

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

IOSCO/MR/05/2012

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IOSCO consults on exchange traded funds regulation

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published a consultation report, *[Principles for the Regulation of Exchange Traded Funds](#)*, which examines the key regulatory issues regarding ETFs. It also proposes 15 principles against which both the industry and regulators can assess the quality of regulation and industry practices relating to ETFs regarding investor protection, sound functioning of markets and financial stability.

Interest in ETFs has increased worldwide as evidenced by the significant amount of money invested in these types of products. This dynamic growth has drawn the attention of regulators who are concerned about the potential impact of ETFs on investors and the marketplace.

To address these concerns, the Consultation Report proposes 15 principles that reflect a level of common approach and are a practical guide for regulators and industry practitioners. The proposed principles address ETFs that are organised as Collective Investment Schemes (CIS) and are not meant to encompass other Exchange-Traded Products (ETPs) that are not organised as CISs.

Fourteen of the proposed principles are categorized under the following three headings:

- Principles related to ETF classification and disclosure
- Principles related to Marketing and Sale of ETF shares
- Principles related to the structuring of ETFs

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Potential Broader Risks to Financial Stability

The Consultation Report also considers the potential broader risks to financial stability arising from ETFs and other ETPs. It suggests that regulators should bear in mind that recommendations made for the ETF industry may be applied elsewhere to other areas of financial services. These potential broader risks include the following:

- Risks arising on secondary markets (the risk of shock transmission)
- ETFs and market integrity (risk of misconduct)
- Risks to financial stability

The 15th principle for the regulation of ETFs relates to the broader risk of liquidity shocks and transmission across correlated markets.

IOSCO's Standing Committee on Investment Management seeks comments on the proposed principles, as well as on the other specific concerns, such as the following:

- Do the principles adequately address the regulatory issues raised by ETFs?
- Are the potential financial stability issues raised by ETFs appropriately addressed?
- Is there a need for further analysis of issues not exclusive to ETFs, for instance, by the Financial Stability Board?

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NOTES FOR EDITORS

1. CR05/12 [Principles for the Regulation of Exchange Traded Funds](#) 14 March 2012.
2. IOSCO is the leading international policy forum for securities regulators is recognised as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in 115 jurisdictions and its membership continues to expand.
3. 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. Masamichi Kono, Vice Commissioner for International Affairs at the Financial Services Agency of Japan (JFSA), 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.
4. 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.

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