

# MEDIA RELEASE



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

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## **IOSCO Publishes Recommendations for Securitisation Regulation**

The International Organization of Securities Organizations (IOSCO) has published today a final report on [\*Global Developments in Securitisation Regulation\*](#), which proposes a series of recommendations aimed at ensuring securitisation markets develop, but on a sound and sustainable basis.

When functioning properly, securitisation is a valuable financing tool that contributes to economic growth and the efficient diversification of risk. However, the Global Financial Crisis is recognised as having damaged investor interest and confidence in these markets. Since the outbreak of the Crisis, global securitisation markets activity has suffered a significant downturn.

The Financial Stability Board (FSB) is in the process of reviewing reforms of securitisation markets, as part of its ongoing work for the G20 on the shadow banking sector. In this context, the FSB requested that IOSCO conduct a stock-taking exercise on certain aspects of securitisation, including risk retention, transparency and standardisation, and develop policy recommendations as necessary.

The Final Report on securitisation builds on earlier IOSCO work aimed at supporting sustainable growth of securitisation markets, including a Round Table with industry participants and responses to a Consultation Paper on [\*Global Developments in Securitization Regulation\*](#), published in June 2012.

IOSCO has worked on the premise that regulation can contribute to a restoration of confidence and trust by setting standards market participants must meet to address issues that surfaced through the Crisis. These include securitisation practices and structures that created misaligned or wrong incentives and

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encouraged inadequate risk management practices. IOSCO considers that risk retention requirements and enhanced disclosure requirements have an important role to play in addressing these issues.

IOSCO has analysed the various standards being implemented, and has considered the extent to which different approaches to regulatory reform might result in impediments to cross border activity. Based on this analysis, IOSCO identifies in its report a series of recommendations for consideration by regulators and policy makers.

These recommendations cover a roadmap toward convergence and implementation of approaches to incentive alignment, in particular regarding risk retention requirements. They build on recent developments in standardised templates for asset level disclosure and other disclosure-related initiatives to assist informed investment decisions. The report also sets out further issues for consideration to support sound regulation of sustainable securitisation markets.

Risk retention requirements better align the incentives of the suppliers of securitisation products (e.g. originators/sponsors etc.) and, in particular, investors. Enhanced disclosure requirements about the underlying assets, flow of funds or *waterfall* and performance of securitisation structures will help inform investors, and have the potential to re-build investor confidence in the securitisation market. The greater availability of information will also help reduce the reliance on credit ratings agencies.

## The Final Report:

- Makes observations about the role sound securitisation markets can play in supporting economic growth and the role regulation can play in reducing systemic risk and restoring investor trust and confidence;
- Provides a snapshot of the global securitisation markets;

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- Summarises key themes, observations and issues coming out of the responses to the Consultation Paper in relation to approaches to risk retention, transparency and standardisation; and
- Makes recommendations in relation to risk retention, transparency and standardisation.
- Identifies other medium or longer-term priorities for policy consideration.

## NOTES FOR EDITORS

1. IOSCO, 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 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.
3. The Emerging Markets Committee is a specialised working group established by IOSCO's Executive Committee, representing the world's emerging financial markets. It endeavours to promote the development and improvement in efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programs for the staff of members and facilitating exchange of information and transfer of technology and expertise.
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

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- 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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