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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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IOSCO publishes report on credible deterrence approaches in securities market regulation

The International Organization of Securities Commissions has published the report [*Credible Deterrence*](#), which identifies key enforcement factors that may deter misconduct in international securities and investment markets.

The report draws on the collective experience and expertise of IOSCO members and was produced by IOSCO's Committee 4 on Enforcement and the Exchange of Information, which is chaired by the UK Financial Conduct Authority (FCA). It identifies key elements in the prevention of misconduct and financial crime from a range of international regulatory authorities and encourages regulators operating in both emerging and developed markets to consider how they might integrate credible deterrence into new or existing enforcement strategies.

'Ensuring our enforcement activity acts as a credible deterrent is key to our effectiveness as financial services and markets regulators. This critically important report provides our members with a timely basis for designing, developing and reviewing enforcement strategies. I strongly support it', Chairman Greg Medcraft said.

Georgina Philippou, acting director of enforcement and market oversight at the FCA and chair of IOSCO Committee 4, said:

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‘This is an important contribution to our global efforts to crack down on financial misconduct and rebuild and strengthen financial systems post-crisis. This is not an assessment tool but a think piece to encourage and support securities regulators around the world to consider how they can build effective credible deterrence strategies’.

Credible Deterrence is a key component of any effective enforcement strategy. Deterrence is credible when would-be wrongdoers perceive that the risks of engaging in misconduct outweigh the rewards and when non-compliant attitudes and behaviors are discouraged. Deterrence occurs when persons who are contemplating engaging in misconduct are dissuaded from doing so because they have an expectation of detection and that detection will be rigorously investigated, vigorously prosecuted and punished with robust and proportionate sanctions.

The report cautions that Credible Deterrence cannot be one size fits all and regulators must decide what it means for them in the context of their strategic objectives, powers and responsibilities. They also need to take into account their own market, economic and financial situation.

The IOSCO report includes real examples of effective approaches to achieve deterrence, including timeliness of enforcement intervention, individual accountability and robust sanctions. Other examples reflect new techniques and practices to deter unlawful conduct. The report identifies seven key elements for credible deterrence:

1. **Legal certainty:** Consequences for misconduct must be certain and predictable;
2. **Detecting misconduct:** Regulators must be well connected and obtain the right information;

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3. **Co-operation and collaboration:** Safe havens must be eliminated by working together;
4. **Investigation and prosecution of misconduct:** Enforcement must be bold and resolute;
5. **Sanctions:** Strong punishments must be given to wrongdoers so as to stop them profiting from misconduct;
6. **Public messaging:** Public understanding, transparency and caution must be promoted;
7. **Regulatory governance:** Good governance is necessary to deliver better enforcement.

NOTES TO THE EDITORS

1. *Credible Deterrence* report: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD490.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). The Board is made up of 34 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 Australia, Belgium, Brazil, China, Egypt, France, Germany,

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Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, 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;
- 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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