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International Organization of Securities Commissions
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IOSCO progresses G20 objectives on commodities markets

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published its [*Task Force on Commodity Futures Markets - Report to the Financial Stability Board*](#) (Report). The Report sets out IOSCO's current work on the supervision of commodity derivative markets, market transparency, and the ongoing monitoring of developments in OTC financial oil markets.

The Report was prepared in response to the G20's request in Seoul, November 2010, for an update to be provided to the Financial Stability Board on IOSCO's workstreams in support of the G20's aim of improving the regulation and supervision of exchange-traded, OTC derivative and physical commodity markets. It also outlines IOSCO's future plans and possible additional new areas of focus.

Hans Hoogervorst, Chairman of IOSCO's Technical Committee, said:

“IOSCO believes that its work to date on the review of the Tokyo Communiqu , price reporting agencies and the creation of a trade repository, demonstrates significant progress in advancing its mandate and responding to the G20's requests on commodity derivatives and related physical markets.

“We remain focused on our goal of working to enhance supervisory best practice, improve transparency and support improved functioning in exchange-traded, OTC derivative and physical commodity markets.”

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“However, while much of our recent work has focused on oil derivatives and the transparency and functioning of oil markets, IOSCO recognises that its focus should broaden to encompass other commodities, in recognition of the fact that other markets including agricultural markets are crucial for our economies and that each market has individual intricacies specific to their physical underlying.

“IOSCO is also considering placing its work on commodities markets on a more permanent basis within the organisation. This expanded focus will include making new recommendations for further work which is likely to lead to proposals to improve market transparency, oversight and anti-market abuse treatment for these commodities markets, where necessary.”

Current Workstreams of the Task Force on Commodity Futures Markets

The following workstreams are currently being undertaken by the Task Force on Commodity Futures Markets:

Supervision of Commodity Derivative Markets: Review of the Tokyo Communiqué

This work is aimed at updating and reviewing the existing guidance on contract design and market surveillance for commodity contracts set out in the 1997 Tokyo Communiqué on Supervision of Commodity Futures Markets. The Tokyo Communiqué includes *Guidance on Standards of Best Practice for the Design and/or Review of Commodity Contracts* and *Guidance on Components of Market Surveillance and Information Sharing*.

The Task Force is undertaking work to update the content of the Communiqué in light of market developments since 1997, which will include recommendations on market surveillance, information sharing, market transparency and the design of commodity futures contracts which are intended to ensure the overall orderly and efficient functioning of derivative markets where the underlying is a physical commodity. The intention of the Task Force is to finalise and submit a full set of recommendations in time for the G20’s October 2011 Finance Ministers meeting.

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Price Reporting Agencies

The Task Force is engaging with representatives from the International Energy Forum (IEF), International Energy Agency (IEA), and the Organisation of Petroleum Exporting Countries (OPEC) to assess the impact of oil price reporting agencies on overall market functioning and on financial markets in particular, in line with previous recommendations made on the need for improved physical market transparency.

The study is aimed at informing the G20 about the influence and impact that price reporting agencies have on price discovery for various types of crude oil and in particular how this feeds into financial markets, since many price reporting agency benchmarks are used in exchange settlement prices. The agencies will make an initial report to the G20's Finance Ministers at their 14 April 2011 meeting. Final conclusions are intended to be available to the G20's Finance Ministers at their October 2011 meeting.

Regulation and Transparency of the Financial Oil Market

The main focus of the Task Force in monitoring OTC oil markets is to encourage ongoing work by the ISDA Commodities Steering Committee (COSC) towards the creation of a trade repository for commodity derivatives, initially focusing on financial oil transactions. These efforts have resulted in the issuance by ISDA of a request for proposals (RFP) from potential service providers to set up a trade repository

Although the Task Force encourages any effort that provides worthwhile transparency, it does not specifically endorse or oversee ISDA's request for proposal process. ISDA's repository shall provide a structure for market participants to report transaction information both to regulators and to market participants, with flexibility for regulatory data requests and changes in content and functionality, with the aim of improving oversight, understanding and transparency of OTC financial oil derivative

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markets. ISDA currently intends that its repository should begin operation in Q1 2012.

NOTES FOR EDITORS

1. [Task Force on Commodity Market Futures – Report to the Financial Stability Board](#);
2. [Task Force on Commodity Market Futures – Report to the G20](#) November 2010;
3. [Tokyo Communiqué](#);
4. IOSCO is the leading international policy forum for securities regulators. The organization's membership regulates more than 95% of the world's securities markets in over 100 jurisdictions and its membership is steadily growing.
5. The [Technical Committee](#), a specialised working group established by IOSCO's Executive Committee, is made up of 18 agencies that regulate some of the world's larger, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. Mr. Hans Hoogervorst, Chairman of the Netherlands Financial Markets Authority (AFM) is the Chairman of the Technical Committee. The members of the Technical Committee are the securities regulatory authorities of Australia, Brazil, China, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Ontario, Quebec, Spain, Switzerland, United Kingdom and the United States.
6. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognised and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
 - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
 - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

MEDIA ENQUIRIES

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