

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

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IOSCO Task Force issues report on the regulation of wholesale market conduct

The Board of the International Organization of Securities Commissions today published *IOSCO Task Force Report on Wholesale Market Conduct*, which describes the tools and approaches that IOSCO members use to discourage, identify, prevent and sanction misconduct by individuals in wholesale markets.

Wholesale markets are an important source of finance for companies and economic growth. Misconduct by individuals can undermine investor trust and confidence and the fair and efficient operation of these markets.

The report identifies the tools used by market regulators to minimize misconduct risk arising from the particular characteristics of wholesale markets, such as a decentralized market structure, opacity, conflicts of interest involving market makers, size and organizational complexity of market participants, and increasing automation.

Mr. Ashley Alder, Chair of the IOSCO Board and Chair of the Task Force on Market Conduct, said: *“Misconduct erodes investor trust and confidence in financial services and undermines the effective operation of financial markets, including wholesale markets. The LIBOR and FX scandals highlight the severe consequences when firms or individuals fail to manage risk effectively or to observe proper standards of market conduct. This report provides tools to help IOSCO members minimize conduct risk in wholesale markets.”*

Relevant tools to address this risk include tailored enforcement and remedial sanctions, such as orders to participate in market structural reforms or agreed remediation and other undertakings; surveillance and data analysis to identify suspicious trades; and the protection of whistleblowers. Also important in this area are tools designed to facilitate the sharing of information to track so-called bad apples -- individuals with poor conduct records who move frequently from one company to another; ensure individual responsibility and accountability, such as liability or clear allocation and mapping of senior management's responsibilities; and address increased automation, such as regulation of high frequency trading and direct electronic access or the establishment of legal certainty on computer-based forms of trading abuses.

The report also describes the regulatory requirements for market participants in wholesale markets, which are based upon broad expectations of their market conduct, such as honesty, integrity and competence. These expectations are consistent with existing IOSCO principles, standards and other initiatives on conduct regulation, including its *Principles for Financial Benchmarks*, published in July 2013.

Finally, the report provides an overview of the ways in which market regulators help ensure that firms and individuals meet their obligations under the legal, regulatory and supervisory frameworks in their jurisdictions.

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) and is made up of 34 securities regulators. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Malaysia, Mexico, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, the Netherlands, Turkey, the United Kingdom, and the United States of America.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global

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regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

4. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting 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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