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/17/2013

MADRID, 22 April 2013

IOSCO Publishes Report on Technological Challenges to Market Surveillance

The Board of the International Organization of Securities Commissions (IOSCO) published today a final report on *Technological Challenges to Effective Market Surveillance: Issues and Regulatory Tools*, which makes recommendations to help market authorities address the technological challenges facing effective market surveillance.

An effective surveillance regime is needed to ensure that trading in a given market is fair and orderly, and that market authorities have the ability to detect or uncover market abuse. But in recent years, technological developments in securities markets render it increasingly difficult to achieve these goals.

This final report provides an overview of current market surveillance regimes and identifies the main challenges that technological developments pose to these regimes. It also makes final recommendations to help market authorities develop the regulatory tools for addressing these challenges, particularly with respect to:

- improving surveillance capabilities on a cross-market and cross-asset basis; and
- making more useful to market authorities the data collected for surveillance purposes.

To help market authorities achieve the two goals of an effective surveillance regime, this report considers new regulatory tools for dealing with the challenges they face, including audit trail or surveillance data that permits the reconstruction of trades and order books; a single reporting point for transactions within a jurisdiction; and unique entity identifiers.

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68
mail@oicv.iosco.org - www.iosco.org

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

In 2010, the G20 asked IOSCO to develop recommendations to promote market integrity and efficiency, and mitigate the risks posed to the financial system by the latest technological developments. In response, IOSCO published in October 2011 the report on *Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency.* In August 2012, it issued the consultation report on *Technological Challenges to Effective Market Surveillance: Issues and Regulatory Tools*. The report published today intends to complete the G20 mandate.

A Dramatic Transformation

Securities markets have experienced a sweeping transformation in recent years. Rapid technological advances and regulatory developments have produced fundamental changes in the structure of securities markets, the types of market participants, the trading strategies employed, the increase in the speed of trading and the array of products traded.

Securities trading has become more dispersed among exchanges and various other trading venues. The markets have become more competitive, as exchanges and other trading venues compete aggressively for order flow by offering innovative order types, new data products and other services, and through fees or rebates.

Automation can increase the risk of illegal or otherwise inappropriate conduct, because market participants have the ability to trade large volumes of numerous products in just fractions of a second. The speed at which trading occurs affects the ability to monitor markets effectively in the traditional sense. Because trading has become more dispersed across multiple trading centers, it has become more difficult to monitor and trace orders and transactions.

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68
mail@oicv.iosco.org - www.iosco.org

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

Current surveillance techniques, including the collection, storage and accessibility of data, may need to be enhanced to capture in a timely manner all of the information necessary to monitor efficiently and effectively trading activity that occurs in the current highly automated and dispersed markets.

NOTES FOR EDITORS

1. 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 more than 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 Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair 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 specialized working group, representing the world's emerging financial markets. It seeks 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 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

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: + 34 91 417.55.49 Fax: + 34 91 555.93.68
mail@oicv.iosco.org - www.iosco.org

MEDIA RELEASE

- 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 + 34 91 787 0419
Outside office hours + 34 697 449 639
Email: carlta@iosco.org
Website: www.iosco.org
Follow IOSCO on Twitter here.