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 Consults on Regulatory Issues Raised by Changes in Market Structure

The International Organization of Securities Commissions (IOSCO) published today a Consultation Report on *Regulatory Issues Raised by Changes in Market Structure*, which identifies possible outstanding issues and risks posed by existing or developing market structures. It also provides recommendations to address these potential risks.

At its summit meeting in 2010, the G20 requested that IOSCO "develop recommendations to promote markets´ integrity and efficiency to mitigate the risks posed to the financial system by the latest technological developments." This consultation report forms part of IOSCO´s response to that request.

In the report, IOSCO seeks to gather evidence and views for developing recommendations that promote market liquidity and efficiency, price transparency, and investors' execution quality in a fragmented environment. The report proposes possible policy options and regulatory tools to cope with the potential drawbacks arising from market fragmentation.

The report concludes that securities regulators bear the responsibility for striking an appropriate balance between a market structure that promotes competition among markets, and one that minimizes the potentially adverse effects of fragmentation on market integrity and efficiency, price formation, and best execution of investor orders.

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Accordingly, it says, an appropriately balanced market structure must provide for strong investor protection, foster fair and efficient capital markets and confidence in those markets, and enable businesses to raise capital for the benefit of the overall economy.

The report takes into account the previous analyses and recommendations by IOSCO in other related areas. Specific reference is made to the IOSCO 2011 Report *Principles for Dark Liquidity* and the 2011 Report on *Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency*, as well as to the recently published consultation report on *Technological Challenges to Effective Market Surveillance Issues and Regulatory Tools*.

It also updates the 2001 IOSCO report on *Transparency and Market Fragmentation*, to the extent that it provides an overview of the current state of market fragmentation and regulatory steps taken since 2001 in various members' jurisdictions.

The analysis carried out for the report included the following fact finding exercise:

- A mapping of the various types of trading spaces in different jurisdictions;
- An overview of the regulations and rules that apply to the various types of trading spaces and ultimately the factors that fostered the establishment of multiple trading spaces for the same product;
- An analysis on how liquidity has been dispersed among these different trading spaces in equities and Exchange Trade Funds (ETFs), and
- A dialogue with the industry, including consultation with the relevant IOSCO committees.

The report makes recommendations to monitor the impact of fragmentation on the following areas:

- market integrity and efficiency
- trade information
- on order handling rules and best execution
- on access to liquidity

- market efficiency and resilience

The closing date for comments to this consultation is **10 May 2013**.

NOTES FOR EDITORS

1. FR06/11 *Principles for Dark Liquidity*, Final Report, May 2011
   http://www.iosco.org/library/pubdocs/pdf/IOSCOPD389.pdf

2. FR09/11 *Regulatory issues raised by the impact of technological changes on market integrity and efficiency*, Final Report, October 2011
   http://www.iosco.org/library/pubdocs/pdf/IOSCOPD361.pdf

3. CR12/12 T*echnological Challenges to Effective Market Surveillance Issues and Regulatory Tools.* Consultation Report, August 2012
   http://www.iosco.org/library/pubdocs/pdf/IOSCOPD389.pdf

4. *Transparency and Market Fragmentation*, Report, November 2001
   http://www.iosco.org/library/pubdocs/pdf/IOSCOPD124.pdf.

5. IOSCO is the leading international policy forum for securities regulators and 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 it continues to expand.

6. 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.

7. The Emerging Markets Committee is a specialized working group established by IOSCO's Executive Committee, representing the world's emerging financial markets. It endeavors 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.

8. 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

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