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

IOSCO/MR/04/2018

Madrid 21 February 2018

IOSCO consults on guidance to address conflicts of interest in the equity capital raising process

The Board of the International Organization of Securities Commissions (IOSCO) today is proposing guidance to help its members address conflicts of interest and associated misconduct risks that may arise during the equity capital raising process.

Conflicts of interest and associated conduct risks stemming from the role of intermediaries can threaten the integrity and efficiency of equity capital raising, damage investor confidence and undermine capital markets as an effective vehicle for issuers to raise funding. To help regulators identify and address these issues, IOSCO has issued today the consultation report *Conflicts of interest and associated conduct risks during the equity capital raising process.*

The report describes the key stages of the equity raising process where the role of intermediaries might give rise to conflicts of interest, and it requests public comment on IOSCO´s proposed guidance for tackling these issues. The guidance comprises eight measures that are grouped according to the various stages in the capital raising process. Each group of measures addresses the following specific conflicts of interest:

- Guidance to address conflicts of interest and pressure on analysts during the formative, pre-offering phase of a capital raising;
- Guidance to address conflicts of interest during the allocation of securities;
- Guidance to address conflicts of interest in the pricing of securities offerings; and
- Guidance to address conflicts of interest and conduct risks stemming from personal transactions by staff employed within firms managing a securities offering.

IOSCO believes that the Guidance could help enhance the range and quality of timely information made available to investors during equity capital raising, improve the transparency of allocations, and increase the efficiency and integrity of the overall process.

Responses to a survey of IOSCO members indicated that while different jurisdictions share some common characteristics, they tend to have different market practices and different legal and regulatory frameworks governing the equity capital raising process. As a result, the severity of the conflicts of interest and associated misconduct risks, and the harm they can inflict, vary across jurisdictions. Consequently, the guidance is designed to provide IOSCO members with a degree of flexibility over how they implement the measures domestically, to ensure that these measures are appropriate for the legal and regulatory framework and the specific risks arising in each jurisdiction.

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Public comments on the consultation paper on equity capital financing **should be submitted on or before 4 April 2018.**

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. Mr. 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, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Panama, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Mr. 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 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 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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