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## **MEDIA RELEASE**

### **IOSCO ACTION PLAN TO STRENGTHEN CAPITAL MARKETS AGAINST FINANCIAL FRAUD**

The Technical Committee of the International Organization of Securities Commissions (IOSCO) today released its [Report on Strengthening Capital Markets Against Financial Fraud](#). The Report is the result of an in-depth study of recent financial scandals involving large, global companies and represents a top-to-bottom review of securities market regulation aimed at identifying possible weaknesses to the international financial system and how these weaknesses can be addressed.

The past few years have seen several well-known companies with significant international operations become mired in financial scandal. In some of these cases, investors have lost hundreds of millions or even billions of dollars. A number of the companies involved have been forced into bankruptcy as a direct or indirect result of the scandals. Collectively, these financial scandals caused many to be concerned about investors' confidence in the integrity of global capital markets.

In the wake of these scandals, IOSCO, as the principal international securities regulatory standards-setting organization, recognized that reassuring investors about the integrity of global capital markets was essential to financial stability and economic prosperity. Consequently, the IOSCO Technical Committee formed a high-level Task Force charged with inquiring into the regulatory issues exposed by these scandals and identifying any broad trends. After considering the Task Force's work, the Technical Committee agreed on an action plan to address these issues. The Report released today outlines the issues and the action plan. The Report also includes a description of priority work designed to rectify the most pressing concerns. A list of specific actions that IOSCO will undertake is included as an appendix to the Report's Executive Summary.

Significantly, the Report also sets out two overarching operational priorities for IOSCO's future: (1) promoting implementation of existing international standards and principles; and (2) improving the abilities of securities regulators to cooperate with each other in enforcing existing securities laws and regulations. The Report notes that, in many cases, there already exist international standards and principles designed to address the weaknesses identified by the Task Force. However, absent thorough implementation and enforcement by all securities regulators, these weaknesses will remain. Consequently, by emphasizing implementation and enforcement

cooperation, the Technical Committee believes it can significantly enhance the effectiveness of the international infrastructure supporting securities markets..

The Report notes that the Technical Committee is adopting three policies to help achieve these goals:

1. Emphasizing implementation of all existing IOSCO standards and principles by assessing IOSCO members on their implementation, setting implementation benchmarks, and making implementation a cornerstone of IOSCO's program to provide technical assistance and advice to securities regulators in developing markets;
2. Confirming that the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information is the benchmark for enforcement cooperation among IOSCO members, with the goal of eventually making the ability to sign on to the Multilateral MOU a primary benchmark for continued membership in IOSCO;<sup>1</sup>
3. Prioritizing those historically under-regulated and uncooperative jurisdictions posing the most significant threat to global financial system and engaging these jurisdictions in a dialogue on how they can improve their regulatory oversight and abilities to cooperate with foreign counterparts.

Commenting on the Report, Hong Kong Securities and Futures Commission and IOSCO Technical Committee Chairman Andrew Sheng noted "The Technical Committee's Report on Strengthening Capital Markets Against Financial Fraud is a blueprint for IOSCO's future. By reviewing the regulation of global capital markets as an entire interlocking system, the Technical Committee has been able to identify where the weaknesses in the system are and set its priorities accordingly."

The Task Force charged with inquiring into recent financial scandals was jointly chaired by Commissioner Roel C. Campos of the US Securities and Exchange Commission and Chairman Lamberto Cardia of the Italian Commissione Nazionale per le Società e la Borsa. Commissioner Campos noted, "Through this Report, the Technical Committee has looked at securities regulation from the ground up. Recent scandals have involved issues ranging from weak corporate governance to auditing failures to the use of complex corporate structures. By looking at the system as a whole, patterns emerge that may not be as easily identified when these scandals are viewed in isolation."

Chairman Cardia, however, warned that strengthening capital markets against financial fraud is not something securities regulators can do alone. "Even with the highest quality regulatory standards, fully implemented and enforced, it will not be possible to totally eliminate financial fraud. It takes constant vigilance by all stakeholders — corporate issuers, investors, auditors, analysts, intermediaries, and regulators alike — to minimize market misconduct."

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<sup>1</sup> When signing the IOSCO Multilateral MOU, securities regulators agree to assist other signatories in their enforcement investigations and prosecutions by collecting and sharing certain enforcement-related information with each other, such as bank and brokerage account information and witness testimony. A copy of the IOSCO Multilateral MOU can be found on IOSCO's website, along with a list of current signatories.

Further details of the IOSCO Action Plan and this project can be found in the report located on the IOSCO website at [www.iosco.org](http://www.iosco.org).

For further information contact

Philippe Richard, IOSCO Secretary General 34 91 417 5549 or 34 650 378 898

Andrew Larcos, Public Affairs Officer 34 91 417 5549 or 34 679 969 004