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International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
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## **IOSCO Reviews Implementation of Commodity Derivatives Market Principles**

The International Organization of Securities Commissions has published today the final report [\*Survey on Implementation of the Principles for the Regulation and Supervision of Commodity Derivatives Markets\*](#), which reviews how Market Authorities<sup>1</sup> comply with IOSCO's recommendations on commodity derivatives markets.

Results of the survey indicate that the majority of respondents were broadly compliant with the IOSCO [\*Principles on the Regulation and Supervision of Commodity Derivatives Markets\*](#), which were published in October 2011 and endorsed by the G20 a month later at its summit in Cannes. Also at Cannes, the G20 Leaders called on IOSCO to report on the implementation of its Principles by the end of 2012.<sup>2</sup>

In April 2012, IOSCO commissioned a survey on implementation of the recommendations on commodity derivatives market regulation in response to the request from the G20 Leaders. Thirty-seven market regulators answered the questionnaire. Their responses show how regulators globally undertake and execute regulation of both financial and, in some cases, physical markets. The fact that the survey was conducted shortly after publication of the Principles highlights the importance that both IOSCO and the G20 Leaders give to the implementation—and not just the development-- of IOSCO recommendations on securities and derivatives regulation, oversight and enforcement.

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<sup>1</sup> A Market Authority is a governmental regulator, a self-regulatory organization or a regulated market.

<sup>2</sup> At the G20 summit in Los Cabos, Mexico in June 2012, the G20 Leaders asked IOSCO to bring forward the date for reporting on the implementation of its Principles to November 2012.

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At Cannes, the G20 Leaders also stipulated that Market Authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, they said market regulators should have the ability to use formal position management powers, including the power to set ex-ante position limits, particularly in the delivery month where appropriate, among other powers of intervention. The G20 Leaders also reaffirmed their commitment to enhance transparency and avoid market abuse in cash and financial commodity markets, including over-the-counter markets.<sup>3</sup>

The 21 IOSCO Principles on commodity derivatives markets are grouped under the following five headings:

- Contract design;
- Market surveillance;
- Addressing disorderly markets;
- Enforcement and Information sharing; and
- Enhancing price discovery

According to the survey, where respondents were not in compliance with the Principles it was generally because there was no commodity derivatives market in that jurisdiction.

Where commodity derivative markets did exist, and Market Authorities were non-compliant, many have initiatives underway aimed at achieving full compliance in time.

The following areas can be noted as among those where there was a lower rate of positive responses by IOSCO members:

- The collection by a Market Authority of information on underlying warehouse stocks or other deliverable supplies (Principle 10);

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<sup>3</sup> [http://www.g20.org/images/stories/canalfinan/docs/cannes\\_summit\\_final\\_declaration.pdf](http://www.g20.org/images/stories/canalfinan/docs/cannes_summit_final_declaration.pdf)

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- The reporting to a Market Authority of large trader positions for relevant on-exchange commodity derivatives contracts (Principle 12);
- A framework that provides for detection and enforcement action against manipulative or abusive schemes that take place across multiple markets, including between on-exchange markets and OTC markets or between on-exchange markets and underlying physical commodity markets (Principle 16); and
- The publication of aggregate positions of different classes of large traders, especially commercial and non-commercial participants, within the bounds of maintaining confidentiality (Principle 21).

IOSCO will use this survey to discuss approaches to assist Market Authorities in implementing the Principles. For many IOSCO members, the process of completing the survey has provided the responding Market Authorities with the opportunity to self-audit current regulatory practices, which will prove useful for their on-going work.

## NOTES FOR EDITORS

1. The International Organization of Securities Commissions 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 its membership continues to expand.
2. The IOSCO Board is the governing and standard-setting body of 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 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.

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### 3. 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**

Carlta Vitzthum

Outside office hours

Email:

Website:

Follow IOSCO on Twitter [here](#).

+ 34 91 787 0419

+ 34 697 449 639

[carlta@iosco.org](mailto:carlta@iosco.org)

[www.iosco.org](http://www.iosco.org)