

# 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

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## **IOSCO Publishes a Report for the G20 on the Credit Default Swap Market**

The International Organization of Securities Commissions has published today a report on the [\*Credit Default Swap Market\*](#), which seeks to inform the ongoing regulatory debate on CDS and highlight some of the key policy issues involving these financial swap agreements.

The report was mandated by the Group of 20 leading industrialized and emerging nations at the Cannes Summit in November 2011, where IOSCO was called on “to assess the functioning of credit default swap (CDS) markets and the role of those markets in price formation of underlying assets” by the next G20 Summit that begins on Monday in Los Cabos, Mexico.

The market for CDS is undergoing rapid change. Over the last several years, CDS contracts have become more standardized, and electronic processing and central clearing of trades have increased. Large amounts of CDS data have become publicly available and abundant research has been conducted to assess the role that CDSs play in global financial markets.

IOSCO’s report addresses the issues mentioned in the Cannes declaration and discusses the recent changes and current trends in the CDS markets. It also provides information from recent literature about the trading, pricing and clearing of CDS, while covering the following areas:

- Basic functioning of CDS contracts and market size
- Features of the CDS market
  - Contract standards
  - Market structure

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- Counterparty risk and collateralization
- CDS prices and bond spreads
- CDS role under Basel III

The impact of CDS on the bond market

- CDS impact on credit spreads and creditor incentives
- CDS impact on the secondary market of underlying bonds
- CDS role in the price discovery process

Among the report's conclusions is that existing empirical evidence on many aspects of the CDS market tends to be mixed such as on the impact of CDS on the orderly functioning of the primary and secondary markets of the underlying bonds and on creditor incentives, although the CDS market is found to have an important role in the price discovery process.

## NOTES FOR EDITORS

1. IOSCO, the leading international policy forum for securities regulators, is recognized 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.
2. IOSCO aims through its permanent structures:
  - to cooperate in developing, implementing and promoting adherence to internationally recognized 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;

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- 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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