

The Online Toolkit was launched on 8 March 2016 and is available to all IOSCO members. The Online Toolkit includes two initial components risk-based supervision and enforcement, the two top priorities identified by growth and emerging markets members. Each component consists of numerous sections, including modular guidance; standards (derived from IOSCO Reports); case studies and member practices; webinars and presentations; and bibliography and academic research – all of which provide useful tools for building capacity. The purpose of the toolkit is to assist IOSCO members in their efforts to develop and implement effective regulatory frameworks for capital markets regulation. The toolkit is designed to offer

IOSCO members information in one readily available place to inform and guide their own regulatory efforts.

Two regional seminars complemented the toolkit focusing on the same two topics, risk-based supervision and enforcement.

The training seminar for the Africa/Middle-East region was hosted by the Qatar Financial Markets Authority between 26-28 January 2016 in Doha, Qatar. This seminar on *Risk-Based Supervision and SME Financing through Capital Markets* was attended by around 65 participants from some 15 different jurisdictions.

The training seminar for the Asia-Pacific region was hosted by SEBI of India and its National Institute of Securities Markets (NISM) between 3-5 February 2016 in Mumbai, India. Some 70 participants from around 20 different jurisdictions attended this seminar on *Enforcement, Cooperation and the IOSCO MMoU*.