

# MEDIA STATEMENT



International Organization of Securities Commissions  
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IOSCO/MS/05/2009

## **IOSCO update on progress made in addressing G-20 concerns**

IOSCO is the world's international cooperative forum for securities regulatory agencies and recognized as the international standard setter for securities markets. IOSCO's broad membership of more than one hundred jurisdictions, which is growing steadily, regulates more than 95% of the world's securities markets.

Transparency and market integrity are critical to investor confidence, as both foster trust and promote fairness and efficiency in the world's capital markets. Transparent, unbiased and accurate financial reporting and disclosure by the entities whose securities are traded in those markets, as well as transparency in market transactions, allow investors to make informed investment decisions.

IOSCO members, charged with protecting investors, are focused on learning from the crisis and addressing the regulatory gaps that contributed to erosion of investor confidence. These can be broadly broken into three categories: transparency, market integrity, and enforcement.

**Transparency:** One key area in which transparency is provided to investors is through high-quality accounting standards and financial reporting. In support of this aim, IOSCO and its members have established a Monitoring Board to interact with the International Accounting Standards Committee Foundation (IASCF), the public interest overseer of the International Accounting Standards Board (IASB). The IASB is the independent accounting standards setter that produces International Financial Reporting Standards (IFRS), now used in over 100 countries.

Through the Monitoring Board, which held its inaugural meeting in London on the eve of the G-20 Summit, securities regulators that allow or require the use of IFRS in their jurisdictions have a means to ensure that IFRSs are being developed in accordance with procedures and policies that protect the interests of investors. As the Monitoring Board interacts directly with the IASCF rather than the IASB,

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the independence of the IASB as a standard-setter, which is critical to the development of high-quality standards based on technical expertise, is preserved. The Monitoring Board includes representatives of securities regulators in both developed and emerging markets, which is reflective of the widespread use of IFRS.

IOSCO and its members have also worked with the IASB and other standards setters to expeditiously improve the quality of and guidance regarding accounting standards, particularly those that have proved challenging to implement in recent extreme market conditions. Two notable examples are the standards relating to valuations in illiquid markets and loan loss provisioning. This push for quick action is balanced by the fundamental principle that accounting standards should be developed for the purpose of providing investors with the information they need to make investment decisions.

***Market Integrity:*** Investor confidence is also predicated on the certainty that financial market transactions are carried out according to clear rules to which all market participants are subject. In support of this, IOSCO has undertaken a variety of projects to eliminate regulatory gaps that have helped undermine market integrity and investor confidence. These include:

**Credit rating agencies:** IOSCO has updated its Code of Conduct for credit rating agencies, representing the international consensus as to what regulators expect of CRAs with regard to transparency; conflicts of interest; obligations to the investing public and issuers; quality and integrity of the rating process; and treatment of non-public information.

IOSCO has also developed a model examination module for use by regulators when inspecting a CRA against regulatory requirements based on the IOSCO CRA Code. It is also exploring options regarding supervisory cooperation, including supervisory colleges and/or bilateral cooperation arrangements, for possible use with respect to CRAs operating globally.

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**Hedge funds:** IOSCO has published a consultation paper with recommended regulatory approaches to mitigate potential risks associated with the trading and traditional lack of transparency of hedge funds.

**Short sales:** IOSCO has published a consultation paper proposing principles for the regulation of short selling to enhance transparency and curb abusive short selling.

**Enforcement:** Even with the best market rules, investors will only have confidence in markets where they know that these rules are strongly enforced. IOSCO has developed and implemented its Multilateral Memorandum of Understanding (MMoU) to facilitate such enforcement. Specifically, the MMoU establishes a global infrastructure for cooperating on enforcement actions against securities violations. Signatories to the MMoU have the legal authority to effectively penetrate traditional banking secrecy barriers to the exchange of information across borders. This helps prevent wrongdoers from escaping prosecution by hiding across national borders. The MMoU, with over 50 signatories, is a model for improving cooperation in cross-border enforcement outside the securities and derivatives context.

While the IOSCO MMoU has been a public effort to improve cooperation among willing jurisdictions, IOSCO's less visible efforts to generate improvements in cross-border cooperation with "non-cooperative jurisdictions" has been equally effective in prompting greater cooperation.

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