

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/25/2012

Madrid, 5 October 2012

IOSCO Publishes Principles for Oil Price Reporting Agencies

The Board of the International Organization of Securities Commissions has published today its final report on [*Principles for Oil Price Reporting Agencies*](#) (PRAs), which sets out principles intended to enhance the reliability of oil price assessments that are referenced in derivative contracts subject to regulation by IOSCO members.

These principles were prepared in response to the G20 Leaders' request in November 2011 that "IOSCO, in collaboration with the IEF, the IEA and OPEC, [to] prepare recommendations to improve their functioning and oversight to our Finance Ministers by mid-2012" and followed by the G20 Leaders' Los Cabos Declaration.¹

This report builds upon issues that were identified in [*Oil Price Reporting Agencies*](#), the joint report of the International Energy Forum (IEF), International Energy Agency (IEA), Organization of Petroleum Exporting Countries (OPEC) and IOSCO, published in October 2011. It also has been informed by the comments received in response to IOSCO's March 2012 Consultation Paper [*Functioning and Oversight of Oil Price Reporting Agencies*](#), as well as discussions and comment by the international organizations at key points.

The PRA principles detail a set of recommended practices for PRAs aimed at promoting the quality and integrity of oil price assessments that will enhance the reliability of oil derivatives contracts that reference such assessments. This in turn will enhance the price discovery and risk management function

¹ G20 Leaders' Los Cabos Declaration states that "[w]e also look forward to IOSCO's recommendations to improve the functioning and oversight of Price Reporting Agencies in November 2012, which will be produced in collaboration with other mandated organizations (IEF, IEA and OPEC), and task Finance Ministers to take concrete measures in this area as necessary."

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

of the oil derivatives markets and help minimize the susceptibility of contracts to manipulation or price distortion.

Masamichi Kono, the Chair of the IOSCO Board said: "In response to the G20 Leaders' mandate, IOSCO and the other international organizations are proposing a significant step forward to strengthen the robustness and reliability of assessments referenced by oil derivatives contracts. We call on the PRAs to adopt these global principles."

Significant measures under the principles will expect PRAs to:

- Ensure that their methodologies provide sufficient information to explain how assessments are produced, including how changes to a methodology will be communicated to stakeholders;
- Give priority to concluded transactions and, if not, to explain the reasons;
- Adopt robust internal quality control procedures applicable to the submission and evaluation of market data used in an assessment;
- Adopt robust conflict of interest policies aimed at reducing the possibility of any undue influence in the assessment process;
- Institute documentation and retention policies (i.e., audit trail);
- Institute a formal complaints process, which includes recourse to an independent third party; and
- Commit to make available to market authorities audit trails and other related documentation intended to facilitate determination of the reliability of assessments or to investigate and prosecute illegal conduct affecting a derivatives market.

Although the PRA principles were developed in the context of oil derivatives markets, PRAs are encouraged to implement the principles more generally to assessments that are referenced by any commodity derivatives contract, without regard to the nature of the underlying.

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

The principles recognize that there is no requirement on any physical market oil participant to submit transaction data to PRAs. Because data are submitted on a voluntary basis, IOSCO's approach has focused on creating incentives for PRAs to institute processes that IOSCO believes will enhance reliability of assessments that are indicators of the values in the physical oil underlying a derivatives contract.

IOSCO recommends that market authorities consider whether to prohibit trading in any commodity derivatives contract that references a PRA-assessed price unless that assessment follows the PRA principles.

IOSCO proposes, in collaboration with the IEA, IEF and OPEC, to evaluate the implementation of the PRA principles after 18 months. Should IOSCO and the IOs conclude that implementation has been ineffective, further recommendations may be developed.

Said Jacqueline Mesa, Director of Office of International Affairs, the US Commodity Futures Trading Commission (CFTC), Co-Chair of the IOSCO Committee on Commodity Futures Markets: "The Principles IOSCO, in collaboration with other IOs, is endorsing today will help improve the reliability, integrity and consistency of oil PRA assessments used in global markets. We look forward to oil PRAs adopting the principles and will encourage adoption by assessing compliance with the principles."

The report complements the separate work IOSCO is undertaking on the broader issue of benchmarks across securities and derivatives and other financial sectors.² David Lawton, Director of Markets Division, the UK Financial Services Authority (UK FSA), Co-Chair of the IOSCO Committee on Commodity Futures Markets, said: "This report provides an excellent example of how IOSCO members can work together to produce a global solution for global markets. It is a significant milestone in the current wider international regulatory focus - including by IOSCO - on benchmarks."

² See IOSCO Press Release, *IOSCO Creates Board Level Task Force on Financial Market Benchmarks*, 14 September 2012, <http://www.iosco.org/news/pdf/IOSCONEWS250.pdf>

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

NOTES FOR EDITORS

1. IOSCO is the leading international policy forum for securities regulators and 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 it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr. Masamichi Kono, Vice Commissioner for International Affairs at the Financial Services Agency of Japan (JFSA), is the Chairman of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, Turkey, United Kingdom and the United States.
4. 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;
 - 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

Carlta Vitzthum
Outside office hours
Email:
Website:

+ 34 91 787 0419
+ 34 697 449 639
carlta@iosco.org
www.iosco.org