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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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Luxembourg, 18 September 2013

IOSCO Reinforces Standard on Cross-Border Cooperation

The International Organization of Securities Commissions (IOSCO) today adopted measures to encourage non-signatory members to sign the IOSCO Multilateral Memorandum of Understanding on cooperation and exchange of information. Established in 2002, the MMoU is the instrument used by securities regulators around the world to fight the cross-border financial services misconduct that can weaken global markets and undermine investor confidence.

IOSCO approved a resolution that calls for gradually restricting opportunities of non-signatory members to influence key IOSCO decisions due to the limited support they can provide to IOSCO's enforcement efforts. As long as jurisdictions remain outside the international enforcement regime of the MMoU, they offer potential safe havens for wrong doers and create gaps in IOSCO's global enforcement network.

The following are the graduated additional measures, which were adopted during IOSCO's 38th Annual Conference from 15 to 19 September in Luxembourg:

- *From 30 September 2013:* All outstanding non-signatory members will be restricted from nominating candidates from their organization for election or appointment to leadership positions.
- *From 31 March 2014:* All outstanding non-signatory members in leadership positions will be asked to step down.

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- *From 30 June 2014:* The participation of non-signatory members in IOSCO Policy Committees will be suspended.
- *From 30 September 2014:* The voting rights of all remaining non-signatory members will be suspended.

Additionally, the resolution suggests that “*members take precautions when exercising their authorization or supervisory and enforcement responsibilities in respect of entities or individuals linked to non-signatory jurisdictions.*”

Some IOSCO members already have measures to that effect in place. The Hong Kong Securities and Futures Commission, for example, expects an overseas company seeking a listing on the local exchange to be incorporated in a jurisdiction where arrangements are in place to ensure reasonable regulatory cooperation. India requires foreign investors in Indian mutual funds and equity shares to fulfil criteria, including being “*resident in a country that is a signatory to IOSCO’s MMoU or a signatory of a bilateral MoU with*” the Securities and Exchange Board of India.

The resolution may lead members to think carefully before deciding to cooperate with non MMoU signatories and to consider whether to request additional assurances or conditions before assisting non-signatories or providing information.

In February, IOSCO published a list of members who had not yet signed the MMoU. IOSCO also pledged to provide a comprehensive program of technical assistance and political support to non-signatory members who required it.

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The Benefits of the MMoU

The MMoU provides a vehicle through which securities regulators share with each other essential investigative material, such as beneficial ownership information, and securities and derivatives transaction records, including bank and brokerage records. It sets out specific requirements for the exchange of information, ensuring that no domestic banking secrecy, blocking laws or regulations prevent the provision of enforcement information among securities regulators.

The resolution adopted on Wednesday has a second aim: to encourage national governments and parliaments to adopt the measures that support securities commissions in their efforts to comply with the MMoU. Twenty-eight members still need to sign the MMoU, and the list of members who have formally expressed their commitment to seek the legislative and administrative changes necessary for achieving the MMoU compliance is 23.

New Signatories

The latest signatories, the Institut Nacional Andorrà de Finances ¹ (INAF) and the State Securities Commission of Vietnam (SSC), formally signed the MMoU on Wednesday, during a special ceremony at the Annual Conference. The new signatories brought to 97 the total number of signatories to the MMoU out of a total of 125 eligible IOSCO members.

Becoming a signatory represents a great success for Andorra's INAF taking into account that this is a precondition for its formal adoption of the Euro in accordance with the Monetary Agreement between Andorra and the European Union, which entered into force from April 2012.

Dr. Vu Bang, Chairman of Vietnam's SSC, said: *"We are delighted to become part of the respectable international community of MMoU signatories. The MMoU has raised the standards of international*

¹ Andorra's INAF application for Ordinary Membership was approved by the IOSCO Board on 17 September 2013.

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cooperation in securities enforcement activities and has significantly deterred market misconduct in increasingly globalized markets. Not only are we looking forward to the significant benefits of the assistance provided by international regulators in our pursuing wrongdoings, but also we are fully committed to honoring the requests from fellow MMoU signatories to the fullest extent permissible and in a swift and faithful manner.”

Georgina Philippou, the Co-Chair of the MMoU Screening Group, said: *“We are delighted that the SSC and INAF have joined the IOSCO MMoU network of signatories. Their experiences in attaining the standards required by the MMoU show that the value of the MMoU is recognised not only by securities regulators but also by other international bodies and by governments. Both jurisdictions worked closely with IOSCO and worked hard to implement legislative change to meet the standards of the MMoU. By signing the MMoU, the SSC and INAF have strengthened their ability to investigate cross border market misconduct and contributed to enhancing the level of global regulation and enforcement. Our aim is that the introduction of these graduated measures will encourage more jurisdictions to become signatories as quickly as possible.”*

Also present at the ceremony were eight out of the nine other members who became signatories since the last Annual Conference in May 2012. These new MMoU signatories are:

- The Securities Commission of The Bahamas
- The Securities Commission of the Federation of Bosnia and Herzegovina
- The Superintendencia del Sistema Financiero of El Salvador
- The Central Bank of Ireland (CBI)
- The Financial and Capital Market Commission of Latvia
- The Reserve Bank of Malawi
- The Qatar Financial Markets Authority
- The Securities and Exchange Commission of Trinidad and Tobago
- The Securities and Commodities Authority of the United Arab Emirates

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The growing number of signatories in recent years has fueled a sharp upsurge in cross-border cooperation among IOSCO members, enabling regulators to investigate an increasing number of insider traders, fraudsters and other offenders. In 2006, a total of 520 requests for assistance were made pursuant to the MMoU; the annual figure increased to 1,624 in 2010, to 2,088 in 2011 and to 2,374 in 2012.

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, United Kingdom and the United States.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavors to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the 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;

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- 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.

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