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IOSCO publishes Report on Cross-Border Regulation

The International Organization of Securities Commissions (IOSCO) today published the final report of the *IOSCO Task Force on Cross-Border Regulation* (Task Force).

The International experience of regulators in developing and implementing cross-border regulations in globalized securities markets has highlighted the challenges they face in ensuring the effectiveness of domestic regulation, without unduly constraining the cross-border offering of financial services or products. In June 2013, IOSCO established the Task Force to assist policy-makers and regulators in addressing these challenges and to consider in detail cross-border regulatory issues.

The final report indicates that cross-border regulation is moving towards more engagement via different forms of recognition to solve regulatory overlaps, gaps, and inconsistencies. While the increased engagement is mostly bilateral at this stage, multilateral engagement is likely to develop further as markets continue to grow and emerge around the world and with the greater use of supervisory Memoranda of Understandings.

The report presents a series of concrete next steps aimed at supporting cross-border regulation and embedding the consideration of cross-border issues more effectively into IOSCO's work. Among these, IOSCO Policy Committees will start to identify and consider specific cross-border implications of their policy-making. For example, there is a need for consideration of how

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regulatory timing will work among jurisdictions and whether there should be more multilateral cooperation prior to the domestic policy-making stage. Task Force members also agree that IOSCO should engage more with the G20 and the Financial Stability Board in order to raise greater awareness of the key issues and challenges faced by IOSCO members on cross-border regulation, including the need for more refined thinking on concepts of “deference”.¹

The report provides a detailed resource for regulators. It includes a toolkit of three broad types of cross-border regulatory options, supporting case studies, a description of the processes used to assess comparability of foreign regulatory regimes, and considerations on the application of the toolkit. These better equip regulators and policy-makers to develop, implement, and evaluate cross-border regulatory approaches.

The report’s analysis and findings are based on a survey across the IOSCO membership regarding their regulatory approaches to cross-border financial activities involving, among others, market intermediaries, securities exchanges and markets, collective investment schemes, and financial market infrastructures. Emphasis was placed on the underlying rationale, experiences, and challenges of developing and implementing these approaches.

The Task Force also conducted three roundtable meetings in Hong Kong, London, and Washington D.C., as well as a public consultation, to gather views from the industry and other stakeholders. Extensive input were received regarding the challenges in complying with cross-border regulations, and how IOSCO can facilitate the development and implementation of cross-border regulatory tools, and enhance coordination among member regulators.

¹ Please refer to the G20 Leaders’ Declaration – Saint Petersburg 2013 at https://g20.org/wp-content/uploads/2014/12/Saint_Petersburg_Declaration_ENG_0.pdf.

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“Promoting consistent regulatory approaches for cross-border market activities is challenging, not least because it must take into account existing differences in markets, regulatory philosophies and other domestic considerations,” said Mr. Ashley Alder, Chief Executive Officer of the Hong Kong Securities and Futures Commission and Chair of the Task Force. “The report reflects this reality but recognizes that increasing global cross-border activity will, in time, result in more engagement to resolve regulatory conflicts and inconsistencies.”

Professor Anne Hérítier Lachat, Chair of the Board of Directors of the Financial Market Supervisory Authority (Switzerland) and Task Force Vice-Chair, said: “There was also clear overall support for IOSCO to play a more active role in cross-border regulation based on all the feedback received”.

NOTES TO THE 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). 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, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South

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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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