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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

IOSCO/MR/48/2013

MADRID, 13 December 2013

IOSCO Issues Report on Regulatory Issues Raised by Changes in Market Structure

The International Organization of Securities Commissions today published its final report on [*Regulatory Issues Raised by Changes in Market Structure*](#), which makes four recommendations that seek to promote market liquidity and efficiency, price transparency, and investors' execution quality in a fragmented environment.

The report identifies possible outstanding issues and risks posed by existing or developing market structures and it describes how these risks should be addressed. Finally, it recommends that regulators monitor the impact of fragmentation on market quality.

The report responds to a 2010 request from the G20 that IOSCO “develop recommendations to promote markets' integrity and efficiency to mitigate the risks posed to the financial system by the latest technological developments.”

Previous analyses and recommendations by IOSCO in other related areas have been taken into account in this report. Specific reference is made to the 2011 Report on *Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency* and the 2013 report on *Technological Challenges to Effective Market Surveillance Issues and Regulatory Tools*.

The report 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 in various members' jurisdictions since 2001. In this period, the market structure of most

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jurisdictions surveyed has evolved from a single (or few) trading space within the same jurisdiction to multiple trading spaces for the same financial instrument.

The report looks at the trading of equities and exchange-traded funds on the most common trading spaces identified in a survey of different jurisdictions, including exchange trading market systems, non-exchange trading market systems, and trading over the counter (trading that does not occur on an exchange or non-exchange market system). It does not include the trading of derivatives products.

The work 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 of how liquidity has been dispersed among these different trading spaces in equities and Exchange Trade Funds (ETFs), and
- A dialogue with industry, including consultation with the relevant IOSCO committees.

The consultation report was published for public comment on 21 March 2013. Twenty-one comment letters were received from associations, brokers, banks, and data providers.

This final report outlines the current state of play in market structures in most IOSCO jurisdictions, affirms the main findings and challenges identified through the 2012 survey and the 2013 public consultation. And it adopts as final the recommendations set forth in the March consultation report, and recommends that regulators should monitor the impact of fragmentation on the following:

- market integrity and efficiency
- availability and timeliness of information

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- order handling rules and best execution
- access to liquidity

NOTES FOR EDITORS

1. IOSCO Reports:

CR03/13 Regulatory Issues Raised by Changes in Market Structure, Consultation Report, Report of the IOSCO Board, March 2013, available at:

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD407.pdf>

FR09/11 *Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency*, Final Report, Report of the Technical Committee of IOSCO, October 2011, available at

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD361.pdf>

CR04/13 *Technological Challenges to Effective Market Surveillance Issues and Regulatory Tools*, Final Report, Report of the Board of IOSCO, April 2013, available at

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD389.pdf>

Transparency and Market Fragmentation, Report of the Technical Committee of IOSCO, November 2001, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD124.pdf>

2. 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.
3. 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, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, United Kingdom and the United States.
4. 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.

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5. 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.

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