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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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IOSCO Publishes Report on Regulation of Retail Structured Products

The International Organization of Securities Commissions (IOSCO) today published the final report on [*Regulation of Retail Structured Products*](#), which provides a toolkit outlining regulatory options that securities regulators may find useful to regulate retail structured products.

The Toolkit has been developed with the goal of enhancing investor protection by providing securities regulators with possible approaches to address certain concerns with retail structured products. The proposed tools are intended to allow for a wide range of application and adaptation in different jurisdictions, and regulators may choose to implement some, all, or none of them in their jurisdiction.

Securities regulators may find the Toolkit useful because of the growing popularity of complex financial tools among retail investors. These products combine derivatives with other financial instruments. Retail investors might lose money through not understanding the products' complexity. Several events, including the 2008 default on products relating to the Lehman Brothers failure, exposed the problems retail investors can face with structured products. These events raised concern among IOSCO members about investors understanding of the products, design, disclosure, suitability, mis-selling and post-sale product controls.

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The Toolkit has five sections with 15 regulatory tools that are organised *along the value chain* of the retail structured product market, from issuance to distribution to investment.

They cover:

- A potential regulatory approach to retail structured products;
- Potential regulation of the product design and issuance;
- Potential regulation of product disclosure and marketing;
- Potential regulation of the product distribution; and
- Potential regulation of post-sales practices (once investors have the products).

Edouard Vieillefond, Managing Director of the French Autorité des Marchés Financier, co-led the task force that produced the report, together with Greg Medcraft, Chair of the IOSCO Board and Chairman of the Australian Securities and Investments Commission.

Mr Vieillefond said: *Because it encourages the emergence of a more secured environment along the value chain of the retail structured product market, this Toolkit works as a strong incentive for the industry to develop understandable innovative products to fulfil investors' needs.*

He said: *In this way, this toolkit creates better conditions for financial innovation to suitably progress.*

Background

In February 2012, IOSCO agreed to work on retail structured products, in order:

- to understand and analyse the market, and related regulatory issues; and

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- to develop guidance, if appropriate, on regulatory responses.

In mid-2012, IOSCO conducted a survey among its members. It asked for details of the retail structured product market in their jurisdiction, their regulation of retail structured products, and the regulatory challenges they observed.

IOSCO members were also asked to comment on the best-practice regulatory approaches for dealing with the challenges observed in the market. Twenty six IOSCO members responded to the survey.

These Survey results were supplemented with feedback from attendees of a Round Table held in London in November 2012 and Working Group members. In April 2013, IOSCO published a Consultation Report asking for input from interested parties on the Survey results and the Toolkit.

The report provides an overview of structured products and gives recent examples of regulatory and policy action concerning retail structured products across jurisdictions.

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,

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the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Saudi Arabia, 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 endeavours 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;
 - 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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